



UNITED STATES
DEPARTMENT OF STATE



USAID
FROM THE AMERICAN PEOPLE

JOINT HIGHLIGHTS OF
PERFORMANCE, BUDGET, AND FINANCIAL INFORMATION
FISCAL YEAR 2007



Transforming the World through Diplomacy and Development

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THE ANNAPOLIS CONFERENCE



ABOUT THIS REPORT

This joint Highlights Report, prepared by the Department of State and the U.S. Agency for International Development (USAID), is a summary of the two agencies' 2007 performance, budget and financial information as well as a summary of their budget requests for 2009. The Report highlights the successes and challenges that the Department and USAID encountered in 2007 while implementing programs that support the agencies' Joint Strategic Plan for Fiscal Years 2007-2012. This reporting period also marks the first year of program planning and implementation under the foreign assistance reform announced by Secretary Rice in 2006.

This Report reflects the two agencies' participation in the Office of Management and Budget's *Pilot Program for Alternative Approaches to Performance and Accountability Reporting*. Under this voluntary program, a number of federal agencies chose to reconfigure their annual reporting documents and publishing dates in an effort to present more streamlined and timely information that clarifies the relationships between performance, budget and financial reporting.

As part of the three-tiered Pilot Program reporting schedule, USAID and the Department of State issued Agency Financial Reports on November 15, 2007. The agencies' complete Annual Performance Report for 2007 and Annual Performance Plan for 2009 will be issued in conjunction with the 2009 budget request to Congress, the Congressional Budget Justification (CBJ). This Highlights Report, due on February 1, 2008, is the third component of the Pilot Program. Upon release of the President's Budget on February 4, 2008, this Report was updated to reflect the 2009 budget request information.

Web links to each of the above documents can be found in the relevant sections of the joint Highlights Report.





OUR MISSION STATEMENT

Advance freedom for the benefit of the American people and the international community by helping to build and sustain a more democratic, secure, and prosperous world composed of well-governed states that respond to the needs of their people, reduce widespread poverty, and act responsibly within the international system.

OUR VALUES

L O Y A L T Y

Commitment to the United States and the American people.

C H A R A C T E R

Maintenance of high ethical standards and integrity.

S E R V I C E

Excellence in the formulation of policy and management practices with room for creative dissent. Implementation of policy and management practices, regardless of personal views.

A C C O U N T A B I L I T Y

Responsibility for achieving United States foreign policy goals while meeting the highest performance standards.

C O M M U N I T Y

Dedication to teamwork, professionalism, and customer perspective.

D I V E R S I T Y

Commitment to having a workforce that represents the diversity of America.



MESSAGE FROM THE SECRETARY OF STATE



As we work around the world to promote and defend our national interests and ideals, the United States and our friends and allies face many challenges. At our overseas missions and Washington bureaus, our foreign policy professionals work together with their interagency partners to address challenges as diverse as the proliferation of weapons of mass destruction, the global threat of terrorism, weak and poor governance, the irresponsible behavior of some governments, and the spread of poverty, disease, and environmental degradation.

As reported last year, the Department of State, in conjunction with the U.S. Agency for International Development (USAID) fundamentally reorganized the way it plans, budgets, and manages foreign assistance to achieve greater integration and focus. This reform is taking root in our increased capability to use foreign assistance more efficiently and more effectively not only to further our foreign policy goals and bolster our national security, but also to reduce poverty and improve people's lives around the world.

Some of our accomplishments in FY 2007 are outlined below:

- The Department of State led the "civilian surge" component of President Bush's "New Way Forward" strategy, more than doubling our Provincial Reconstruction Team (PRT) presence in Iraq. PRTs not only helped increase local and provincial governance capacity in Iraq but also fostered political accommodation among Iraq's ethnic and sectarian groups at the local level in parallel with Embassy Baghdad's efforts to promote national reconciliation.
- With a new Palestinian Authority government committed to peace, recognition of Israel, and a two-state solution, the Department advanced bilateral talks and established a foundation for peace in the Middle East.
- The U.S. Government's response to the global challenge of HIV/AIDS and investment in the President's Emergency Plan for AIDS Relief have enabled us to build networks in developing nations that are saving lives in the face of a devastating international health crisis.
- The United States committed to strengthen energy security and effectively address climate change at home and abroad. We are fully engaged in the United Nations Framework Convention on Climate Change and the development of an environmentally effective and economically sustainable framework to address climate change.

The Department of State and USAID work closely together to meet the global challenges of the twenty-first century. I am pleased to offer this summary of key performance, budget, and financial information and provide a statement of assurance that the data herein are complete and reliable. This report documents the value of our investments as the Department of State and USAID engage in an extraordinary partnership to transform our world for the better through diplomacy and development.

Condoleezza Rice
Secretary of State
February 1, 2008



MESSAGE FROM THE USAID ADMINISTRATOR AND DIRECTOR OF U.S. FOREIGN ASSISTANCE



During 2007, USAID managed \$13.5 billion in foreign assistance funding. These resources addressed serious issues such as: intensifying efforts to combat HIV/AIDS and malaria; post-conflict rebuilding of Afghanistan, Iraq, Lebanon, and parts of Africa; promoting education and democracy; and responding to humanitarian crises. I am pleased to share a few of our 2007 accomplishments in these areas:

- Concluded our 17-year support to Bulgaria's transition from a centralized communist state to a democracy and free market economy. Bulgaria is now solidly grounded as a new member of the European Union, and a new donor country.
- Protected 22.3 million people from malaria in 15 focus countries under the President's Malaria Initiative (PMI). The PMI is already seeing major reductions in malaria transmission in four countries, and a 95 percent reduction in malaria infections throughout Zanzibar.
- Contributed significantly to a 22 percent reduction of Afghanistan's infant mortality rate, among the highest in the world, through vaccinations and other health care services. Approximately 88,000 lives are saved per year as a result of over 670 clinics built by USAID.
- Improved the skills of over 11,000 educators in 20 sub-Saharan African countries under the President's Africa Education Initiative (AEI). Nearly 100,000 girls in 39 countries received scholarships and mentoring, and over 5.5 million textbooks and learning materials were provided in the region.
- Trained more than 100,000 justice sector personnel worldwide to strengthen effective democracies.
- Supported 68,282 micro and medium businesses in accessing \$589 million of private investment through USAID's Development Credit Authority guarantee, thereby expanding new markets and contributing to economic growth.
- Responded to 76 disasters in 56 countries and provided more than \$410 million in non-food assistance for natural disasters and complex humanitarian crises around the world. Also, USAID provided more than \$1.4 billion in P.L. 480 Title II food aid assistance and played a critical role in the prevention of famine in Darfur, Sudan, where it provided 50 percent of the United Nations World Food Program Sudan appeal, representing more than 67 percent of all donor contributions. Furthermore, USAID provided more than \$50 million in disaster preparedness and mitigation programs.

For the fifth consecutive year, USAID earned unqualified opinions on its financial statements. We also made significant progress under the Improved Financial Performance initiative of the President's Management Agenda by scoring green in both status and progress due to a new accounting system, Phoenix, which improved the accuracy and timeliness of our financial information.

Along with the Department of State, I am pleased to present the *Highlights of Performance, Budget, and Financial Information for Fiscal Year 2007*, and am pleased to certify that the budget, financial and performance data are complete and reliable.

Henrietta H. Fore

USAID Administrator and Director of U.S. Foreign Assistance

February 1, 2008

OUR ORGANIZATIONS

The Department of State is the lead institution for the conduct of American diplomacy and the Secretary of State is the President's principal foreign policy advisor. Headquartered in Washington, D.C., the Department's mission is carried out by six regional bureaus, the Bureau of International Organization Affairs, and numerous functional and management bureaus. The Department has an extensive worldwide presence, with 260 embassies, consulates, and other posts worldwide. The Department's success in achieving its mission is due to the creativity, knowledge, skills, and integrity of its dedicated team of employees. The Foreign Service is a diplomatic corps of more than 11,000 employees dedicated to representing America and responding to the needs of American citizens living and traveling around the world. The Department's Civil Service corps, totaling more than 8,000 employees, provides continuity and expertise in accomplishing all aspects of the Department's mission. There are also more than 37,000 Locally Engaged Staff at overseas posts – all dedicated employees working together to achieve the Department's strategic goals and to implement U.S. foreign policy.



Secretary of State Condoleezza Rice shakes hands with students holding American and Australian flags at the Peninsula Boys and Girls Club in Menlo Park, California.

AP Photo/Paul Sakuma



A former state-run Romanian orphanage has been transformed into a modern child welfare center with U.S. Government assistance. A 6-year-old boy, pictured with USAID Administrator Henrietta Fore, attends an on-site day care program that delivers a complement of rehabilitative treatments. USAID Photo/Razvan Chirita

The United States Agency for International Development (USAID)

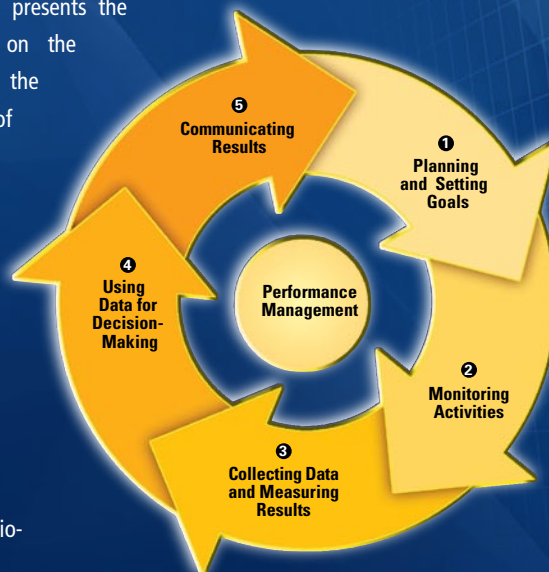
is the U.S. Government's lead institution for reducing poverty in the developing world. USAID pursues this aim by mobilizing the full range of America's public and private capabilities and resources and by linking those resources effectively with the governments and people served through an outstanding, on-the-ground presence. USAID implements programs in more than 100 countries through its eight Washington bureaus and more than seventy-five field missions. More than 76 percent of USAID's 7,900 employees (including Foreign Service, Civil Service, Foreign Service National, and personal service contractors) serve overseas. Since 2001, USAID has employed a public-private alliance model that leveraged \$5.8 billion in cash and in-kind contributions from over 1,700 alliance resource partners. Such partners include more than 100 universities and 20 of the top 50 Fortune 500 companies. As part of foreign assistance reform, the USAID Administrator serves concurrently as Director of U.S. Foreign Assistance in the Department of State.

PERFORMANCE HIGHLIGHTS

The Department of State and USAID are committed to using performance management best practices to ensure the most advantageous U.S. foreign policy and development outcomes, and promote greater accountability to our primary stakeholders, the American people. At both agencies, performance management is a multi-part process: setting strategic goals and priorities; monitoring program activities; collecting data and measuring progress toward achievement of goals; using performance information to influence program and resource allocation decision-making; and communicating results to stakeholders, as illustrated in the diagram below.

The Department and USAID have taken a series of steps to improve the coordination of budget and performance planning and reporting in order to better align programs with management resources. For example, the two agencies developed a joint planning process in preparing the Foreign Assistance and State Operations budget requests and this year, for the first time, key performance measures are linked to these requests. The breadth and complexity of these measures preclude linking resources to each indicator individually, but the performance indicators are grouped under clearly defined strategic priority areas, which are in turn linked to budget requests.

The following Performance Highlights section presents the Department of State and USAID ratings on the President's Management Agenda scorecards, the status of programs assessed through the Office of Management and Budget's Program Assessment Rating Tool, key management challenges for both agencies, and a discussion of the public benefits of the shared USAID and Department of State strategic goals, including a representative set of performance indicators and the status of progress toward achieving them. A full discussion of these indicators is included in the organizations' 2007 Annual Performance Reports and 2009 Annual Performance Plan, found in the Congressional Budget Justification.



THE PRESIDENT'S MANAGEMENT AGENDA

U.S. DEPARTMENT OF STATE

The President's Management Agenda (PMA) is the President's strategy for improving the management and performance of the federal government, with a focus on results. The PMA contains five government-wide and nine agency-specific initiatives that hold federal agencies to a standard of excellence for achieving results that matter to the American people. On an annual basis, the Department works with the Office of Management and Budget (OMB) to set a vision for where the agency would be "Proud To Be" the following year on PMA goals. The Department and OMB then strategize on how best to accomplish "Proud To Be" goals through incremental progress on each initiative. OMB tracks agency activities and issues a PMA executive scorecard on a quarterly basis, which rates the Department's progress and overall status for each of the PMA initiatives using a color-coded grading scale of red, yellow, and green.



Improving management performance has been an important priority and to date the Department has achieved green status for three of the five government-wide initiatives as well as for two agency-specific initiatives: Federal Real Property Asset Management and Right-Sized Overseas Presence. Below are the Department's complete scorecard results as of September 30, 2007. For more information please visit: <http://www.whitehouse.gov/results/agenda/scorecard.html>.

PMA Initiative	Description	Status	Progress
Strategic Management of Human Capital	Build, sustain, and deploy effectively a skilled, knowledgeable, diverse and high-performing workforce aligned with mission objectives and goals.	●	●
Improved Financial Performance	Implement world-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people.	●	●
Competitive Sourcing	Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions.	●	●
Performance Improvement	Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is better control of resources and greater accountability over results.	●	●
Expanded Electronic Government	Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulation) so that Americans can receive high-quality government service.	●	●
Federal Real Property Asset Management	Promote the efficient and economical use of America's real property assets.	●	●
Right-Sized Overseas Presence (OMB Lead)	Reconfigure U.S. Government overseas staff allocation to the minimum necessary to meet U.S. foreign policy goals.	●	●

Explanation of Status Scores:

- Agency meets standards for success
- Agency has achieved intermediate levels of performance
- Agency has any number of serious flaws

Explanation of Progress Scores:

- Implementation is proceeding according to plan
- There is some slippage in implementation schedule or quality of products
- Initiative is in serious jeopardy

THE PRESIDENT’S MANAGEMENT AGENDA

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



Since 2001, USAID has demonstrated steady improvement in its PMA scorecard ratings reflecting the Agency’s commitment to improving performance and management of its operations. Six years ago, all USAID’s PMA initiatives were rated “red” for status and progress. Now, except for one, all scorecards are green or yellow in status and progress. Below are the Agency’s scorecard results as of September 30, 2007. For more information, please visit <http://www.whitehouse.gov/results/agenda/scorecard.html>.

PMA Initiative	Description	Status	Progress
Strategic Management of Human Capital	Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives and goals.	●	●
Improved Financial Performance	Implement world-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people.	●	●
Competitive Sourcing	Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions.	●	●
Performance Improvement	Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is better control of resources and greater accountability over results.	●	●
Expanded Electronic Government	Expand the federal government’s use of electronic technologies (such as e-procurements, e-grants, and e-regulation) so that Americans can receive high-quality government service.	●	●
Federal Real Property Asset Management	Promote the efficient and economical use of America’s real property assets.	●	●
Faith-Based and Community Initiatives	Identify and remove the inexcusable barriers that thwart the work of faith-based and community organizations.	●	●
Explanation of Status Scores: ● Agency meets standards for success ● Agency has achieved intermediate levels of performance ● Agency has any number of serious flaws		Explanation of Progress Scores: ● Implementation is proceeding according to plan ● There is some slippage in implementation schedule or quality of products ● Initiative is in serious jeopardy	

PROGRAM ASSESSMENT RATING TOOL (PART)

U.S. DEPARTMENT OF STATE

The Office of Management and Budget’s (OMB) Program Assessment Rating Tool (PART) is used by agencies across the Federal Government to assess program performance and to drive a sustained focus on program results. PART assessments review overall program effectiveness, from how well a program is designed to how well it is implemented and what results it achieves. Programs are rated in five categories: Effective, Moderately Effective, Adequate, Ineffective, and Results Not Demonstrated.



Since 2002, the Department and OMB have used PART to review a total of 52 programs covering State Operations and Foreign Assistance, three of which are jointly administered with USAID. The chart below lists these programs and their PART scores and ratings. None of the Department’s programs are rated as Ineffective or Results Not Demonstrated, whereas 22 percent of U.S. Government programs carry one of these two ratings. For additional information on PART and these assessments, please visit <http://www.expectmore.gov>.

Program Name	Score and Rating
Contributions to International Atomic Energy Agency	98% Effective
Educational & Cultural Exchanges, NEA/SCA	97% Effective
Educational & Cultural Exchanges, Global	97% Effective
Capital Security Construction	97% Effective
Migration & Refugee Assistance-Protection	96% Effective
UN High Commissioner for Refugees	96% Effective
South Asia Military Assistance	93% Effective
Humanitarian Demining	93% Effective
Migration & Refugee Assistance-Other	93% Effective
International Boundary & Water Commission	92% Effective
Visa & Consular Services	92% Effective
Worldwide Security Upgrades	92% Effective
Humanitarian Migrants to Israel	91% Effective
Contribution to UN Development Program	91% Effective
Contribution to UNICEF & Other Programs	91% Effective
Global Peace Operations Initiative	91% Effective
Security Assistance for Western Hemisphere	90% Effective
Export Control Assistance	90% Effective
Nonproliferation & Disarmament Fund	89% Effective
Foreign Service Institute	88% Effective
Support for East European Democracy/FSA	88% Effective
U.S. Embassy Compound Security	87% Effective
International Peacekeeping Activities	86% Effective
Refugee Admissions to the U.S.	86% Effective
Non-Security Embassy Construction	86% Effective
Terrorist Interdiction Program	85% Effective
Anti-Terrorism Assistance	85% Effective
Organization for Security and Cooperation in Europe	83% Moderately Effective
Contributions to International Organizations	82% Moderately Effective

Program Name	Score and Rating
Military Assistance to NATO & NATO Aspirant Nations	82% Moderately Effective
Assistance to Refugees	82% Moderately Effective
Security Assistance to Sub-Saharan Africa	77% Moderately Effective
Global Threat Reduction	76% Moderately Effective
President’s Emergency Plan for AIDS Relief (PEPFAR)-Focus Countries	73% Moderately Effective
Protection of Foreign Missions and Officials	72% Moderately Effective
Economic Support Fund-Western Hemisphere	71% Moderately Effective
Security Assistance for Near East Asia	69% Adequate
Economic Support Fund-Africa	67% Adequate
Human Rights and Democracy Fund	66% Adequate
PEPFAR-Global Fund	65% Adequate
Interagency Cooperative Administrative Support Services	65% Adequate
Contributions to International Fisheries Commissions	59% Adequate
Public Diplomacy	59% Adequate
PEPFAR-Other Bilateral Programs	58% Adequate
International Narcotics Control & Law Enforcement (INCLE), Africa/Asia	53% Adequate
INCLE, WHA	53% Adequate
Andean Counterdrug Initiative	52% Adequate
International Information Programs	50% Adequate
INCLE, South Asia	50% Adequate

Legend	
Effective (85-100%)	
Moderately Effective (70-84%)	
Adequate (50%-69%)	
State Operations PARTs	
Foreign Assistance PARTs	

PROGRAM ASSESSMENT RATING TOOL (PART)

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



USAID uses PART assessments to direct program improvements and hold managers accountable for those improvements. PART findings inform funding requests and management actions. PART indicators are integrated into Missions' Operational Plans and Performance Management Plans, where appropriate, with resulting data used to support implementation and help inform future activity development. PART data are also reported annually by overseas Missions for aggregation into broader Agency reporting.

To date, USAID and the Office of Management and Budget have used the PART to review 14 programs administered by USAID, three of which are jointly administered with the Department of State. Of the 14 programs, nine were assessed as Moderately Effective, and five as Adequate. None of the Agency's PART programs were rated Ineffective or Results Not Demonstrated. For additional information on USAID's PART status, please visit <http://www.expectmore.gov>.

Program Name	Score and Rating	Legend
Office of Transition Initiatives	80% Moderately Effective	<ul style="list-style-type: none"> ■ Effective (85-100%) ■ Moderately Effective (70-84%) ■ Adequate (50%-69%)
Child Survival and Health - Population	78% Moderately Effective	
Development Credit Authority	77% Moderately Effective	
Development Assistance to Latin America and the Caribbean	75% Moderately Effective	
Child Survival and Health for Latin America and the Caribbean	75% Moderately Effective	
US Agency for International Development Administration and Capital Investment	70% Moderately Effective	
USAID's Development Assistance for Sub-Saharan Africa	66% Adequate	
Food Aid for Emergencies and Development (Public Law 480 Title II)	61% Adequate	
US Agency for International Development Climate Change Program	58% Adequate	
Africa Child Survival and Health	58% Adequate	
International Disaster and Famine Account	57% Adequate	

DEPARTMENT OF STATE/USAID JOINT PART PROGRAMS

Program Name	Score and Rating
Assistance to Transforming Countries	80% Moderately Effective
Assistance to Developing Countries	75% Moderately Effective
Assistance to Rebuilding Countries	73% Moderately Effective



U.S. DEPARTMENT OF STATE MANAGEMENT CHALLENGES



Below is an abridged version of the statement from the Office of Inspector General (OIG) that highlights the Department’s most serious management and performance challenges for 2007, followed by a brief assessment of progress toward addressing those challenges. For the full statement found in the Department’s 2007 Financial Report, please visit: <http://www.state.gov/s/d/rm/rls/perfrpt/2007/>.

PROTECTION OF PEOPLE AND FACILITIES	
SECURITY UPGRADES	
Action Taken	The Department addressed security vulnerabilities at overseas posts through new construction and security upgrade programs.
Actions Remaining	The Department must identify and fund interim solutions to address security vulnerabilities at facilities awaiting long-term new construction or security upgrades.
EMERGENCY PREPAREDNESS	
Action Taken	The Department opened a Domestic Emergency Command Center to handle emergencies and implemented a Warden Program that trains wardens to assist employees in evacuating a building or directing them to designated shelter.
Actions Remaining	The Department needs to continue developing Facility Emergency Action Plans for all Washington area facilities and develop and implement domestic policies and procedures.
STRENGTHENING INFORMATION SECURITY	
Action Taken	The Department created the Information Security Steering Committee to help resolve differences in the information security process. Training and awareness, contingency planning, and incident response are the strongest areas of operational development.
Actions Remaining	The Department must strengthen program planning elements, clarify roles and responsibilities for inventory management, establish accountability for the maintenance of accurate inventory records, improve the planning process, increase funding for the Office of Information Programs and Services, and reevaluate existing policies regarding cellular phones.
IMPROVING FINANCIAL MANAGEMENT BY PROVIDING COMPLETE FINANCIAL STATEMENTS IN A TIMELY MANNER	
Action Taken	The Department received an unqualified (“clean”) audit opinion on its FY 2006 financial statements. In 2007, the Department improved its processes for accounting for real and personal property, and implemented a new central (“core”) financial management system. For the FY 2007 financial statements, the independent auditor was unable to express an opinion. Due to the complexities involved with installing the new core financial system, State was unable to fully provide supporting material in a timely manner, and the independent auditor was unable to perform other procedures to satisfy themselves as to the accuracy of the financial statements in time to meet the November 15, 2007 reporting date established by OMB.
Actions Remaining	The Department needs to provide financial statements and documentation in a timely manner and address weaknesses in controls over personal property, undelivered orders and financial systems.
HUMAN RESOURCES – STAFFING	
Action Taken	The Director General of the Foreign Service and the Bureau of Human Resources redesigned the assignment system to fill key overseas positions, changed the Foreign Service examination process, took steps to strengthen the retirement office, and launched a shared services structure for certain human resources functions.
Actions Remaining	The Department’s shared services centers should consider consolidating certain HR functions into a single center and undertake more rigorous planning and analysis to lay out clear objectives for the Global Repositioning Program. The Department also needs to overcome a 15% deficit in mid-ranked Foreign Service positions.
COUNTERTERRORISM AND BORDER SECURITY – CROSS-BORDER INITIATIVES	
Action Taken	Regional security officers were assigned to each border consulate to improve the security of the consulates and enhance the coordination of cross-border law enforcement issues that affect bilateral commercial development.
Actions Remaining	The Department must focus on prioritizing non-consular issues in the operations of border posts by providing posts with the staff and attention to coordinate on U.S. business interests, environmental safety, quality of life and border security.
PUBLIC DIPLOMACY COORDINATION	
Action Taken	The Department has improved public diplomacy coordination by implementing recommendations from the OIG and the Government Accountability Office and improving strategic planning. The Department also has made progress in measuring the impact and outcomes of public diplomacy efforts.
Actions Remaining	A long term challenge for the Department is to increase public diplomacy officers’ foreign language capabilities.
POST-CONFLICT RESOLUTION AND STABILIZATION – RESTRUCTURING OF S/CRS	
Action Taken	The Office of the Coordinator for Reconstruction and Stabilization (S/CRS) has a new relationship with the Director of Foreign Assistance, a major role in implementing the S/CRS charter in the National Security Presidential Directive-44, a lead role in developing the Civilian Reserve Corps, and management of the Department of Defense FY 2007 \$100 million transfer authority.
Actions Remaining	S/CRS needs to restructure so that the organizational structure reflects the actual delineation of responsibilities and promotes coordination and communications.

USAID MANAGEMENT CHALLENGES



Below is a summary of a statement prepared by USAID's Office of the Inspector General (OIG) that outlines what the OIG considers the most serious management and performance challenges facing the Agency. A summary of the issues, actions taken in 2007, and the actions remaining are presented for each area of concern. USAID aggressively pursues corrective actions for all significant challenges, whether identified by the OIG, Government Accountability Office, or other sources. For additional information, please visit: <http://www.usaid.gov/policy/afr07/>.

FINANCIAL MANAGEMENT – ACCRUAL ACCOUNTING AND REPORTING	
Action Taken	USAID prepared a quarterly reconciliation of its Phoenix Accruals System and documented and resolved all differences. The Agency implemented a new web-based training course for all current Cognizant Technical Officers (CTOs) and updated its mandatory Accruals training course.
Actions Remaining	The quarterly report will be reviewed for one more accrual cycle. <i>Target completion date:</i> February 29, 2008.
MANAGING FOR RESULTS – PERFORMANCE IMPROVEMENT INITIATIVE	
Action Taken	USAID issued its Operational Plan Guidance for 2007 and trained 1,000 employees on the new requirements. The Agency worked closely with the Department and OMB to improve planning and coordination of the Performance Improvement scorecard, and developed an operating expense integration plan for the 2009 budget submission.
Actions Remaining	All actions completed.
MANAGING FOR RESULTS – PERFORMANCE MANAGEMENT AND REPORTING	
Action Taken	USAID highlighted the importance of Data Quality Assessments (DQA) in its 2008 Operational Plan Guidance. The guidance reiterates policies and procedures that ensure performance data is complete, accurate, and as consistent as resources permit. The guidance requires DQAs for all performance data reported to Washington at least every three years.
Actions Remaining	All actions completed.
ACQUISITION AND ASSISTANCE – COMPETITIVE SOURCING	
Action Taken	USAID completed its second competition under the competitive sourcing initiative of Directives and Records Management functions. The competition was won by the in-house Most Efficient Organization (MEO) and is expected to save USAID \$795,000 over the next five years. In June, the Business Transformation Executive Committee approved a revised competitive sourcing strategy that focuses on agency-wide functions and examines a wide range of outsourcing, insourcing, and contract restructuring options to increase efficiency. The first feasibility study based on the revised strategy is the Washington-based Administrative Support Services.
Actions Remaining	<i>Target completion date:</i> Achieved "yellow" status in Competitive Sourcing in the first quarter of 2008.
ACQUISITION AND ASSISTANCE – PROCUREMENT PROCESSES AND SYSTEMS	
Action Taken	USAID piloted a new automated contract writing system and launched contracting and assistance templates to standardize solicitations for contracts and grants. A web-based reporting system for contracts and grants was implemented to replace outmoded systems. The Contract Review Board published findings and best practices.
Actions Remaining	Additional staff is needed to support programs for AIDS, Iraq, Afghanistan, other critical initiatives and to replace retiring staff. Further progress depends on availability of additional financial resources. <i>Target completion date:</i> September 30, 2009.
HUMAN CAPITAL – REALIGN STAFFING TO SUPPORT THE NEW FOREIGN ASSISTANCE FRAMEWORK	
Action Taken	USAID made final decisions on restructuring the field and studied how to best structure Washington. The Agency continued to update and refine the Workforce Planning Model (WPM) to reflect the new organizational structures and business model.
Actions Remaining	Complete Washington analysis and refine WPM to more accurately project personnel requirements and refine WPM's budget tool to more accurately estimate Operating Expense costs. <i>Target completion date:</i> June 30, 2008.
HUMAN CAPITAL – CLOSE SKILLS GAPS THROUGH RECRUITMENT, RETENTION, TRAINING	
Action Taken	USAID rolled out the new Learning Management System (LMS) in Washington, began work on its competency management module and conducted the first Agency Human Capital Survey and self-audit covering talent management.
Actions Remaining	Activate the LMS competency management module, the succession planning component, and work to add the Skills Inventory feature. <i>Target completion date:</i> March 31, 2008. Conduct gap analysis based on restructuring and create draft plan for closing selected quantitative skills gaps. <i>Target completion date:</i> September 30, 2008.
INFORMATION TECHNOLOGY (IT) – STRATEGIC PLANNING	
Action Taken	USAID discussed with the Department of State the integration of State's intranet and other USAID infrastructure requirements and the associated costs. USAID also pursued an independent IT Strategic Plan, which will share similar objectives but will be focused on USAID's unique challenges and needs. An initial draft plan has been developed and reviewed.
Actions Remaining	Complete the Final IT Strategic Plan 2007-2012. <i>Target completion date:</i> February 29, 2008.
IT – INSTITUTIONALIZING IT GOVERNANCE	
Action Taken	To comply with federal legislation and industry best practices, the Office of the Chief Information Officer (OCIO) began documenting services provided and the functional responsibilities of each OCIO division. The IT Steering Subcommittee to BTEC was chartered to make recommendations on Agency IT governance and services.
Actions Remaining	Finalize the "IT Governance Manual." <i>Target completion date:</i> February 29, 2008. Train IT Project Managers on the Manual. <i>Target completion date:</i> March 28, 2008.

DEPARTMENT OF STATE/USAID JOINT STRATEGIC GOAL FRAMEWORK

Secretary of State Rice’s vision of “transformational diplomacy” requires that American diplomacy and foreign assistance function in an integrated fashion to advance our security interests, our development efforts, and our democratic ideals. The Department of State/USAID Joint Strategic Goal Framework defines the primary aims of U.S. foreign policy and development assistance as well as the strategic priorities within each of those goals for the coming years. As new priorities emerge and are identified, the framework is adjusted accordingly. The framework also functions as an analytical tool aimed at targeting U.S. Government resources efficiently and effectively within countries and at the regional and global level.

The joint strategic goals of the Department of State and USAID also integrate the vision anchored by the President’s National Security Strategy, and are described in the agencies’ Joint Strategic Plan for Fiscal Years 2007-2012 (<http://www.state.gov/s/d/rm/rls/dosstrat/2007/>).

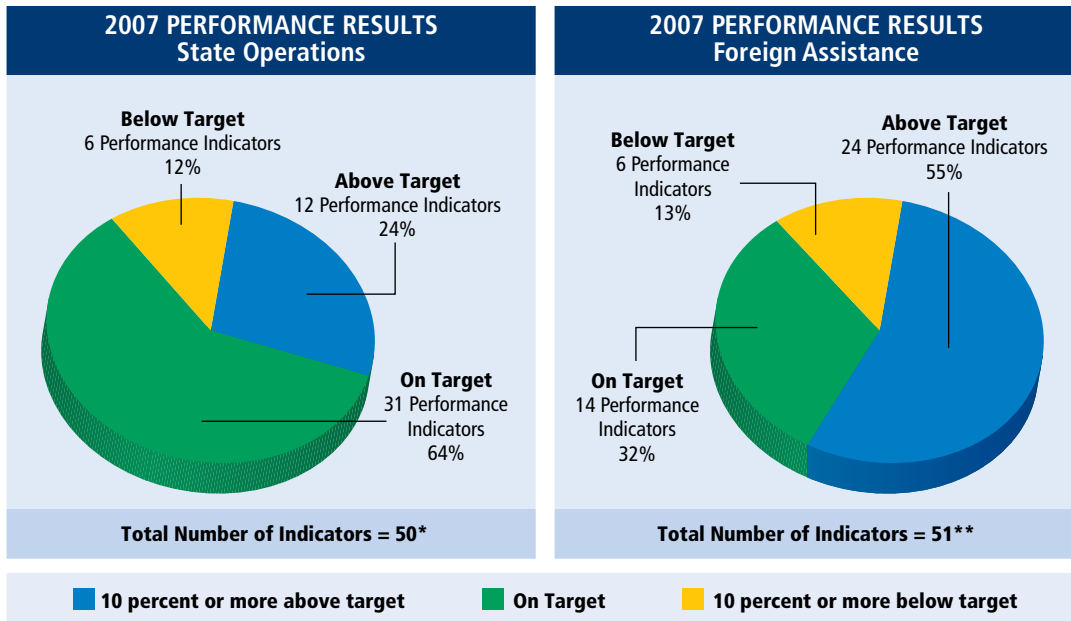
STRATEGIC GOAL		STRATEGIC PRIORITIES
1	Achieving Peace and Security	<ul style="list-style-type: none"> ◆ Counterterrorism ◆ Combating Weapons of Mass Destruction and Destabilizing Conventional Weapons ◆ Security Cooperation and Security Sector Reform ◆ Conflict Prevention, Mitigation, and Response ◆ Transnational Crime ◆ Counternarcotics ◆ Homeland Security
2	Governing Justly and Democratically	<ul style="list-style-type: none"> ◆ Rule of Law and Human Rights ◆ Good Governance ◆ Political Competition and Consensus-Building ◆ Civil Society
3	Investing in People	<ul style="list-style-type: none"> ◆ Health ◆ Education ◆ Social Services and Protection for Especially Vulnerable Populations
4	Promoting Economic Growth and Prosperity	<ul style="list-style-type: none"> ◆ Private Markets and Competitiveness ◆ Trade and Investment ◆ Financial Sector ◆ Infrastructure ◆ Energy Security ◆ Agriculture ◆ Macroeconomic Foundation for Growth ◆ Economic Opportunity ◆ Environment
5	Providing Humanitarian Assistance	<ul style="list-style-type: none"> ◆ Protection, Assistance, and Solutions ◆ Disaster Prevention and Mitigation ◆ Orderly and Humane Means for Migration Management
6	Promoting International Understanding	<ul style="list-style-type: none"> ◆ Offer a Positive Vision ◆ Marginalize Extremism ◆ Nurture Common Interests and Values
7	Strengthening Consular and Management Capabilities	<ul style="list-style-type: none"> ◆ Visa Services ◆ Passport Services ◆ American Citizen Services ◆ Human Resources ◆ Information Technology ◆ Diplomatic Security ◆ Overseas Facilities ◆ Planning and Accountability ◆ Administrative Services ◆ Rightsizing the U.S. Government Overseas Presence

2007 PERFORMANCE RESULTS

Consistent with Secretary Rice’s initiative to integrate Department of State and USAID planning and reporting efforts, an inter-agency working group selected a representative set of 101 indicators to measure the two agencies’ progress toward achieving the seven joint strategic goals. This indicator set reflects U.S. Government foreign policy priorities and major areas of investment, and includes indicators from the Program Assessment Rating Tool assessments. The indicators are a mix of annual measures directly attributable to U.S. Government activities and longer-term indicators that reflect the combined investments of donors, multilateral organizations, non-governmental organizations, and host governments, and to which the annual measures contribute.

The 101 performance measures are included in the Foreign Assistance and State Operations 2007 Performance Reports and 2009 Performance Plans contained in the Congressional Budget Justifications, linking performance to the budget request. Since the baseline for many of these indicators is 2007, it will take a minimum of two years before sufficient data are collected and associated trends analyzed to fully inform program and budget decision-making. All of the performance indicators and their 2007 results are listed by State Operations or Foreign Assistance classification at the end of this section, along with weblinks for more details. A few illustrative indicators are highlighted in the following section, which is organized by strategic goal and accompanied by explanations of each goal and a description of the impact of each of the indicators.

The graphs below summarize the ratings of the 101 indicators: green representing indicators that are on target; blue representing indicators that are 10 percent or more above target; and yellow representing indicators that are 10 percent or more below target.



Notes:

*One indicator is not reflected in the State Operations performance percentages because it is new for 2007.

** Five indicators are not reflected in the Foreign Assistance performance percentages, because they are long-term and although they report annual results, annual targets are not set. Two additional indicator results were not available in 2007.

STRATEGIC GOAL 1: ACHIEVING PEACE AND SECURITY

PUBLIC BENEFIT

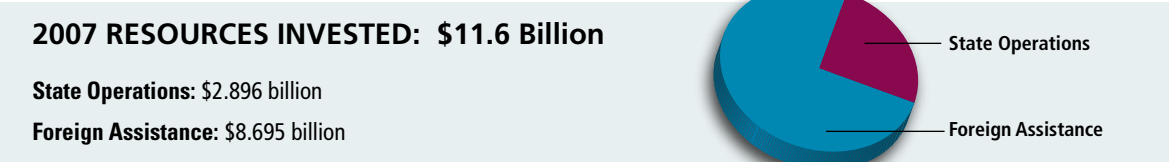
The United States promotes peace, liberty, and prosperity for all people, and security is a necessary precursor to these worthy goals. The U.S. Government directly confronts threats to national and international security from terrorism, weapons proliferation, failed or failing states, and political violence. In doing so, we strengthen the capability of the U.S. Government and of international partners to prevent or mitigate conflict, stabilize countries in crisis, promote regional stability, protect civilians, and promote the just application of government and law. Our security is best guaranteed when our friends and neighbors are secure, free, prosperous, and at peace.



U.S. Secretary of State Condoleezza Rice with Palestinian Authority President Mahmoud Abbas, left, and Israeli Prime Minister Ehud Olmert, right, collaborate to commit Israel and the Palestinian Authority to intensive negotiations towards establishing an independent Palestinian state alongside Israel.

AP Photo/United States Embassy, Matty Stern

In the U.S. Government’s efforts to protect American citizens and our national interests overseas, our strategic priorities include: fighting transnational crime; countering terrorism; combating weapons of mass destruction; supporting stabilization operations activities and security sector reforms; supporting counternarcotics activities; sponsoring conflict mitigation and reconciliation; and ensuring homeland security.



STRATEGIC PRIORITIES

Counterterrorism: In this area the U.S. Government trains law enforcement agencies in partner countries, provides state-of-the-art computer database systems that enable identification of suspected terrorists attempting to transit air, land or sea ports of entry, delivers technical finance assistance and training to improve the ability of law enforcement agencies to investigate, identify and interdict the flow of money to terrorist groups, and supports activities that deradicalize youth and prisoners.


The indicator below summarizes the performance of U.S. counterterrorism training activities in eighteen countries. Training allies to battle terrorism is a smart and efficient way to extend a protective net beyond our borders and ensure that terrorism is thwarted before it reaches the U.S., while at the same time strengthening U.S. Government partnerships. One of these countries is Colombia, where terrorism remains a significant threat to U.S. national security. Programs in Colombia provide training to assist the Government of Colombia in detecting and eliminating terrorist threats and in protecting facilities, individuals, and infrastructure.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of Foreign People Trained in Counterterrorism By U.S. Government Programs	N/A	N/A	2,192	1,925	●	2,600	3,000

Combating Weapons of Mass Destruction (WMD) and Destabilizing Conventional Weapons: Activities in this area aim to prevent the proliferation of, and trafficking in, WMD and involve many policy initiatives, such as denuclearization of North Korea, and the Proliferation Security Initiative. This area also includes several foreign assistance programs, including the Global Threat Reduction Program, the Export Control and Related Border Security program (EXBS), and a new program to support partner capacity building to prepare and respond to a WMD terrorist attack.

One of the most important policy initiatives in this area has been restraining Iran's nuclear program. For 2007, the U.S. goal was a full and verified suspension of all of Iran's proliferation-sensitive nuclear enrichment-related activities, Iran's full cooperation with the International Atomic Energy Agency (IAEA), and to enter into good faith negotiations with Iran regarding stopping their pursuit of fuel-cycle capabilities. Results in 2007, however, did not meet expected targets. Iran has continued to refuse to suspend its proliferation of sensitive nuclear activities, violating UN Security Council Resolutions 1737 and 1747, and has failed to fully cooperate with the IAEA to resolve all outstanding questions about its past program. Iran has also refused to admit its past nuclear weapons-related work or to permit verification that this work has halted.


Strong strategic trade and border control systems are the front line of our efforts to prevent the proliferation of weapons of mass destruction. The following indicator measures U.S. progress worldwide in instituting strategic trade and border controls.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Cumulative Number of Countries That Developed Valid EXBS Programs Meeting International Standards	5	8	10	12		13	14

Security Cooperation and Security Sector Reform: Responsible governments must deal with threats within their own borders and address international problems in partnership with the U.S. Government and others. Diplomatic and development activities in this area promote U.S. interests around the world by ensuring that coalition partners and friendly governments are equipped and trained to work toward common security goals.

In 2007, the U.S. had a number of targets regarding compliance with arms control, nonproliferation, and disarmament agreements and commitments, which it met by completing and submitting the 2007 Arms Control Report, the 2004-2006 Chemical Weapons 10C Report, and the Report to Congress on the Conventional Armed Forces in Europe Treaty Condition Five. Additionally, the U.S. Government resolved replacement issues for Libya's Scud missiles and worked to address other missile-related and long-standing Strategic Arms Reduction Treaty implementation issues.


Foreign military training programs carried out by the U.S. Government increase capacity and skills in host countries and strengthen their ability to enforce peace and security. Performance results from 23 countries receiving U.S. Government assistance are highlighted below. One of the countries reported on is Burkina Faso, where regional stability is the primary goal of the U.S. Government. With U.S. International Military Education and Training (IMET) assistance, Burkina Faso's military officers have undertaken professional development at U.S. military schools, thus enhancing their leadership capabilities and fostering a better understanding of the role of the military in a civilian government. IMET graduates are present in the senior ranks of the military, with the senior-most serving as the Army Chief of Staff.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of U.S. Trained Personnel at National Leadership Levels	N/A	N/A	608	958		1,297	1,400

Conflict Prevention, Mitigation, and Response: U.S. Government diplomatic and development activities support conflict mitigation, peace, reconciliation, and justice processes. Programs are designed to meet specific needs of a country's transition, establishing a

foundation for longer-term development by promoting reconciliation, fostering peace and democracy, and jump-starting nascent government operations.

The indicator below highlights U.S. Government training assistance that improves the capacities of key stakeholders to negotiate, thereby empowering those individuals to better mitigate conflict both within their group and between groups, as well as training them to be effective in implementing and managing peace processes. The information summarized below is aggregated from nine country programs, including the Philippines. During 2007, over 700 villages in the Philippines were targeted for training in conflict mitigation, elevating the role of women as peace advocates and mediators of dispute. The 2008 and 2009 targets have been adjusted downwards because of program implementation delays in Nepal.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of People Trained in Conflict Mitigation/Resolution Skills with U.S. Assistance	N/A	N/A	13,579	17,965		5,449	5,000

Transnational Crime: Activities in this area contribute to decreasing cross-border crimes that threaten the stability of countries, particularly in the developing world and in countries with fragile economies. U.S. Government programs provide operational support and training to strengthen countries' ability to detect, investigate, prosecute and prevent transnational criminal activities.


Counternarcotics: Programs in this area help reduce the flow of drugs to the United States, address instability in the Andean region, and strengthen the ability of both source and transit countries to investigate, block, and prosecute major drug trafficking organizations.

The indicator below summarizes one measurement of law enforcement effectiveness and the efficacy of assistance in providing host governments with operational support, equipment, and training in the eradication of illicit drug crops. The data are an aggregation of program performance in six countries. Results for 2007 were below target due to Mexico's changes in program emphasis and internal reallocation, which resulted in funds not being expended for eradication in 2007. The decreased 2008 target reflects a reduction of funding for Colombian eradication programs as more funding will be directed to developing alternative livelihoods. The target for 2009 is pending as the U.S. Government is reviewing with host governments the target setting methodology.



R. Nicholas Burns, Under Secretary for Political Affairs, shakes hands with United Arab Emirates (UAE) officials as he is received by Abdulaziz Sager, Chairman of the Gulf Research Center, right, after he arrived in the center for a press conference in Dubai, UAE.

AP Photo/Kamran Jebreili

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Hectares of Drug Crops Eradicated Annually in U.S. Government-Assisted Areas	N/A	N/A	211,650	177,452		182,975	Pending

Homeland Security: Our mission is to create conditions abroad that serve and protect American citizens and interests. Assistance to consular and infrastructure protection programs plays a critical role in protecting American borders, transportation systems, and essential infrastructure. ■

STRATEGIC GOAL 2: GOVERNING JUSTLY AND DEMOCRATICALLY

PUBLIC BENEFIT

The U.S. Government supports just and democratic governance for three distinct but related reasons: as a matter of principle; as a contribution to U.S. national security; and as a cornerstone of our broader development agenda. Governments that accept the twin principles of majority rule and individual rights, respond to the needs of their people, and govern by rule of law, are more likely to conduct themselves responsibly toward other nations. Effective and accountable democratic states are also best able to promote broad-based and sustainable prosperity. The U.S. Government goal is to promote and strengthen effective democracies and assist countries in moving along a continuum toward democratic consolidation. Our programs encompass the strategic priority areas of rule of law and human rights, good governance, political competition and consensus-building, and civil society.



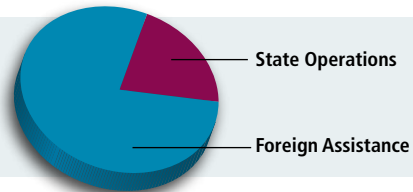
Supporters for democracy in Burma hold a candlelight vigil in New Delhi, India.

AP Photo/Gurinder Osan

2007 RESOURCES INVESTED: \$2.65 Billion

State Operations: \$.550 billion

Foreign Assistance: \$2.132 billion



STRATEGIC PRIORITIES

Rule of Law and Human Rights: Activities in this area advance and protect human and individual rights as embodied in the Universal Declaration of Human Rights and international conventions to which states are signatories, and promote societies in which the state and its citizens are accountable to laws that are publicly promulgated, equally enforced, and independently adjudicated, consistent with international norms and standards.

The indicator below monitors improved court case management as reported by 21 country programs. Improved court case management leads to a more effective judicial system by decreasing case backlog and case disposition time, reducing administrative burdens on judges, increasing transparency of judicial procedures and improving compliance with procedural law. The target for 2007 was not met due to lower than expected results in Colombia, which comprises 50 percent of the overall 2007 target. The U.S. Government program in Colombia will not emphasize this indicator in the future, as it does not accurately capture the program’s focus, which evolved to be more closely aligned with enhanced training and technical assistance for justice sector actors, increased public access to justice, and stronger law enforcement capabilities. The 2008 and 2009 targets for this indicator have been adjusted accordingly.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of U.S. Assisted Courts with Improved Case Management	N/A	N/A	610	350	●	477	500

Good Governance: Assistance in this area promotes democratic institutions that are effective, responsive, sustainable, and accountable to the people and which include institutional checks and balances. Constitutional order, legal frameworks, and judicial independence constitute the foundation for a well-functioning society, but they remain hollow unless the host government has the capacity to apply these tools appropriately.


For example, Egypt is a key U.S. partner in the Middle East and political reform and modernization of the Egyptian judiciary is critical to promoting good governance and the expansion of civil liberties for the entire region. Women have traditionally had unequal access to government forums, restraining their potential contributions to good governance, economic and social development. However, in 2007, the Government of Egypt appointed its first 30 women judges, a major accomplishment of U.S. Government assistance in this area.

The World Bank’s Government Effectiveness indicator highlighted below measures the quality of a country’s public service provisions, the independence of the civil service from political pressures, and the credibility of the government’s commitment to public policy. The countries that receive the majority of U.S. Government funding in this area, Iraq, Egypt, Jordan, West Bank and Gaza (WB/Gaza), and Lebanon, are tracked by this long-term indicator. Although annual results are reported for this indicator, annual targets are not set due to its long-term nature. This indicator uses a scoring scale for each country from -2.5 to 2.5 (higher average values equal higher quality of governance).

Performance Indicator	2005 Results	2006 Results	2007 Results (Baseline)	2015 Target
Number of Targeted Countries with an Increase in Government Effectiveness	N/A	N/A	Iraq: -1.7 Egypt: -0.41 Jordan: 0.19 WB/Gaza: -1.11 Lebanon: -0.45	Significant improvement in at least 3 of these 5 countries


Political Competition and Consensus-Building: Programs in this area encourage the development of transparent and inclusive electoral and political processes and democratic, responsive, and effective political parties. The U.S. Government seeks to promote consensus-building among government, political parties, and civil society to advance a common democratic agenda, especially where fundamental issues about the democratization process have not yet been settled.

The indicator below highlights the performance of ten U.S. Government-assisted country programs that focus on one aspect of promoting credible and fair elections. Because the indicator measures persons trained in preparation for deployment as observers before or during a national election, targets and results are greatly influenced by the number of elections in a given year. Lower results in 2007 and lower targets in 2008 and 2009 are partially due to the lack of cooperation by the electoral commission in Nigeria, leading to a suspension of program funding in Nigeria by the U.S. Government.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of Domestic Election Observers Trained with U.S. Assistance	N/A	N/A	57,825	53,258		27,536	30,000

Civil Society: The U.S. Government seeks to strengthen democratic political culture and citizen engagement by supporting the means through which citizens can freely organize, advocate, and communicate with members of their own and other governments, international bodies and other elements of civil society. This includes supporting civic participation and access to information, including media freedom and a broadly functioning independent and open media sector, including the internet.

A vibrant civil society serves as the conscience of a country and a counterweight to non-democratic tendencies. The 2007 performance results below highlight U.S. Government-assisted civil society organizations (CSO) in 20 countries, one of those being Honduras. During 2007, U.S.-assisted CSOs in Honduras supported implementation of a new Civil Procedure Code, publicly defended previous electoral reforms, engaged citizens in anticorruption campaigns, and implemented civic values lessons in public schools, all of which should result in a stronger democratic culture and wider citizen participation in government. ■

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of U.S. Assisted CSOs that Engage in Advocacy and Watchdog Functions	N/A	N/A	823	1,039		1,223	1,300

STRATEGIC GOAL 3: INVESTING IN PEOPLE

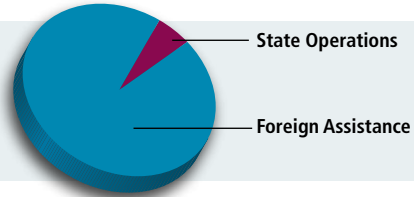
PUBLIC BENEFIT

Disease and lack of education destroy lives, ravage societies, destabilize regions, and cheat future generations of prosperity and participation in democracy. The strategic priorities in this area focus on improving the lives of individual citizens by extending the basic values American citizens hold dear: good health; access to quality education; and protection for vulnerable populations.

2007 RESOURCES INVESTED: \$7.05 Billion

State Operations: \$.395 billion

Foreign Assistance: \$6.659 billion



STRATEGIC PRIORITIES

Health: In this area the U.S. Government strives to improve child, maternal, and reproductive health, reduce the risk of infectious disease, and increase access to improved drinking water and sanitation services in developing countries. Critical interventions combat HIV/AIDS, tuberculosis, malaria, polio, pneumonia and diarrhea, which are leading causes of illness and death throughout the developing world. Mothers and children are especially vulnerable and are therefore two special target groups for most of these interventions. As an integral part of health programming, U.S. Government programs strengthen local capacity in disease outbreak detection and response, strengthen delivery of health services, essential drugs, and commodities, and support advances in health technology.

HIV/AIDS: The bulk of HIV/AIDS funding is provided through the President’s Emergency Plan for AIDS Relief (PEPFAR) in 15 focus countries that are the most deeply affected by the pandemic and that represent 50 percent of HIV infections worldwide. In 2007, roughly 30.8 million adults and 2.5 million children around the world were living with HIV/AIDS. In focus countries, the Emergency Plan has three specific five-year goals to be reached by 2009: provide treatment for two million people; prevent new infections for seven million people; and deliver care for 10 million people affected by HIV/AIDS, including orphans and vulnerable children. The following indicator summarizes progress in HIV/AIDS treatment in the 15 focus countries.



The President’s Malaria Initiative is expanding access to free and highly subsidized insecticide-treated mosquito nets in many African countries. Insecticide-treated mosquito nets have been proved highly effective in killing mosquitoes while acting as a protective barrier.

USAID Photo/Jordan Riber

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Cumulative Number of People Receiving HIV/AIDS Treatment in the 15 Focus Countries of PEPFAR	401,233	822,000	1.2 million	1.35 million	●	1.7 million	2.0 million

Tuberculosis (TB): Twenty-two developing countries account for over 80 percent of the world’s TB cases and within those countries TB kills more than 1.2 million people each year. U.S. Government assistance supports activities such as increasing host country capacity, combating drug resistant TB, and directing treatment of TB patients. For example, Bangladesh has one of the highest rates of TB infection in the world. With over 320,000 new cases annually, it is a priority country for U.S. assistance, which supports the national

TB control strategy and focuses on increasing the capacity of existing clinics, particularly in poor urban areas, to detect new cases and provide treatment options.

The following indicator summarizes U.S. Government contributions to advances in the control of TB in 18 countries and reflects the U.S. Government target of 85 percent short-course strategy treatment success rate.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of Countries with 85 Percent Tuberculosis Treatment Success Rate	4	6	6	7		8	9

Malaria: More than three billion of the world’s poorest individuals are at risk of malaria, which causes more than one million people, mostly children, to die every year. In response to this dire situation, in June 2005, President Bush launched the President’s Malaria Initiative (PMI), pledging to increase U.S. Government funding by more than \$1.2 billion over five years to reduce deaths due to malaria by 50 percent in 15 African countries. If used properly, insecticide-treated mosquito nets (ITN) are one of the best ways to prevent mosquitoes from biting and infecting individuals with malaria. Indoor Residual Spraying (IRS) is also a proven and highly effective malaria control measure if applied correctly and research has shown it to provide a rapid, short-term reduction in malaria infection rates. The following indicator measures the number of people protected against malaria with a prevention measure (ITN and/or IRS) supported with PMI funds. The 2007 results reflect activities completed in seven focus countries as well as rapid start-up activities initiated in the new eight PMI countries. After just two years of operation, the PMI is already seeing major reductions in malaria transmission in four countries. For example, severe anemia has been reduced in Malawi by 43 percent in surveyed populations and malaria infections in Zanzibar have been reduced by 95 percent. With the Initiative now rolled out and on track, targets are expected to be met in 2008 and 2009.


Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of People Protected Against Malaria with a Prevention Measure in PMI Countries	N/A	3.7 million	15 million	22.3 million		25 million	30 million

Maternal and Child Health: U.S. Government programs in this area support pregnancy, obstetrics, and newborn care, maternal and child nutrition, immunizations, polio eradication, and prevention and treatment of childhood diseases, especially diarrhea and pneumonia. The indicator below measures the percentage of live births attended to by skilled attendants in 33 countries with programs supported by the U.S. Government. Most maternal deaths happen during labor and delivery or within the first few days following birth. This is especially the case in countries where most births occur at home, where skilled attendants are mostly absent, resulting in every birth being a high-risk event. Prompt recognition of complications, initiation of treatment, and referral to a medical clinic by a skilled birth attendant can be life saving.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Percentage of Live Births Attended by Skilled Birth Attendants	46.8%	47.8%	47.3%	47.7%		47.8%	48.3%


Water Supply and Sanitation: The World Health Organization estimates that more than 2.2 million people, mostly children in developing countries, die every year from diseases associated with poor water and sanitary conditions. The following indicator measures U.S. efforts in 14 countries to help people gain access to improved water sources, such as a household connection, public standpipe, borehole, protected well or spring, or rainwater collection. The target for 2007 was not met because 50 percent of the 2007 target population for this indicator was located in Pakistan. The shortfall resulted from a slow project start-up attributed to delays when the

Government of Pakistan shifted its Clean Drinking Water Projects from the Ministry of Environment to the Ministry of Industries. As these relationships have since been solidified, on-target performance is anticipated in 2008 and 2009.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of People in Target Areas with Access to Improved Drinking Water	N/A	N/A	3.3 million	2.2 million		3.4 million	5.5 million


Education: Activities in this area promote the creation and maintenance of effective, equitable, high quality educational services and systems, from primary education and literacy programs, to strengthening the institutional capacities of public and private higher educational institutions. Investments in basic education yield high returns, particularly in the developing world, through improvements in labor productivity and participation in democratic processes, as well as improved health. All programs have a special focus on reducing the barriers to education for girls.

The indicator below highlights the number of learners enrolled in U.S. Government-supported primary level schools (or equivalent non-school based settings), which supports the President's new International Education Initiative. The indicator summarizes results from 30 country programs, including Nigeria. An illustrative example is that of Luvu-Madaki, Nigeria, a rural community of 17,000 that has only one primary school. In 2005 their primary level enrollment rate was 12 percent (232 students). Among the attendees, 113 studied under trees, while others studied in dilapidated make-shift classrooms without furniture. With U.S. Government assistance, the community created an "Education Repair" fund, which received contributions from the community and from construction companies worth \$10,000 to build two new classrooms. With the new classrooms, enrollment increased by almost 75 percent in 2007. The community also plans to build an extra classroom with the excess building materials.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of Learners Enrolled in U.S. Supported Primary Schools or Equivalent Non-school-based Settings	N/A	N/A	23.4 million	27.0 million		31.8 million	40 million

Social Services and Protection for Especially Vulnerable Populations: Programs in this area help especially vulnerable populations manage risks and gain access to opportunities that support their full and productive participation in society. Such activities assist those whose needs are not addressed under humanitarian assistance or other programs, facilitating a transition from humanitarian relief to longer-term development and growth where needed.

The indicator below tracks the coverage of social assistance and social service programs for vulnerable people in 18 countries. It is a proxy indicator of a government's commitment to poverty reduction. For example, the long term goal of U.S. Government support for social assistance programs in Armenia is for central and local governments, communities, and indigenous non-governmental organizations (NGOs) to increase their capacity to provide targeted assistance to meet the basic needs of the poorest. In 2007, U.S. Government technical assistance helped the Government of Armenia to improve their program that provides cash to the neediest 140,000 Armenian households, including the chronically poor. The U.S. Government also continued support for an indigenous NGO to meet the nutritional needs of the most vulnerable of Armenia's population. Through 27 soup kitchens and home delivery, the NGO provided a nutritionally balanced, hot meal once per day, five days per week, to the 4,500 neediest elderly people in Armenia. ■

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of Vulnerable People Benefiting from Targeted Social Assistance or Services	N/A	N/A	1.56 million	1.85 million		2.77 million	3.0 million

STRATEGIC GOAL 4: PROMOTING ECONOMIC GROWTH AND PROSPERITY

PUBLIC BENEFIT

The U.S. Government goal is to achieve rapid, sustained, and broad-based economic growth for the United States, its trading partners, and developing countries. Global economic growth is a key U.S. foreign policy priority and is essential for the reduction and eventual elimination of extreme poverty, poor health, and inadequate education among developing countries. Countries that offer their citizens hope for increasing prosperity are less prone to extremism, more inclined to favor democracy, more willing to settle disputes peacefully, and more likely to be constructive partners with the United States in the international community.



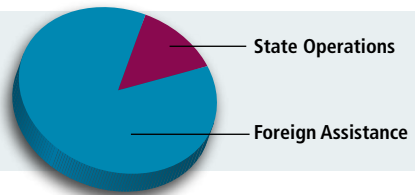
To increase employment and foster economic development, the U.S. Government provides small loans to help the indigent attain start-up capital to open a micro- or small-sized business. Madame Fanfan, pictured at left, received a small loan and was able to purchase a stall in a prime location in a Haitian market where she sells rice, flour, coffee, oil and other products. Finca International Photo/ Robert Bengtson

The United States derives enormous benefits from a stable, resilient, and growing world economy and plays a leadership role to promote economic growth and prosperity. For example, the U.S. is a founding member of the Group of Eight (G-8), an international forum of eight countries that represent approximately 65 percent of the global economy. The G-8 annual summit brings together heads of state to discuss issues such as debt and trading policy, carbon dioxide emissions, and globalization.

2007 RESOURCES INVESTED: \$3.7 Billion

State Operations: \$.500 billion

Foreign Assistance: \$3.212 billion




STRATEGIC PRIORITIES

Private Markets and Competitiveness: The U.S. supports other countries' efforts to streamline business regulations and improve commercial governance. Support to the private sector helps build people's capacity to take advantage of expanding economic freedom and promotes effective public-private partnerships. This cutting-edge blend of diplomacy and development aims for economic transformation that creates more jobs, higher productivity and wages, improved working conditions, more effective protection of labor rights, and more opportunities for the poor, women, and other disadvantaged groups to participate in expanding local, regional, and global markets.

Trade and Investment: The U.S. Government promotes increased trade and investment – a powerful engine for growth – both on a multilateral and bilateral level. Multilaterally, the U.S. Government has played a leadership role in the Doha Development Agenda, a comprehensive global trade and investment framework currently under negotiation under the aegis of the World Trade Organization (WTO). The Doha Round is designed to reduce trade barriers, specifically tariffs on agricultural products, manufactured products, and services. In addition to promoting a successful Doha outcome, the U.S. Government has negotiated a number of bilateral free trade agreements to open new markets for American goods and services. At the beginning of the Bush Administration, the U.S. had free trade agreements in force with three countries. Currently, the U.S. Government has nine free trade agreements in force with 14 countries. President Bush signed a free trade agreement with Peru on December 14, 2007, and free trade agreements with Colombia, Panama, and South Korea will be discussed with Congress for final approval in 2008.

The following indicator assesses a key component of the U.S. Government's activities to strengthen both U.S. and foreign economies by protecting commercial and transactional deals, enforcing contracts, ensuring market access, and fighting corruption. It measures the direct support provided by the U.S. Government to U.S. businesses in exporting goods and services as well as in resolving commercial disputes and managing overseas investments.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of Company-Specific Cases for Which Advocacy Services Were Provided	225	339	330	335		330	330


Financial Sector: The U.S. seeks to improve financial sector governance, the quality of financial services, and access to financial services for entrepreneurs, enterprises, and consumers. The U.S. also is committed to improving corporate governance, accounting, financial transparency, and to combatting financial crimes and corruption.

Infrastructure: Access to competitively priced energy, communication and transport services is critical to economic growth. The U.S. Government promotes sustainable improvements in foreign infrastructure by utilizing opportunities for public-private partnership, strengthening capacities for oversight and management, and expanding markets for tradable infrastructure services. Efficient markets enable nations rich in energy resources to foster transparency, the rule of law, and to ensure the benefits are enjoyed widely. It helps countries avoid the so-called "paradox of plenty," where the dependence on natural resource wealth works to inhibit the political and economic development of a country.

Energy Security: The U.S. Government enhances U.S. and global energy security by promoting open and transparent, integrated, and diversified energy markets; encouraging appropriate energy-sector investments to expand access to energy and increase economic growth and opportunity; and developing clean and efficient energy technologies.


Agriculture: In many developing countries, increased productivity and growth in the agricultural sector is critical to overall economic prosperity and poverty reduction. In this sector, the U.S. Government promotes expanded agricultural trade and market systems, broadened application of scientific and technological advances, including biotechnology, and sustainable natural resource management.

For example, the U.S. Government is helping Nicaragua take advantage of the opportunities offered through the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) through an emphasis on rural economic diversification and trade capacity building. The U.S. assisted over 5,200 micro-farmers to graduate from food-aid recipients to supplying food for international fresh produce markets. For the first time, the farmers can count on a stable monthly income for their families. Overall, U.S. Government-assisted programs in Nicaragua provide technical and financial support to more than 20,000 producers. The indicator below assesses results in linking producers of agricultural commodities to markets in seven U.S.-assisted country programs.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Percent Change in Value of International Exports of Targeted Agricultural Commodities	N/A	N/A	26%	41%		38%	42%


Macroeconomic Foundation for Growth: Macroeconomic stability, including sound fiscal policy, is essential for sustainable economic growth. The U.S. aims to strengthen the macroeconomic foundations for growth at both the national and international level, by encouraging macroeconomic stability, including low inflation, stable financial markets, and smooth balance of payments adjustment. For example, the Armenian government endorsed the U.S. Tax Improvement Project (U.S.-TIP) 2007-2009 Strategic Tax Plan, which simplified Armenia’s tax code. In addition, the Armenian National Assembly approved U.S.-TIP-drafted amendments to the Simplified Tax Law, plugging major loopholes that allowed large businesses to avoid taxes by paying only a one percent tax on total sales. These amendments will significantly raise Armenian government revenues, thereby decreasing Armenia’s fiscal deficit. The U.S. also helped publish a comprehensive tax handbook to provide self-assessment capabilities to business taxpayers.

Economic Opportunity: Economic opportunity includes efforts to build inclusive financial markets, improve the policy environment for micro and small enterprises, strengthen microfinance institution (MFI) productivity, and improve economic law and property rights. MFIs help the poor to obtain start-up capital to open micro- or small-sized businesses, expanding their choices and reducing the risks they face. The ability of U.S. Government supported MFIs to impact the lives of the poor depends on the MFI’s ability to become sustainable. U.S. support is helping MFIs throughout the developing world achieve operational sustainability (the point at which they are covering their costs) and ultimately financial sustainability (the point at which they are able to finance their own growth). The mix of MFIs that receive U.S. Government support spans newer as well as more mature institutions; this mix is reflected in the sustainability figures.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Percent of U.S. Assisted Microfinance Institutions That Have Reached Operational Sustainability	71%	71%	70%	69%		70%	70%

Environment: Environmental issues such as climate change, protection of natural resources and forests, and trans-boundary pollution continue to play critical roles in our diplomatic and development agendas. The U.S. Government remains committed to promoting partnerships for economic development that reduce greenhouse gas emissions, improve air quality, and create other co-benefits by using markets to improve energy efficiency, enhance conservation, and expand low carbon energy sources.

Bolivia and El Salvador are two environmental management success stories. In Bolivia, programs have renewed efforts to work at the municipal level to help local governments meet their increasing responsibilities related to local planning, territorial management and economic development. As a result of this work, Bolivia’s largest municipal protected area (more than 600,000 hectares) was created. In El Salvador over 20,000 hectares came under improved natural resource management, exceeding the goal of 15,000 hectares by 33 percent. This achievement was largely due to successful coffee farm certification which helps coffee producers implement conservation measures. The indicator below assesses the impact of natural resource and biodiversity interventions in 21 countries receiving U.S. Government assistance. ■

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of Hectares Under Improved Natural Resource or Biodiversity Management as a Result of U.S. Assistance	N/A	N/A	69.79 million	121.61 million		113 million	150 million

STRATEGIC GOAL 5: PROVIDING HUMANITARIAN ASSISTANCE

PUBLIC BENEFIT

The Department of State and USAID are among the lead agencies in responding to natural disasters and complex emergencies. The United States commitment to humanitarian response demonstrates America's compassion for victims of natural disasters, armed conflict, forced migration, persecution, human rights violations, widespread health and food insecurity, and other threats. The strength of this commitment derives from both our common humanity and our responsibility as a global leader. It requires urgent responses to emergencies, and concerted efforts to address hunger, continuing high-quality assistance in protracted crisis situations, and the ability to build capacity to prevent and mitigate the effects of conflict and disasters.

U.S. emergency responses to population displacement and human-made disasters complement efforts to promote democracy and human rights. The U.S. provides substantial resources and guidance through international and nongovernmental organizations for worldwide humanitarian programs, with the objective of saving lives and minimizing suffering in the midst of crises, increasing access to protection, promoting shared responsibility, and coordinating funding and implementation strategies. Our strategic priorities include: providing protection, assistance, and solutions; preventing and mitigating disasters; and promoting orderly and humane means for migration management.

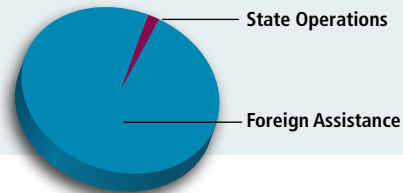


The U.S. Government gives more to those in crisis than any other country in the world. It achieves this by directing such contributions to thousands of non-profit partners and international organizations. In this picture Catholic Relief Services distributes supplies in Purri, Pakistan. USAID Photo

2007 RESOURCES INVESTED: \$3.15 Billion

State Operations: \$.060 billion


Foreign Assistance: \$3.095 billion




STRATEGIC PRIORITIES

Protection, Assistance, and Solutions: The U.S. provides life-saving disaster relief, including food aid, and other humanitarian assistance for refugees, internally displaced persons, and others affected by natural disasters and complex, human-made crises. U.S. Government assistance advances the humanitarian assistance strategic goal by protecting these vulnerable populations from physical harm, persecution, exploitation, abuse, malnutrition and disease, family separation, gender-based violence, forcible recruitment, and other threats, to ensure that their full rights as individuals are safe-guarded. In 2007, U.S. emergency humanitarian assistance programs responded to more than 70 disasters in 56 countries. Title II food aid continued to play a critical role in the prevention of famine in Darfur, Sudan. In 2007, USAID's Office of Food for Peace provided 50 percent of the United Nations World Food Program's (WFP) Sudan appeal, representing more than 67 percent of all donor contributions received. Sizable and timely contributions from USAID ensured that WFP was able to meet 100 percent of its pre-positioning targets for Darfur and Southern Sudan in 2007. This achievement prevented WFP from having to airlift any commodities to the region, saving costs and ensuring timely commodity deliveries during the most critical time of the year.

The following indicator reflects the percentage of targeted populations, worldwide, who received emergency food aid from programs managed by USAID’s Office of Food for Peace. Due to the increased cost to purchase and transport Title II food aid, fewer commodities reached beneficiaries in 2007 than anticipated. The U.S. Government has implemented a number of steps to improve program efficiency and effectiveness, such as better beneficiary targeting as well as more selective commodity purchasing, in an attempt to continue adequate support to countries in need of emergency food aid. For example, the USAID Famine Early Warning System Network continued to provide information related to the emergence, scope, and impact of potential humanitarian emergencies, and the food security status of vulnerable populations. This supported USAID decision-making and programming in a variety of ways, but was particularly cost-effective in helping to prioritize the allocation and timing of Title II food aid resources.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Percent of Planned Emergency Food Aid Beneficiaries Reached	85%	84%	93%	86%		93%	93%

Assistance in this area also sustains key foreign policy objectives to promote stability by supporting large-scale returns to Afghanistan, Sudan, Burundi, the Democratic Republic of Congo, and elsewhere, and provides critical protection and assistance in situations of protracted population displacement throughout the world, including resettlement to the United States. Through the refugee admissions program, for example, nearly 50,000 refugees achieved protection and a durable solution, beginning new lives in communities across the country.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Percent of Refugees Admitted to the U.S. Compared to the Regional Ceilings	108%	69%	100%	97%		100%	100%

Disaster Prevention and Mitigation: U.S. Government assistance builds the capacity of affected countries, American responders, and the international community, to reduce risks, prepare for rapid response, and increase the affected population’s ability to cope with and recover from the effects of a disaster.

Orderly and Humane Means for Migration Management: People migrate for many reasons, including escaping from conflict or persecution, avoiding natural disasters and environmental degradation, seeking economic opportunities, and reuniting with family. The U.S. remains committed to building the capacity of host governments to manage migration effectively and to ensure full respect for the human rights of vulnerable migrants in accordance with the law. ■



A Lebanese woman displays her relief supplies. USAID-funded groups rehabilitated housing, community spaces, and clinics; distributed relief supplies; and assisted with food, agriculture, jobs, infrastructure, water, and hygiene. Mercy Corps Photo

STRATEGIC GOAL 6: PROMOTING INTERNATIONAL UNDERSTANDING

PUBLIC BENEFIT

United States values as a nation and as a people are the foundation of our international engagement. Public perceptions of the U.S. directly affect our ability to achieve our foreign policy and development assistance objectives. The Department of State and USAID vigorously communicate this intersection of values, interests, and policy. Through diplomatic engagement, assistance, and dialogue, the two agencies foster a two-way flow of people, ideas, and information—a process defined by mutual learning and respect and designed to create peaceful and productive relationships between the United States and other countries.

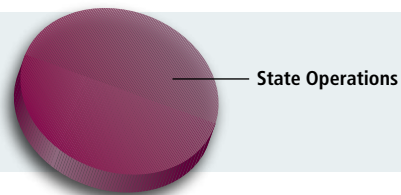


Citizen Dialogue Program Delegates visit students at a “madrasa” in the Sinza community of Dar es Salaam. State Photo/Dar es Salaam, Citizen Dialogue Program

2007 RESOURCES INVESTED: \$974 Million

State Operations: \$974 million

Foreign Assistance: N/A



STRATEGIC PRIORITIES

Offer a Positive Vision: The Department and USAID offer a positive vision of hope and opportunity that is rooted in the most basic values of the people of the United States: our deep belief in freedom, including freedom of expression and religion, and our belief in the dignity and equality of every person. We believe that a free people, well-informed, will make the best choices for the common good, as factual information is the antidote to ignorance, misunderstanding, and violent extremism.

The U.S. Government sponsors educational programs at all levels, advocates for the rights of people, and partners with countries across the world to fight terrorism, which threatens the right of all people everywhere to live in security and peace. The Department of State’s Bureau of International Information Programs, for example, communicates through a wide range of speaker, print and electronic outreach programs in English, Arabic, Chinese, French, Persian, Russian and Spanish. The Bureau also provides information outreach support to U.S. embassies and consulates in more than 140 countries.

The following indicator measures the level by which participation in public diplomacy programs engages international audiences on issues of foreign policy, society and values to create an environment receptive to U.S. national interests .

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Percent Reduction in the Level of Anti-American Sentiment Among Key Foreign Audiences	N/A	N/A	17%	17%		18%	19%

Marginalize Extremism: As part of its transformational diplomacy effort, the U.S. Government counters extremists, who threaten freedom and peace, by promoting education and educational exchanges, democratization, good governance, and economic and human development as a path to a positive future in just, secure, and pluralistic societies. The U.S. works to isolate and discredit terrorist ideology and de-legitimize terror as an acceptable tactic to achieve political ends.

Nurture Common Interests and Values: Common interests and values are integral to U.S. Government communications. Programs and messages are built on areas in which U.S. Government expertise corresponds to the interests and needs of our partners and counterparts. Creating indigenous capacity—whether it is in health, education, free press, workforce training, agriculture, law enforcement, or governance—is key to long-term progress, the stable development of civil society, and firm and friendly bilateral and multilateral relationships.



Karen Hughes, Under Secretary for Public Diplomacy and Public Affairs, talks to a Filipina Muslim student trying a computer during her visit to the volatile island of Jolo in the southern Philippines, a known hotbed of the Muslim extremist Abu Sayyaf group. AP Photo

The following indicator summarizes the impact of bringing youth to the United States to learn about American values, civil society, independent thinking, and public action. As our most important constituency, youth and those who influence youth are our allies in the global struggle against extremist ideology and violence in nations where there are soaring populations of vulnerable youth and a lack of opportunities to build a stable life. These public diplomacy programs engage young people and offer a positive vision of American democratic values. ■

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Percent of Youth Participants who Increase their Understanding of American Values, Society and Culture Immediately after their Program Experience	N/A	92%	90%	95%	●	95%	95%

STRATEGIC GOAL 7: STRENGTHENING CONSULAR AND MANAGEMENT CAPABILITIES

PUBLIC BENEFIT

The overarching goal of the Department of State and USAID in this area is to provide the best visa and American citizen services possible that are compatible with our responsibilities for homeland security, and to ensure a high quality workforce, including locally employed staff, supported by modern secure infrastructure and operational capabilities. When American citizens seek passports or emergency assistance overseas, they rely on the Department. Foreign visitors seeking to enter the United States meet the Department face-to-face when U.S. consular officers conduct their visa interviews. Although two separate organizations with distinct legislative mandates and budgets, the Department of State and USAID pursue opportunities to create more integrated management structures where analyses demonstrate that such structures are cost-effective, efficient, and support our missions. Sound management and organizational excellence are essential to support our embassies, consulates, and USAID missions abroad. To date, such management reforms have been accomplished largely through the work of the Department of State/USAID Joint Management Council, created in 2003 to facilitate management improvements at both agencies.



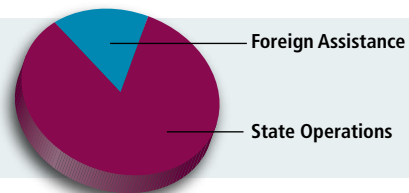
Passports are readied for processing in an effort to reduce the passport backlog at the nation's third largest passport center in New Orleans.

AP Photo/Alex Brandon

2007 RESOURCES INVESTED: \$5.4 Billion

State Operations: \$4.621 billion

Foreign Assistance: \$.883 billion




STRATEGIC PRIORITIES

Visa Services: The Department is responsible for safeguarding U.S. borders through vigilance in adjudicating visas while simultaneously balancing security with facilitating legitimate travel. Consular officers around the world process over seven million non-immigrant visa applications and nearly 700,000 immigrant visa applications each year. To welcome visitors who contribute materially to the U.S. economy and enrich American society in countless intangible ways, we strive to improve both efficiency and customer service. The Department employs modern tools to manage workflow, such as Web-based application forms and appointment systems.

Passport Services: The Bureau of Consular Affairs issued a record 18.4 million passports in 2007, an increase of more than 50 percent over 2006. This record volume resulted from implementation of new travel rules under the Western Hemisphere Travel Initiative. Effective January 23, 2007, Americans flying to the United States from Canada, Mexico, and the Caribbean region were required to carry a passport. While average processing time for all 2007 applications (27 days) fell within target, unanticipated demand during the peak season lengthened the average processing time, from six weeks in December 2006 to twelve weeks in late spring 2007. At the end of 2007, all applications were being processed within four weeks. To meet the demand, the Bureau added hundreds of new employees, opened new passport centers, trained officers drawn from throughout the Department for temporary duty, and expanded hours of operation at regional passport centers. We expect demand will continue to grow, and thus will continue to add personnel,


streamline operations, and expand facilities. The indicator below is a measurement of the timeliness of passport issuance and customer service to the American public.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Percent of Passport Applications Processed Within Targeted Timeframe	90%	90%	100%	71%		100%	100%


American Citizen Services: Assisting approximately four million Americans who reside overseas and nearly 60 million who travel abroad remains a top priority for the U.S. Government. Though consular work is punctuated by extraordinary acts to help U.S. citizens during times of crisis or urgent need, it is built upon a foundation of services provided to an American public that increasingly lives, works, and learns in the global community.

Human Resources: The Secretary’s vision for transformational diplomacy announced in 2006 has meant considerable changes in the realignment of overseas positions, an initiative known as global diplomatic repositioning. This initiative enables the Department to respond more quickly to policy demands and priorities, increases the number of employees in full-time training for difficult languages such as Arabic and Chinese, and better supports employees and their families as the number of positions at unaccompanied and limited accompanied posts increases.

While all Foreign Service positions worldwide are crucial to the implementation of U.S. foreign policy, critical needs positions at high differential posts overseas are often on the frontlines of policy priorities. The following new indicator measures the ability of the Department of State’s Bureau of Human Resources to fill positions at posts with critical personnel needs beginning in 2007. The staffing of these positions has been a top priority. Because of staffing shortages and the civilian surge, not all critical needs posts were staffed at the target of 90 percent or above. Until the Department of State’s overall staffing needs are met, it will be unable to fill all “critical needs” positions above 75 percent.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Successful Staffing of Critical Needs Positions Overseas	N/A	N/A	90%	75%		75%	75%


Information Technology: The Department of State and USAID must have secure and modern information technology to provide the information required for effective diplomacy and development. To achieve this goal, the Department and USAID have agreed on a number of strategic information technology initiatives, including developing state-of-the-art information management tools, services, and repositories both internally and for e-Government partners, citizens, other U.S. Government agencies, private businesses, non-governmental organizations, and other governments. For example, the State Messaging and Archive Retrieval Toolset (SMART) initiative highlighted in the indicator below demonstrates how the Department has made progress toward a more efficient global communications system.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Progress Toward State Messaging and Archive Retrieval Toolset (SMART)	Requirements documented	Development of quick-win functionality initiated	Deploy functionality at pilot sites	Deployment successful at all pilot sites		Worldwide deployment to 12 additional posts	Worldwide deployment to all posts

Diplomatic Security: The year 2007 was a challenging one with security threats in countries as diverse as Pakistan, Iraq, and Colombia. As part of the U.S. Government response to these threats, in September 2007, Secretary Rice tasked a panel of outside experts, chaired by the Director of Management Policy, to review the Department's security practices in Iraq. The panel's report, issued in October 2007, recommended a series of measures to strengthen security practices, including enhancements in training, the establishment of an Embassy Incident Review Board, prompt actions by the Embassy and U.S. military command to tighten coordination, and the addition of personnel to improve oversight. These recommendations are now being implemented.

Overseas Facilities: In addition to providing for the security of diplomatic personnel, the Department and USAID also invest in the security of diplomatic facilities worldwide to provide safe and functional work and living environments for employees. The Department is now engaged in the most comprehensive overseas capital construction program in its history to replace 195 security-deficient embassies and consulates and collocate all U.S. Government personnel. In the past five years, 54 embassies and consulates have been replaced or are under construction. The *Fiscal Year 2007 – 2012 Long-Range Overseas Buildings Plan* anticipates replacing an additional 61 embassies and consulates. The Department is also a leader in the Federal Government-wide Real Property Initiative, incorporating best practices such as lean management, ensuring that new facilities use energy-efficient designs, encouraging innovative design/build contracts, partnering with industry, and maintaining transparency with stakeholders. USAID is a partner in this effort, as USAID offices are included on all new embassy compounds (NEC).

The Baghdad NEC project, consisting of 25 buildings plus infrastructure on 65 acres, achieved substantial completion on December 16, 2007, within the budget approved by Congress. This is the largest embassy project in the history of the Department of State and the only permanent facility built during wartime. As part of the Overseas Buildings Operations' (OBO) regular comprehensive, systematic procedures, the NEC is currently undergoing the normal OBO rigorous accreditation and verification process managed by our Commissioning Office to validate whether it has been built to code and contract specifications and that all building systems are acceptable. The following indicator measures a key component relating to the security of U.S. Government overseas posts.

Performance Indicator	2005 Results	2006 Results	2007 Target	2007 Results	2007 Rating	2008 Target	2009 Target
Number of Major Compound Security Upgrade Program Projects Completed at Overseas Posts	4	7	8	8		9	8

Planning and Accountability: To improve accountability to the American taxpayers, the Department and USAID are continuously improving financial performance and integrating budgeting with strategic and performance planning. For example, in 2007, the Department implemented a single, integrated financial system to provide world-class financial services on a global scale. USAID is also integrating procurement into its global financial system and received a clean financial audit for the fifth consecutive year.

Administrative Services: The Department and USAID provide premier administrative and information support services to further foreign policy and foreign assistance goals by continually improving customer assistance and satisfaction. Overseas, the Department and USAID are merging selected administrative support functions. Domestically, the Department has begun to re-engineer and consolidate administrative functions into service centers that will provide specialized support to bureaus to improve service delivery.

Rightsizing the U.S. Government Overseas Presence: The Department of State's Office of Rightsizing is a Congressionally-mandated office responsible for implementing a President's Management Agenda special initiative. This office conducts rightsizing studies on all U.S. missions worldwide on a rolling five-year basis, and reviews and approves the staffing projections for all capital construction projects, ensuring rightsizing goals are met. ■

REBUILDING EFFORTS IN IRAQ

The Department of State and USAID are implementing transformational diplomacy in Iraq. Officers from both agencies are deployed throughout the country, in a variety of configurations, to work with Iraqi government and civilian officials to promote reconciliation and to assist in the economic, political and social rebuilding of the country.

Democracy promotion, national reconciliation, economic growth, capacity building and expanding international support for Iraq serve as broad guidelines for reaching U.S. Government goals in Iraq. The Government of Iraq and its people must be the primary force behind the governance, economic, and political development of their country. U.S. Government programs are helping to rebuild institutions and processes to be taken over and managed by the Iraqis by training them to deliver basic services to Iraqi communities.

Iraq's diverse geographic regions are served by 11 Provincial Reconstruction Teams (PRT), 13 Embedded Provincial Reconstruction Teams (EPRT), and seven Provincial Support Teams (PST). Eleven of these teams were created during the last nine months of 2007 and by December 2007 candidates for virtually all the State and USAID positions in all the teams had been assigned. Local Iraqi leaders in established provincial and local governments are provided training in transparent and effective governance, promotion of economic development, and responsiveness to constituents.



The leader of the Baghdad PRT, Andrew Passon of the State Department, chats with a local businessman in the historic Abu Nawaz area as part of efforts to help the local shops reopen and improve their services. USAID Photo//Ben Barber



Small businesses have benefited greatly from PRT loan programs to reopen their shops. USAID Photo

SUMMARY OF ACHIEVEMENTS

- Employment of over 300,000 Iraqis in reconstruction projects such as clearing rubble, painting, improving irrigation, and organizing soccer leagues. These jobs are giving youth a stake in society and preventing their marginalization and vulnerability to extremism.
- Graduation of over 13,000 Iraqis from vocational training courses.
- Placement of over 5,000 Iraqis in apprenticeship programs.
- Training of 2,000 council members and 28 governors.
- Training of over 4,000 civil servants in key Iraqi ministries in executing budgets, management, ethics, auditing, and information technology skills, with an additional 20,000 civil servants targeted for training by July 2009.

- Distribution of 62,000 micro-credit loans with a combined value of \$131 million at an average size of \$2,300, spurring the local economy. The program has enjoyed a 98 percent repayment rate.
- Establishment of and training for over 1,450 Community Action Groups to increase citizen participation in the affairs of their community.
- Completion of nearly 6,000 community projects in all 18 provinces.
- Effective sharing of revenue by the central government with the provinces.
- Noticeable decrease in sectarian violence since December 2006.

The White House's Benchmark Report in September 2007 stated that since January 2007, of the 18 benchmarks, the Iraqis made satisfactory progress on nine, and unsatisfactory progress on seven. Two benchmarks await rating when necessary preconditions are met.

For additional information, please refer to the following reports:

- White House Benchmark Assessment Reports: <http://www.whitehouse.gov/news/releases/2007/09/20070914.html>
- General Petraeus' Report to Congress: <http://www.defenselink.mil/pubs/pdfs/Petraeus-Testimony20070910.pdf>
- Ambassador Crocker's Report to Congress: http://www.politico.com/pdf/PPM43_070910_crocker_testimony.pdf
- Special Inspector General Report on Iraqi Reconstruction: <http://www.sigir.mil/reports/pdf/audits/07-005.pdf>
- Government Accountability Office Reports on Iraq: <http://www.gao.gov/docsearch/featured/oif.html>



STATE OPERATIONS AND FOREIGN ASSISTANCE PERFORMANCE INDICATORS

In keeping with the Secretary’s commitment to joint Department of State and USAID planning and reporting efforts, an interagency working group selected a representative set of 101 indicators to measure the two agencies’ progress toward the seven joint strategic goals. This indicator set reflects U.S. Government foreign policy priorities and major areas of investment, and includes indicators from the Program Assessment Rating Tool assessments.

The 101 performance indicators are included in the 2009 Foreign Assistance and State Operations Congressional Budget Justification, clearly linking performance to the budget request. For more detailed information on the indicators below, please refer to the State Operations volume of the Congressional Budget Justification at <http://www.state.gov/s/d/rm> and the Foreign Assistance volume of the Congressional Budget Justification at <http://www.usaid.gov/policy/budget/cbj2009>.

Strategic Goal 1: Achieving Peace and Security	2007 Rating
State Operations	
Percent of U.S. Trained African Units Deployed to Peace Support/Humanitarian Operations	●
Ensure Local Guard Services Provided and Invoiced are Accountable Under the Terms and Conditions of the Contract	●
Percent of Small High-Risk Classified Lock and Leave Posts Compliant with Standards for Remote Monitoring	●
Treaty Alliance Relationships with Japan, Korea, and Australia	●
NATO-led and U.S.-led Coalition Operations	●
Degree to which United Nations Peacekeeping Missions Achieve U.S. Government Objectives	●
Compliance with United Nations Security Council Resolution 1373	●
Status of Iran’s Nuclear Program	●
Status of Nuclear Nonproliferation Treaty Regime and Strengthening of International Atomic Energy Safeguards	●
Progress Toward Implementation of the Israeli-Palestinian Road Map to Peace	●
Status and Readiness of U.S. Government Civilian Reserve Response	●
Status of Technical Support Working Group Research Projects	●
Capacity of the Afghan National Army to Defend the Credibly Elected Afghanistan Government and Its Territory from External and Internal Threats	●
Verification of Arms Control, Nonproliferation, and Disarmament Agreements and Commitments	●
Compliance with Arms Control, Nonproliferation, and Disarmament Agreements and Commitments	●
Number of Joint Operations and Exercises in the Western Hemisphere	●
Foreign Assistance	
Number of People Trained in Counterterrorism by U.S. Government Programs	●
Number of Countries that Have Developed Valid Export Control Systems Meeting International Standards	●
Number of Activities to Improve Pathogen Security and Laboratory Biosafety	●
Number of Foreign Personnel Trained in the U.S. Who are at National Leadership Levels	●
Kilos of Illicit Narcotics Seized by Host Government in U.S. Government-Assisted Areas	●
Hectares of Drug Crops Eradicated in U.S. Government-Assisted Areas	●
Number of People Trained in Conflict Mitigation/Resolution Skills with U.S. Government Assistance	●
Number of People Prosecuted, Convicted, and Sentenced for Trafficking in Persons	●
Political Stability/Absence of Violence in Afghanistan	N/A
Number of Public Information Campaigns Completed by U.S. Government Programs	●

LEGEND: ● = 10 percent or more above target; ● = on target; ● = 10 percent or more below target; N/A = Not Applicable

Strategic Goal 2: Governing Justly and Democratically	2007 Rating
State Operations	
Number of Public-Private Partnerships to Advance Respect for Human Rights	●
Status of International Religious Freedom	●
Foreign Assistance	
Number of U.S. Government-Assisted Courts with Improved Case Management	●
Number of U.S. Government-Assisted Civil Society Organizations that Engage in Advocacy and Watch-dog Functions	●
Number of Countries With an Increase in Improved Rule of Law – South and Central Asia Region	N/A
Number of Justice Sector Personnel Who Received U.S. Government Training	●
Number of Targeted Countries with an Increase in Government Effectiveness	N/A
Number of Countries with Progress in Developing a Fair, Competitive, and Inclusive Electoral Process	N/A
Number of Domestic Election Observers Trained with U.S. Government Assistance	●
Number of Countries Showing Progress in Freedom of Media	N/A
Europe Non-Governmental Organization Sustainability Index	●
Eurasia Non-Governmental Organization Sustainability Index	●
Number of U.S. Government-Assisted Political Parties Implementing Programs to Increase the Number of Candidates and Members Who Are Women	●

Strategic Goal 3: Investing in People	2007 Rating
Foreign Assistance	
Modern Contraceptive Prevalence Rate	●
Percent of Births Spaced Three or More Years Apart	●
Percent of Children with DPT 3 Immunization Coverage	●
Percent of Live Births Attended by Skilled Birth Attendants	●
Number of People Protected Against Malaria with a Prevention Measure (Insecticide Treated Mosquito Nets or Indoor Residual Spraying) in the President's Malaria Initiative Countries	●
Number of Countries Achieving a Tuberculosis Treatment Success Rate of 85 Percent or Greater	●
Number of Countries Achieving a Tuberculosis Case Detection Rate of 70 Percent or Greater	●
Estimated Number of HIV Infections Prevented in the 15 PEPFAR Focus Countries	N/A
Number of People Receiving HIV/AIDS Treatment in the 15 PEPFAR Focus Countries	●
Number of People Receiving HIV/AIDS Care and Support Services in the 15 PEPFAR Focus Countries	●
Number of People in Target Areas with Access to Improved Drinking Water Sources as a Result of U.S. Government Assistance	●
Number of Learners Enrolled in U.S. Government-Supported Primary Schools or Equivalent Non-School-Based Settings	●
Number of People Benefiting from U.S. Government-Supported Social Services and Assistance	●

LEGEND: ● = 10 percent or more above target; ● = on target; ● = 10 percent or more below target; N/A = Not Applicable

Strategic Goal 4: Promoting Economic Growth and Prosperity	2007 Rating
State Operations	
Number of Days to Start a Business	●
Number of Company-Specific Cases for which Advocacy Services were Provided	●
Number of Environmental Projects in Free Trade Agreement Partner Countries	●
Status of Negotiations and Policy Changes Impacting Services, Trade and Investment	●
Foreign Assistance	
Percent of U.S. Government-Assisted Microfinance Institutions that Have Reached Operational Sustainability	●
Time Necessary to Comply with All Procedures Required to Export/Import Goods	●
Number of People with Increased Access to Modern Energy and Infrastructure Services due to U.S. Government Assistance	●
Number of Rural Households Benefiting Directly from U.S. Government Interventions in Agriculture	●
Credit to Private Sector as a Percent of Gross Domestic Product	●
Three year Average in the Fiscal Deficit as a Percent of Gross Domestic Product	N/A
Quantity of Greenhouse Gas Emissions Reduced or Sequestered as a Result of U.S. Government Assistance	●
Number of Hectares Under Improved Natural Resource or Biodiversity Management as a Result of U.S. Government Assistance	●
Number of the 11 Core Commercial Laws Put into Place with U.S. Government Assistance	●
Percent Change in Value of International Exports of Targeted Agricultural Commodities due to U.S. Government Assistance	●

Strategic Goal 5: Humanitarian Assistance	2007 Rating
Foreign Assistance	
Percent of Refugees Admitted to the U.S. Government Compared to the Regional Ceilings Established by Presidential Determination	●
Percent of Planned Emergency Food Aid Beneficiaries Reached	●
Percent of Targeted Disaster-Affected Households Provided with Basic Inputs for Survival, Recovery or Restoration of Productive Capacity	●
Percent of Monitored Sites With Controlled Populations (<i>Refugee Camps</i>) Worldwide with Less than 10 Percent Global Acute Malnutrition (GAM) Rate	●
Percent of Monitored Sites With Dispersed Populations (<i>Internally Displaced Persons, Victims of Conflict</i>) Worldwide with Less than 10 Percent Global Acute Malnutrition (GAM) Rate	●
Percent of Targeted Beneficiaries Assisted by USAID's Office of Foreign Disaster Assistance-Supported Protection and Solution Activities	●
Percent of Bureau for Population, Refugees and Migration Projects that Include Activities that Focus on Prevention of and Response to Gender-based Violence	●

LEGEND: ● = 10 percent or more above target; ● = on target; ● = 10 percent or more below target; N/A = Not Applicable

Strategic Goal 6: Promoting International Understanding	2007 Rating
State Operations	
Number of Foreign Participants Reached by Youth Programs	●
Percent of Youth Participants Who Increase Their Understanding of American Values, Society and Culture Immediately after Their Program Experience	●
Successful Confirmation Hearings and Authorizing Legislation for the President's Foreign Policy Agenda	●
Reduction in the Level of Anti-American Sentiment Among Key Foreign Audiences	●
Increased Understanding of U.S. Government Policy, Society and Values	●
Number of Polls/Surveys Commissioned Annually	●
Number of Outreach Activities to Targeted United States Audiences and the Media	●
Number of Foreign Press Briefings and Media Tours for Resident Correspondents	●
Placement of Accurate United States Government Policy Information	●

Strategic Goal 7: Strengthening Consular and Management Capabilities	2007 Rating
State Operations	
Health Promotion	●
Integrated Logistics Management System Development Modernization and Enhancement, Including Worldwide Deployment	●
Status of Construction of the New Office Building for the U.S. Mission to the United Nations	●
Percent of Passport Applications Processed Within Targeted Timeframe	●
Development of Biometrics Collection Program for United States Government Visas	●
Language Training Success Rate at the Foreign Service Institute	●
Overall Satisfaction with Training at the Foreign Service Institute	●
Number of U.S. Government Employees and International Visitors Trained on Trafficking in Persons Issues	●
Success Staffing Critical Needs Positions Overseas	●
Percent of Language-Designated Positions at Overseas Missions Filled by Employees Who Fully Met the Language Requirements	●
Progress Toward Implementing the State Messaging and Archive Retrieval Toolset Messaging System	●
Implementation of Information Technology Shared Services through Consolidation	●
Percent of Capital Security Construction Projects Completed Within the Schedule Authorized in the Construction Contract	●
Number of Major Compound Security Upgrade Program Projects Completed at Overseas Posts	●
Percent of Reports and Investigations Focused on Department and Broadcasting Board of Governors Management Challenges	N/A
Percent of Recommendations Resolved Within the Appropriate Timeframe	●
Monetary Benefits: Questioned Costs, Funds Put to Better Use, Cost Savings, Recoveries, Efficiencies, Restitution, and Fines	●
Status of Global Financial Management Systems Software	●
Number of Science and Technology Fellows and Recruits	●

LEGEND: ● = 10 percent or more above target; ● = on target; ● = 10 percent or more below target; N/A = Not Applicable

BUDGET HIGHLIGHTS

The Department of State and USAID are committed to demonstrating the relationship between their budget requests to Congress and the performance of the programs that these budgets support. Both agencies are participating in this year's *Pilot Program for Alternative Approaches to Performance and Accountability Reporting*, as it fosters mutually supportive presentations of budget and performance information and linkages to the following year's budget.

Within the President's 2009 budget, the Department of State and USAID have requested resources to effectively implement diplomatic and development initiatives in support of the President's highest priority foreign policy goals. These include enhancing global security and combating terrorism; spreading hope and freedom by promoting democratic ideals; helping to reduce global poverty and facilitate free enterprise; and responding to global challenges and humanitarian crises. In addition, the budget promotes the effective and efficient use of resources by eliminating the duplication of overseas services and consolidating administrative support functions related to infrastructure.

The annual budget request to Congress for agency funding is presented in two separate volumes: the Congressional Budget Justification for the Department of State and the Congressional Budget Justification for Foreign Assistance. Both budget requests and key performance measures link directly to the seven strategic goals in the Department of State and USAID Joint Strategic Plan for Fiscal Years 2007-2012. Although the breadth and complexity of these performance measures preclude linking resources to each one individually, the measures are grouped under clearly defined strategic priority areas, which in turn are linked to resource requests. The pie chart on the following page reflects the combined 2007 State Operations and Foreign Assistance budget by strategic goal and includes a table listing the actual 2007, estimated 2008 and the requested 2009 resources. Following are highlights of the President's FY 2009 International Affairs budget request which represents approximately 1% of the total federal budget.

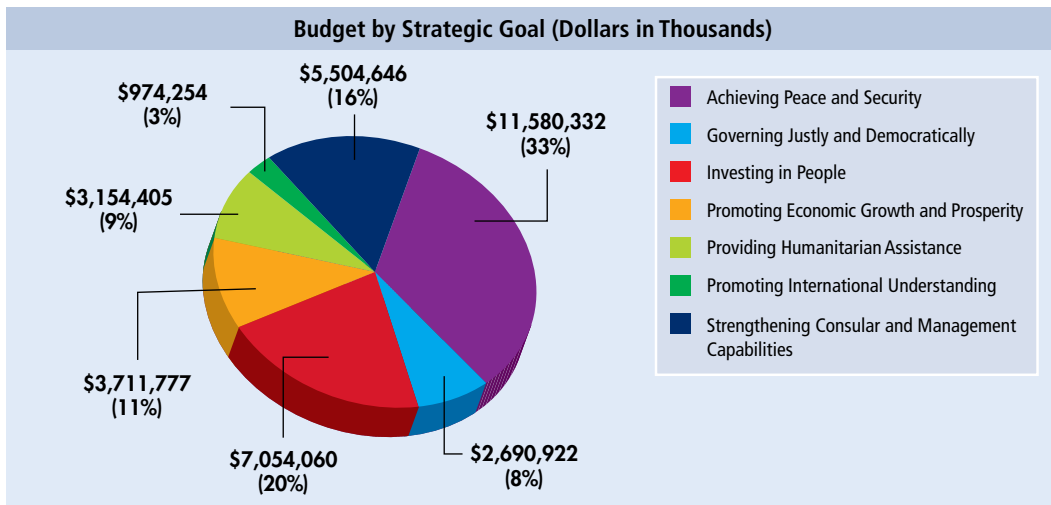
State Department 2009 Budget - The State Operations budget request totals \$11.5 billion and includes resources to support the people, platforms, and programs required by the Department of State to carry out foreign policy, including key components of the Department's operations and infrastructure, as well as U.S. engagement abroad through public diplomacy and international organizations. The request by Secretary Rice reflects the Department's critical role as a national security institution and identifies resources required for diplomatic solutions to national security issues.

Highlights of the State Operations budget include \$3.8 billion to strengthen the global operating platform for the U.S. Government and add 500 new positions, and \$249 million in a new appropriation to support USG civilian efforts to stabilize and reconstruct post-conflict states. Other highlights include \$1.8 billion for security-related construction projects for U.S. embassies and consulates, and \$1.2 billion to increase security for diplomatic personnel, property and information. It also includes \$1.5 billion for U.S. contributions to 47 international organizations, including the United Nations, and \$1.5 billion for the U.S. share of costs for UN peacekeeping.

Foreign Assistance 2009 Budget - The Foreign Assistance budget totals \$22.7 billion and reflects a concerted effort to elevate the importance of development as a policy priority. Highlights include \$2.3 billion for our critical efforts in Iraq, Afghanistan and Pakistan, \$4.8 billion for the Global HIV/AIDS Initiative, and \$1.7 billion for democracy promotion, including support for the President's Freedom Agenda. Additionally, the budget renews our focus on poverty reduction and strengthens our commitment to Africa and the Western Hemisphere. Other highlights of the Foreign Assistance budget include \$5.1 billion for security assistance and \$92 million to restore USAID's operational capacity by funding additional staff, supporting more training, and improving information technology.

For additional information and details, please consult the FY 2009 Budget of the U.S. Government at <http://www.whitehouse.gov/omb/budget/fy2009/>, and the International Affairs Budget Summary and Highlights and the Congressional Budget Justification documents at <http://www.state.gov/s/d/rm>. ■

COMBINED 2007 STATE OPERATIONS AND FOREIGN ASSISTANCE BUDGET — \$34.9 Billion



STATE OPERATIONS AND FOREIGN ASSISTANCE BUDGET RESOURCES BY STRATEGIC GOAL 2007, 2008 & 2009

Strategic Goals (Dollars in Thousands)	2007 Actual		2008 Estimate		2009 Request	
	State Operations	Foreign Assistance	State Operations	Foreign Assistance	State Operations	Foreign Assistance
SG1: Achieving Peace and Security	\$2,895,781	\$8,684,551	\$3,333,787	\$6,782,357	\$3,308,172	\$7,693,566
SG2: Governing Justly and Democratically	549,579	2,141,343	448,960	1,376,768	544,836	1,719,780
SG3: Investing in People	394,698	6,659,362	360,212	8,317,841	417,297	7,709,726
SG4: Promoting Economic Growth and Prosperity	499,617	3,212,160	492,812	2,235,702	554,905	2,329,173
SG5: Providing Humanitarian Assistance	56,956	3,097,449	56,381	2,523,140	57,057	2,134,221
SG6: Promoting International Understanding	974,254	N/A	1,011,726	N/A	993,459	N/A
SG7: Strengthening Consular and Management Capabilities	4,621,460	883,186	4,737,047	831,488	5,311,870	1,078,647
Total Resources Supporting Strategic Goals	9,992,345	24,678,051	10,440,925	22,067,296	11,187,596	22,665,113
Office of the Inspector General*	31,414	N/A	33,733	N/A	35,508	N/A
International Commissions**	67,255	N/A	155,056	N/A	109,955	N/A
Foreign Service Retirement and Disability Fund**	126,400	N/A	122,500	N/A	122,500	N/A
Total Resources Not Allocated by Goals	225,069	N/A	311,289	N/A	267,963	N/A
Grand Total	\$10,217,414	\$24,678,051	\$10,752,214	\$22,067,296	\$11,455,559	\$22,665,113

* State Department Office of the Inspector General only. USAID Inspector General budget included in strategic goals allocations.

** Resources are not allocated by strategic goal as they represent programs that support the Department of State as an institution rather than the diplomatic, foreign assistance, and management programs linked to the strategic goals.

FINANCIAL HIGHLIGHTS

Transparent reporting on our stewardship and management of public funds is an integral part of the Department of State and USAID's collaborative efforts to improve accountability to our customers, constituents, and the public. The following is a summary of both the Department of State and USAID's Agency Financial Reports (AFR) for FY 2007. The AFR is one in a series of reports prepared to convey financial and management information in a way that is useful for a technical reader, while this Highlights Report is prepared for a reader with little technical background.

The following pages include financial information on each agency's assets, liabilities, and net position in a Condensed Balance Sheet, cost of operations in a Net Cost Summary, and available resources in a Budgetary Resources Summary. In addition, summary financial information from each agency's FY 2007 principal financial statements is included. Both agencies' AFRs are posted online. For a complete version of State's AFR see <http://www.state.gov/s/d/rm/rls/perfrpt/2007/> and for USAID's AFR see <http://www.usaid.gov/policy/afr07/>. The AFRs include statements from the Secretary of State, the USAID Administrator, and both Chief Financial Officers (CFOs).

In the 17 years since the enactment of the Chief Financial Officer's Act, there has been a clear cultural change in how financial management is viewed and carried out and a recognition of the value and need for sound financial management. Both the Department of State and USAID have CFOs who bring to the job proven track records in financial management and who work to achieve the same strategic goals.

DEPARTMENT OF STATE: The Department of State's financial statements are audited by the independent accounting firm of Leonard G. Birnbaum and Company, LLP. Working closely with the Independent Auditor, the Department has a proud tradition of unqualified opinions on its financial statements for the past decade. For the Department's financial statements for the year ending September 30, 2007, the Independent Auditor was unable to express an opinion because of limitations on the scope of their work. Due to complexities involved with installing a new core financial system, the Department was unable to fully provide supporting evidential documentation in a timely manner and the Independent Auditor was unable to perform other auditing procedures to satisfy themselves as to the accuracy of the financial statements in time to meet the November 15, 2007, deadline imposed by OMB for issuing the report. The Independent Auditor reported two material weaknesses: one related to the management of unliquidated obligations, which the Department continues to address, and the other related to the accounting for personal property. Management respectfully disagreed with the second material weakness on accounting for personal property, because of the progress made by the Department in addressing the causes of the weakness that had been reported as a significant deficiency during the FY 2006 audit.

USAID: USAID's financial statements are audited by the agency's Office of the Inspector General (OIG). The OIG awarded USAID an unqualified opinion for the fifth consecutive year, and reported no material weaknesses. In addition, USAID completed all corrective actions related to accrual accounting and reporting – the one material weakness identified by the OIG during the FY 2006 audit. ■

BALANCE SHEET SUMMARY

The Condensed Balance Sheets below present each agency's assets, liabilities, and net position. The data reflect intra-agency eliminations, but do not include eliminations between the Department of State and USAID.

The Department of State's total assets increased 13 percent, principally due to increases in Fund Balance with Treasury, real property, and investments in the Foreign Service Retirement and Disability Fund. The Department's total liabilities increased 11 percent, primarily due to increases in the Foreign Service Retirement Actuarial Liability, the Liability to International Organizations, and deferred revenue for international narcotics control services from the Department of Defense and the Justice Department. The Department's net position increased \$3.3 billion from the prior fiscal year. This increase was due to a \$1.4 billion growth in unexpended appropriations which resulted from a \$1.0 billion and \$333 million increase, respectively, in the Global HIV/AIDS and Democracy Fund accounts. In addition there was a \$1.8 billion increase in cumulative results of operations resulting from a \$1.0 billion increase in real property, net, and \$493 million in revenue from the sale of real property in London.

USAID's total assets decreased two percent from the prior fiscal year as a result of the agency not reporting on its statements financial activity related to budget authority allocations from other agencies. USAID's total liabilities reflect a less than one percent decrease from the previous fiscal year. USAID's net position decreased \$494.5 million from the previous fiscal year.

CONDENSED BALANCE SHEETS

As of September 30, 2007

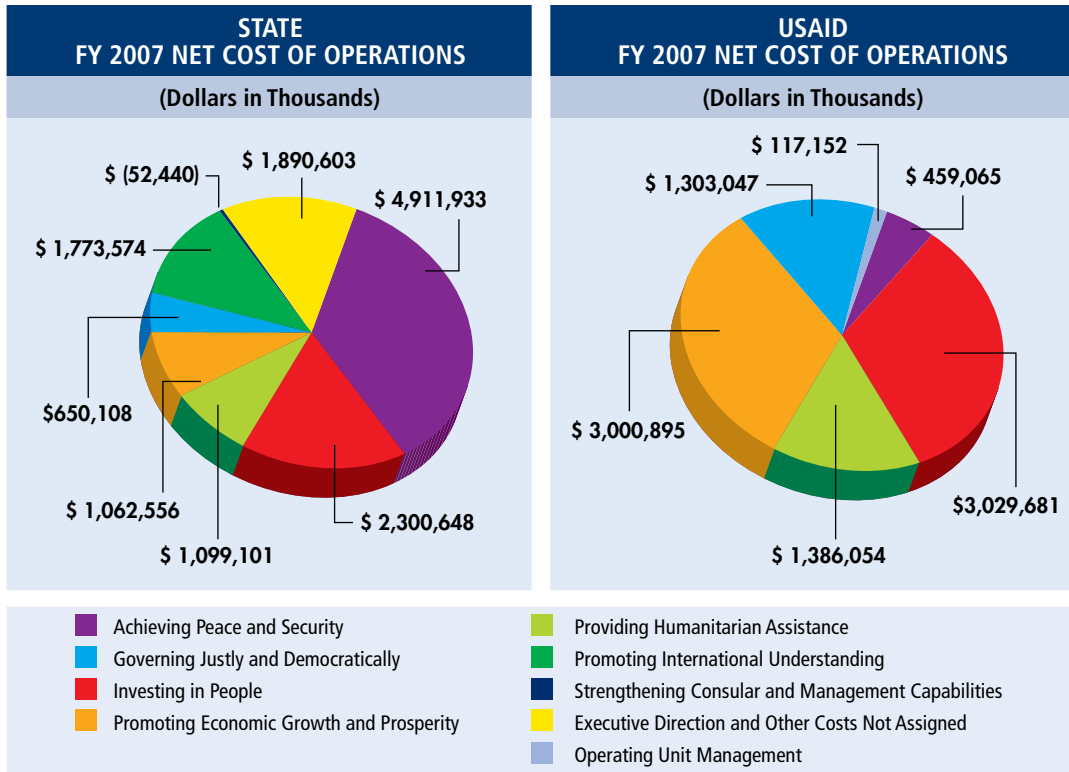
(Dollars in Thousands)	STATE	USAID
Assets:		
Fund Balance with Treasury	\$ 19,778,998	\$ 19,131,357
Investments, Net	14,412,447	–
Property, Plant, and Equipment, Net	10,198,455	88,498
Accounts, Loans and Interest Receivable, Net	618,799	4,590,205
Other Assets	225,130	829,895
Total Assets	\$ 45,233,829	\$ 24,639,955
Liabilities:		
Foreign Service Retirement Actuarial Liability	\$ 14,728,700	–
Debt and Due to U.S. Treasury	–	\$ 4,543,881
Accounts Payable	1,949,924	2,430,058
Loan Guarantee Liability	–	1,823,332
Liability to International Organizations	1,476,596	–
Other Liabilities	1,737,903	636,909
Total Liabilities	19,893,123	9,434,180
Commitments and Contingencies	–	2,940
Net Position:		
Unexpended Appropriations	14,553,330	14,787,230
Cumulative Results of Operations	10,817,737	415,605
Total Net Position	25,340,706	15,202,835
Total Liabilities and Net Position	\$ 45,233,829	\$ 24,639,955

NET COST SUMMARY

The charts below show each agency's net cost, that is, gross costs less earned revenue, invested in each joint strategic goal, which is aligned with the Foreign Assistance Framework. Operating Unit Management and Executive Direction are costs that cannot be directly traced or reasonably allocated to strategic goals; however, these costs are captured and included in the total net cost of operations. In addition, total net cost includes intra-agency eliminations, but does not include eliminations between the Department and USAID.

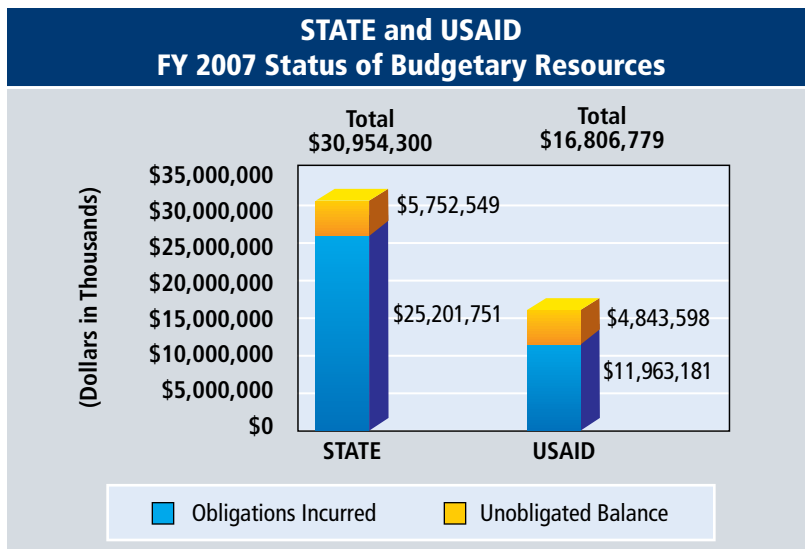
The Department's total net cost increased nine percent from the prior fiscal year, with the strategic goal Achieving Peace and Security representing the largest investment for the agency at 35 percent of total net cost of operations. The increase in net cost was primarily due to increased spending on the HIV/AIDS program included under the Investing in People strategic goal. The Department's strategic goal of Strengthening Consular and Management Capabilities is presented as a negative figure because earned revenue exceeded gross cost. USAID's total net cost decreased 10 percent from the previous fiscal year due to the agency excluding reporting the net cost of operations related to budget authority transferred from other agencies.

NET COST OF OPERATIONS For the Year Ended September 30, 2007				
(Dollars in Thousands)	STATE		USAID	
	Net Cost	Percent of Total Net Cost	Net Cost	Percent of Total Net Cost
Achieving Peace and Security	\$ 4,911,933	35%	\$ 459,065	5%
Governing Justly and Democratically	650,108	5%	1,303,047	14%
Investing in People	2,300,648	17%	3,029,681	33%
Promoting Economic Growth and Prosperity	1,062,556	8%	3,000,895	32%
Providing Humanitarian Assistance	1,099,101	8%	1,386,054	15%
Promoting International Understanding	1,773,574	13%	N/A	N/A
Strengthening Consular and Management Capabilities	(52,440)	0%	N/A	N/A
Operating Unit Management	N/A	N/A	117,152	1%
Executive Direction and Other Costs Not Assigned	1,890,603	14%	N/A	N/A
Total Net Cost of Operations	\$13,636,083	100%	\$ 9,295,894	100%



BUDGETARY RESOURCES SUMMARY

The chart below presents the Department and USAID's status of budgetary resources as of September 30, 2007. The Department reported budgetary resources of \$30.9 billion, an increase of 17 percent from the prior fiscal year, and USAID reported \$16.8 billion in budgetary resources, an increase of 16 percent from the prior fiscal year.



CONTACT INFORMATION

COMMENTS: We welcome your comments on how we can improve this joint Highlights Report. Please provide comments to the relevant offices listed below:

Department of State General Information: 202-647-0300 jointhighlights@state.gov

USAID General Information: 202-712-0000 highlights@usaid.gov

Section	State Office	USAID Office
Performance	Office of Strategic and Performance Planning 202-647-0300	Office of Management Policy, Budget and Performance 202-712-1158
Budget	Office of State Programs, Operations, and Budget 202-647-8517 Office of the Director of U.S. Foreign Assistance 202-647-2765	Office of Management Policy, Budget and Performance 202-712-4574
Financial	Office of the Deputy Chief Financial Officer 202-261-8620	Office of the Chief Financial Officer, Audit Performance and Compliance 202-712-5339

An electronic version is available on the World Wide Web at:

<http://www.state.gov/s/d/rm/rls/perfrpt/>

<http://www.usaid.gov/policy/highlights07>

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THE JOINT HIGHLIGHTS CORE TEAM IS COMPOSED OF Nina Blassengale, Melane Rose Boyce, Gerald Britan, Adam Bushey, Stephanie Cabell, Kevin Covert, Julia Gomez, Linda Howey, Horace Johnson, Janet Kerley, Yaropolk Kulchychykyj, Krishna Kumar, Reaz Mehdi, Subhi Mehdi, Ed Platte, Andrea Sternberg, Mary Stewart, Frank Sullivan, Jill Thompson, and Gloria White.

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The background is a deep blue gradient with a white grid pattern. Overlaid on this are several large, semi-transparent, light blue geometric shapes, primarily triangles and quadrilaterals, which create a sense of depth and movement. The grid lines are thin and white, and the overall composition is clean and modern.

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