United States Department of State

Performance and Accountability Report

Fiscal Year 2005

Transformational Diplomacy

SECURITY

DEMOCRACY

PROSPERITY

The U.S. Department of State's *Performance and Accountability Report for Fiscal Year 2005* is now available in four easily accessible products:

- *The Performance and Accountability Report:* the full report of the Department's annual performance relative to its mission and stewardship of financial resources, accessible via the internet and CD-ROM;
- *The PAR Highlights*: a summary version of the full report, available via the internet and printed for worldwide distribution;
- *The PAR Brochure*: an eight-page, high-level overview of the Department's FY 2005 performance results and financial information, printed for worldwide distribution;
- *The PAR CD-ROM:* an interactive CD featuring a PDF version of the full PAR, links to Department publications and relevant reports, maps, a photo gallery, and more.

For copies of these materials, please contact the U.S. Department of State's Bureau of Resource Management at PAR@state.gov or visit us at http://www.state.gov/m/rm/rls/perfrpt

United States Department of State

OUR MISSION

Create a more secure, democratic, and prosperous world for the benefit of the American people and the international community.

OUR VALUES

LOYALTY

Commitment to the United States and the American people.

CHARACTER

Maintenance of high ethical standards and integrity.

SERVICE

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

ACCOUNTABILITY

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

COMMUNITY

Dedication to teamwork, professionalism, and the customer perspective.

TABLE OF CONTENTS

Message from the Secretary IV
Message from the Acting Assistant Secretary for Resource Management and Chief Financial Officer VI
About This Report 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 7

Mission and Organization 9
Directory of Key Officials and Senior Management 12
Map of Department of State Locations 14
Performance Summary and Highlights 16
FY 2005 Key Foreign Policy Achievements 16
Performance Management – A Leadership Priority 18
Strategic Planning Framework 20
Strategic Planning Framework Quick Reference Guide 21
How We Assess Performance 22
Significant Achievements and Management Challenges 23
Summary of FY 2005 Performance 47
Department of State Budget Allocation by Strategic Goal 48
Summary Performance Goal Results 49
Summary of Results Rated "Significantly Below Target" 53
Program Assessment Rating Tool (PART) Status 55
The President's Management Agenda 57
Management Controls, Financial Management Systems and Compliance with Laws and Regulations 63
Federal Managers' Financial Integrity Act 63
Federal Financial Management Improvement Act 64
Federal Information Security Management Act 65
Government Management Reform Act – Audited Financial Statements 66
Improper Payments Information Act 69
Financial Highlights 72

INSPECTOR GENERAL'S DISCUSSION AND ANALYSIS 79

Message from the Inspector General 80
Summary of FY 2005 Performance 81
Management and Performance Challenges 85

PERFORMANCE SECTION 91

Strategic Objective #1: Achieve Peace and Security 92
Strategic Goal 1: Regional Stability 92
Strategic Goal 2: Counterterrorism 115
Strategic Goal 3: Homeland Security 137
Strategic Goal 4: Weapons of Mass Destruction 151
Strategic Goal 5: International Crime and Drugs 176
Strategic Goal 6: American Citizens 192

Strategic Objective #2: Advance Sustainable Development and Global Interests 200
Strategic Goal 7: Democracy and Human Rights 200
Strategic Goal 8: Economic Prosperity and Security 225
Strategic Goal 9: Social and Environmental Issues 245
Strategic Goal 10: Humanitarian Response 270
Strategic Objective #3: Promote International Understanding 283
Strategic Goal 11: Public Diplomacy and Public Affairs 283
Strategic Objective #4: Strengthen Diplomatic and Program Capabilities 309
Strategic Goal 12: Management and Organizational Excellence 309
Resource Summary by Strategic Goal 347

FINANCIAL SECTION 351

Introduction to Principal Financial Statements 352
Independent Auditor's Report 353
Financial Statements 367
Principal Financial Statements 368
Consolidated Balance Sheet 368
Consolidated Statement of Net Cost 370
Consolidated Statement of Changes in Net Position 371
Combined Statement of Budgetary Resources 372
Consolidated Statement of Financing 374
Notes to Principal Financial Statements 376
Required Supplementary Stewardship Information – Heritage Assets 412
Required Supplementary Information 417
Combining Schedule of Budgetary Resources 417
Intragovernmental Amounts 419
Deferred Maintenance 422
Working Capital Fund 422
Supplemental Information and Other Reporting Requirements 423
Financial Management Plans and Reports 424
Management of Obligations to the Department 431
Management of Payments 434
Management of Audit Follow-up 444

APPENDICES 445

Justifications for Changed Indicators and Targets 446
PART Summaries for FY 2005 - FY 2006 457
Major Department of State Publications 471
Department of State Locations 474
Glossary of Acronyms 477

MESSAGE FROM THE SECRETARY

I am pleased to present the Department of State's Performance and Accountability Report for fiscal year 2005. This report describes the Department's achievements and challenges in this extraordinary moment for America and for the world. It also highlights our efforts to manage taxpayer dollars responsibly in support of our nation's endeavor to support the aspirations for liberty and democracy of people all around the world.

In his Second Inaugural Address, President Bush laid out a bold vision for American diplomacy: "It is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world." The President understands that one of history's clearest lessons is that America is safer, and the world more secure, whenever and wherever democratic principles prevail.

In these momentous times, America's diplomats are working to create a balance of power in the world that favors freedom. They are dedicated to building a more secure, democratic, and prosperous world for the benefit of the American people and the international community. The success of this mission rests on three great tasks, and in the past year, the men and women of the State Department have helped our nation advance each of these important objectives.

First, we are uniting the community of democracies in building an international system that is based on our shared principles and the rule of law. The United States is joining together in common cause to solve common problems with our partners in NATO and the European Union, and with our democratic allies in East Asia and around the world. We are supporting and upholding the system of international rules and treaties that allow us to take advantage of our freedom, to build our economies, and to keep us safe and secure.

Second, we are strengthening the community of democracies to fight the threats to our common security and alleviate the hopelessness that feeds terror. From the Philippines to Colombia to the nations of Africa, we are strengthening counterterrorism cooperation with countries that have the will to fight terror but need help with the means. We are spending billions to fight AIDS, tuberculosis, malaria, and other diseases. We are joining with developing nations to fight corruption, instill the rule of law, and create a culture of transparency. In much of Africa and Latin America, we are working with democratic reformers and insisting that leaders who are elected democratically have an obligation to govern democratically.

Finally, we are supporting people throughout the globe who desire freedom and democracy. This past year has been marked by truly unprecedented democratic transformations in places like Ukraine, Afghanistan, Iraq, Kyrgyzstan, Lebanon, and the Palestinian territories. More are still to come. But as exhilarating as these events are, we are mindful that the path to sustainable, institutionalized democracy remains long, hard, and different for all of these nations. At the same time, we are making it clear that the United States stands with all people who demand their democratic rights in places like Belarus, Burma, Cuba, Iran, and Zimbabwe.

As this report describes, the State Department has taken specific new steps in the past year to further these three great objectives of American diplomacy. For one, we are devising new ways to stop terrorists before they can do harm to our citizens and our allies. In Iraq, we established a terrorist watch list that helped Iraqi officials to capture some of the leaders of the insurgency. We also increased our counterterrorism cooperation with free nations and frontline defenders around the world, and we identified suspected terrorists attempting to transit air, land, or seaports of entry. Searching database entry records in Pakistan, we were able to locate three individuals associated with the July 2005 London bombings.

In fiscal year 2005, we also began developing an active response corps of civilians with technical expertise to respond quickly and effectively to help nations that are emerging from conflict. In time, these teams will help the citizens of war-torn, strife-ridden nations to stabilize and rebuild their societies and set a sustainable course to a future of peace, democracy, and economic development. This is an extension of our Department's efforts to lead the U.S. Government's response to the challenge posed by weak and failing states.

In the past fiscal year, we have also initiated several efforts to engage foreign audiences in a dialogue about the universal principles of democracy and human rights. We are enlisting the support of private American citizens, whether they are traveling abroad or welcoming an exchange student into their home. We are encouraging more young Americans to study other languages and cultures, much as we did in the early days of the Cold War. By reaching out to foreign citizens and media to discredit rumors and conspiracy theories, we have improved our capabilities to confront hateful propaganda that the enemies of freedom use against us.

Finally, we have continued to take steps to eliminate shortages of critical skills among our diplomatic corps. In fiscal year 2005, our specialized training facility, the Foreign Service Institute, conducted over 462,000 hours of training in critical needs languages, including Arabic, Chinese, Russian, Turkish, Urdu, Hindi, and Persian (Farsi). After all, public diplomacy is not a monologue. It is a conversation that America's diplomats must be prepared to conduct in the local languages of the countries in which they serve.

In all that we do, the men and women of the State Department are mindful to manage the resources entrusted to us in a responsible, efficient, and effective manner. I am personally involved in the planning and resource allocation process. I have chaired senior-level bureau performance meetings, overseen resource plans, and made performance management a leadership priority. I am pleased to provide an unqualified statement of assurance that the Department's management controls and financial systems meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The financial and performance data presented herein are complete and reliable in keeping with guidance from the Office of Management and Budget and the Reports Consolidation Act.

The report that follows details how American diplomacy is helping to transform the world for the better in a time of unprecedented historical change and opportunity. It is an impressive record of achievement—one of which I am very proud, and one of which America can be proud as well.

Condoleezza Rice

Secretary of State

MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER

The past year has proven to be an exciting period in which to serve the American people as a member of Secretary Rice's management team, implementing transformational diplomacy and advancing the President's foreign policy and management agenda. Very few agencies or corporations have the depth and variety of challenges that the men and women of the Department of State face daily as we work to create a more secure, democratic, and prosperous world for the benefit of the American people and the international community.

The Department operates in over 260 locations in 172 countries, while conducting business in 150 currencies and an even larger number of languages. One hundred and eighty-four missions abroad submit business plans each year that demonstrate their achievements and describe their initiatives, while thousands of financial professionals around the globe plan, budget, obligate, disburse, and account for billions of dollars in annual appropriations. Despite these complexities, the Department pursues a commitment to integrity, transparency, and accountability that is the equal of any multi-national corporation.

For the past five years, the President has challenged us to meet new rigorous standards through the President's Management Agenda (PMA). The Department has made great strides in meeting the goals of the PMA, as evidenced by "double green" scores on the scorecard for three of the five USG-wide Presidential initiatives at the end of FY 2005.

The Department has a proud tradition of being effective and accountable stewards of the taxpayer's money. We have obtained unqualified opinions on our annual financial statements from our independent auditors for the better part of the last decade. However, late in FY 2005, the Department became aware of potentially material amounts of Department-owned personal property held by host countries and contractors, including aircraft and spare parts inventories, which had not been reflected in our financial statements. Due to the need for a complete and thorough analysis, the complexity of the matters involved, and the accelerated financial reporting requirements, the Department was unable to satisfy our independent auditors with regard to the presentation of personal property by November 15, 2005.

As a result, and as more fully explained in the *Independent Auditor's Report,* the independent auditors issued a qualified opinion on our FY 2005 and FY 2004 financial statements released on November 15, 2005, and reported the personal property area as a material weakness in internal controls. Since then, the independent auditors have satisfied themselves about the amounts presented as personal property in our FY 2005 and FY 2004 financial statements and issued an unqualified opinion thereon, dated December 14, 2005, which has cleared the way for updating this Report today.

The independent auditor also identified Information System Security as a material weakness in internal controls due to the vulnerability of our information system networks to unauthorized access. The Department recognizes the importance of effective internal controls and is committed to resolving the material weaknesses identified by the independent auditor as quickly as possible. The Department will implement remedies to these areas and track our progress through the Management Control Steering Committee – the body charged with overseeing the Department's management control program under the Federal Managers' Financial Integrity Act.

The Report that follows details how American diplomacy is helping to transform the world for the better during a time of unprecedented historical change and opportunity. This Report and the achievements that it describes could not have been accomplished without the extraordinary efforts of the Department's dedicated staff.

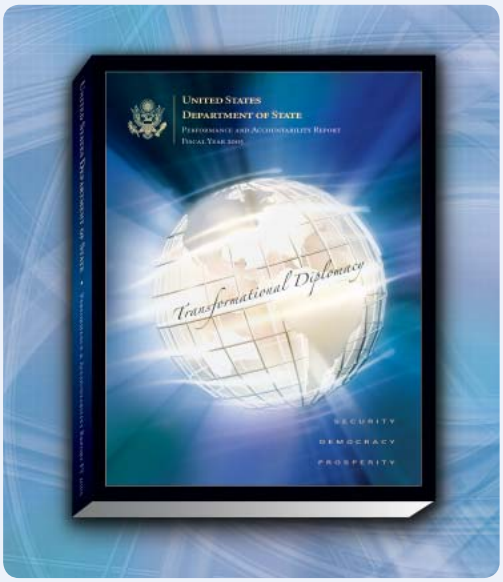
S. Kaplan

Sidney L. Kaplan
Acting Assistant Secretary for Resource Management and Chief Financial Officer
December 15, 2005

ABOUT THIS REPORT

PURPOSE OF REPORT

The Department of State's Performance and Accountability Report for fiscal year 2005 (the PAR) provides program results and financial information to help Congress, the President, and the public assess the Department's performance relative to our mission and stewardship of resources entrusted to us. The PAR also provides readers a sense of the Department's highest priorities in the conduct of U.S. foreign policy, and our strengths and challenges in implementing programs that pursue the President's foreign policy agenda.



As part of the Department's annual planning cycle, the Department sets specific, outcome-oriented, measurable criteria for self-evaluating its performance under a strategic framework established in the Department's Strategic Plan. The FY 2005 PAR reports on the Department's successes, performance shortfalls and management challenges as measured against the Department's FY 2005 Performance Plan, as well as details reports and findings on the Department's FY 2005 financial operations.

The PAR satisfies reporting requirements under the following legislation:

- Government Performance and Results Act of 1993
- Government Management Reform Act of 1994
- Federal Managers' Financial Integrity Act of 1982
- Chief Financial Officers Act of 1990
- Improper Payments Information Act of 2002
- Reports Consolidation Act of 2000

HOW WE MANAGE AND REPORT ON PERFORMANCE

The Department continues to improve the relevance and efficacy of our performance measures and targets. The Department's Office of Strategic and Performance Planning employs experienced performance management analysts who provide training, guidance and support to more than forty planning coordinators based in regional and functional bureaus throughout the Department of State. The bureau planning coordinators work directly with senior leadership, program managers and technical experts to review and evaluate performance measures to ensure they best capture the President's highest foreign policy priorities and focus on high-level outcomes.

During FY 2005, the Department intensified efforts to streamline the total number of indicators used to track performance and improve the utility of our planning measures and targets. Throughout the year, we reviewed our performance management plan and continued to replace weak indicators and imprecise targets with measures that better serve Department leadership in tracking progress toward achieving our highest-level objectives and strategic goals. Explanations for specific changes made to individual performance measures can be found in the PAR's Appendix.

The Performance Section

The performance section is organized to provide easily accessible, results-oriented performance information on measures pursued under the Department's FY 2005 Performance Plan. Each strategic goal chapter is divided into the following subsections, with a description of each section explained below:

STRATEGIC GOAL CHAPTER SUB-SECTIONS	
SUB-SECTION	**PURPOSE**
Public Benefit	A concise narrative on how Department policies and programs under each strategic goal benefit the American people and the international community.
Selected Performance Trends	Graphs that show multi-year performance trends for key indicators under each strategic goal.
Strategic Context	A table depicting the major initiatives/programs, resources, bureaus, and partners that contribute to activities under a given strategic goal.
Performance Summary	A chart showing the distribution of performance results achieved under a strategic goal.
Performance Analysis	A brief analysis of results and outcomes, performance trends, key performance challenges and resources invested under each strategic goal. Budget figures in this section are derived from the FY 2006 Congressional Budget Justification.
Resources Invested	A summary of resources (both dollars and people) devoted to programs under each performance goal to help readers assess the relative effectiveness and efficiency of Department programs.
Performance Results	A report of the Department's performance on measures in the FY 2005 Department Performance Plan, including program results, rating, and impact. This section also provides an analysis of target shortfalls and steps to improve, as well as information on data quality, verification and validation, and performance history.

OUR PERFORMANCE RATING SYSTEM

The Department applies a rigorous results rating methodology to assess FY 2005 performance on initiatives and programs under each strategic goal. Program managers assign one of five performance ratings to results achieved under each performance measure and performance analysts in the Office of Strategic and Performance Planning review and validate each rating. Ratings reflect the Department's assessment of performance based on a composite evaluation of several factors, including results on targets set in the FY 2005 Department Performance Plan, budget status, timeliness in meeting deadlines, and overall progress toward the intended impact of the initiative/program. The following table shows the criteria and parameters of the Department's Performance Results Rating System.

PERFORMANCE RESULTS RATING SYSTEM					
Performance Rating	**Significantly Below Target**	**Below Target**	**On Target**	**Above Target**	**Significantly Above Target**
Criteria	**Parameters**				
Results Against Targets	Results missed FY 2005 target by a significant margin	Results missed FY 2005 target by a slight margin	Results met FY 2005 target	Results slightly exceeded FY 2005 target	Results significantly exceeded FY 2005 target
Budget Status	Spent significantly over budget	Spent slightly over budget	Spent on budget	Spent slightly under budget	Spent significantly under budget
Timeliness	Missed most critical deadlines	Missed some critical deadlines	Met all critical deadlines	Met some critical deadlines early	Met most critical deadlines early
Impact on Targeted Outcomes Linked to Performance Goals	Results significantly compromise progress toward targeted outcomes	Results slightly compromise progress toward targeted outcomes	Results are on track with the expected pace of progress toward targeted outcomes	Results are slightly ahead of the expected pace of progress toward targeted outcomes	Results are significantly ahead of the expected pace of progress toward targeted outcomes

Performance Summaries–How We Aggregate Results

Some initiatives or programs in the PAR's Performance Section contain multiple ratings since they have multiple program components. When summarizing FY 2005 results in the PAR, the Department limited each indicator to a single rating that best reflects the Department's overall performance. Ratings were then aggregated to the performance goal or strategic goal level and shown as a distribution in graphs and charts.

Data Completeness and Reliability

Assessing the reliability and completeness of performance data is critical to managing for results. Comparing actual performance with the projected levels of performance can only be accomplished if the data used to measure performance are complete and reliable. In accordance with the *Reports Consolidation Act of 2000,* the Office of Management and Budget (OMB) has issued guidance addressing data completeness and reliability as follows:

- Data are considered complete if actual performance data is reported for every performance goal and indicator, which may include preliminary data if those are the only data available when the report is submitted. The agency must identify indicators for which actual data are not available at the time the report is submitted. The Department's data meet this test for completeness.

- Data are considered reliable when there is neither a refusal nor reluctance by agency managers or decision makers to use the data in carrying out their responsibilities, and data are further defined as reliable when the agency managers and decision makers use the data contained in the annual report on an ongoing basis in the normal course of their duties. The Department's data meet this test for reliability.

Verification and Validation

The Department's program managers are accountable for performance results reported in the PAR. Our credibility depends on the due diligence of our managers to validate and verify our performance by choosing appropriate performance measures and ensuring the highest accuracy of reported results. The Department has developed a six-part Verification and Validation reference guide to assist program managers ascertain the quality, reliability and accuracy of performance data. The National Foreign Affairs Training Center also uses this guide as an instruction manual during the Department's course in strategic and performance planning.

Assessing the reliability and completeness of performance data is critical to managing for results. Tables in the Performance Section's "Performance Results" subsection include the following information to show validation and verification of the Department's performance data:

- **Verification:** Performance tables include a "Performance Data" subsection that provides data source and data quality information relevant to each indicator. Under these fields, program managers list the resources used to measure performance (data source) and provide an assessment of the reliability and completeness of performance data (data quality), including any issues that may compromise confidence in the accuracy, quality or reliability of performance data or data sources used to determine FY 2005 performance results;
- **Validation Statement:** At the top of each performance table under the indicator title, a short statement explains why the Department chose this indicator as a useful and appropriate measure of program performance.

Federal agencies' Inspectors General play a central role in the verification and validation of their agency's performance measures. To assist the Department measure performance and implement the President's Management Agenda, the Department's Office of Inspector General (OIG) reviews relevant performance measures in the course of its audits and evaluations. OIG consults with Department managers to identify key measures to be verified and validated as a complement to the Department's own verification and validation efforts. OIG gives priority to performance measures related to achieving the President's Management Agenda initiatives, programs being assessed by OMB's Program Assessment Rating Tool (PART), and to areas OIG has identified as serious management and performance challenges. In addition, the Department's independent auditor annually reviews the methods and controls used to gather, store, interpret, and report performance data.

FY 2005 PAR PRODUCTS AND OUTREACH

The PAR is designed for use by a wide of variety of audiences and stakeholders within and outside government, from Department senior managers and employees, to managers in other federal agencies, to Congress and the White House, the media, interest groups, students and academics, and the general public. The Department has developed an extensive outreach plan to publicize and disseminate the report. As part of this outreach plan, the PAR will be available to the public in four easily accessible products:

- **The Performance and Accountability Report:** the full report of the Department's annual performance and stewardship of financial resources, accessible via the internet and CD-ROM;
- **The PAR Highlights:** a summary version of the full report, available via the internet and printed for worldwide distribution;
- **The PAR Brochure:** an eight page, high level overview of the Department's FY 2005 performance results and financial information, printed for worldwide distribution; and
- **The PAR CD-ROM:** an interactive CD featuring a PDF version of the PAR, links to Department publications and relevant reports, maps, a photo gallery, and more.

To order these materials or to comment on the PAR, please contact:

U.S. Department of State, Office of Strategic and Performance Planning

Bureau of Resource Management,

2201 C Street, NW

Washington, DC 20520

Telephone: 202-647-0300

FAX: 202-647-3311

Email: PAR@state.gov

HISTORICAL NOTES ON U.S. DIPLOMACY

Diplomacy's Best Deal

In 1803, two U.S. diplomats, American Minister to France Robert Livingston and Special Negotiator James Monroe, concluded the largest real estate transaction ever when they secured the entire territory of Louisiana for the United States. Although Livingston and Monroe exceeded the orders of President Thomas Jefferson—and their spending limit—the deal was too good to pass up. As Livingston reported, the French Treasury Secretary urged him to "Consider…the importance of having no neighbors to dispute you, no war to dread." The Americans did, and two weeks later on April 30, 1803, the French agreed to sell the entire territory for the bargain price of $15 million.

Diplomacy and the Telegraph

At the end of the Civil War in 1865, diplomatic reports to and from our missions abroad moved at the pace of ships crossing the ocean. But everything changed the following year with the completion of the transatlantic cable linking the United States and Europe. Just a few months later, the Department of State established a telegraphic office to handle the important new messages. Although diplomats learned to write more concisely, the Department warned that it was expensive and not to be used "except when justified by the importance and urgency of the case…" Diplomats took the message to heart and trimmed their prose accordingly. In 1881, the U.S. Minister to Russia, John W. Foster, earned the distinction of sending the shortest diplomatic dispatch. "Emperor Dead," he wrote. No one since has crafted a more concise cable.

Management's Discussion and Analysis

This section provides an overview of the entire Report. It includes: a summary of the most important performance results and challenges for FY 2005; a brief analysis of financial performance; a brief description of systems, controls, and legal compliance; and information on the Department's progress in implementing the President's Management Agenda. The MD&A also addresses the management challenges identified by the Government Accountability Office and the Inspector General. The MD&A is supported and supplemented by detailed information contained in the Performance Section, Financial Section, and Appendices.

DEPARTMENT OF STATE HISTORY

Why is it called the Department of State?

On September 15, 1789, Congress passed "An Act to provide for the safekeeping of the Acts, Records, and Seal of the United States, and for other purposes." This law changed the name of the Department of Foreign Affairs to the Department of State because certain domestic duties were assigned to the agency. These included:

- Receipt, publication, distribution, and preservation of the laws of the United States;
- Preparation, sealing, and recording of the commissions of Presidential appointees;
- Preparation and authentication of copies of records and authentication of copies under the Department's seal;
- Custody of the Great Seal of the United States;
- Custody of the records of the former Secretary of the Continental Congress, except for those of the Treasury and War Departments.

Other domestic duties that the Department was responsible for at various times included issuance of patents on inventions, publication of the census returns, management of the mint, control of copyrights, and regulation of immigration. Most domestic functions have been transferred to other agencies. Those that remain in the Department are: preparation and authentication of copies of records and authentication of copies under the Department's seal, storage and use of the Great Seal, performance of protocol functions for the White House, drafting of certain Presidential proclamations, and replies to public inquiries.

Who was the first U.S. Diplomat?

Benjamin Franklin was the first U.S. diplomat. He was appointed on September 26, 1776 as part of a commission charged with gaining French support for American independence. He was appointed Minister to France on September 14, 1778 and presented his credentials on March 23, 1779, becoming the first American diplomat to be received by a foreign government. Franklin was one of three Commissioners who negotiated the peace treaty with Great Britain, and continued to serve in France until May 17, 1785.

When was the first U.S. treaty signed?

The first U.S. treaty to be signed was the Treaty of Amity and Commerce with France that was signed in Paris on February 6, 1778.

What is the oldest diplomatic property owned by the United States?

The oldest diplomatic property owned by the United States is the U.S. Legation building in Tangier. The Sultan of Morocco made a gift of the building in 1821. It served as the U.S. Consulate and Legation until 1956. It is currently preserved as a museum and study center.

MISSION AND ORGANIZATION

MISSION

Create a more secure, democratic, and prosperous world for the benefit of the American people and the international community.

OUR ORGANIZATION

American diplomacy is based on the fundamental beliefs that our freedom is best protected when others are free; our prosperity depends on the prosperity of others; and our security relies on a global effort to defend the rights of all. In this extraordinary moment in history, when the rise of freedom is transforming societies around the world, we recognize that the United States has an immense responsibility to use its diplomatic influence constructively to advance security, democracy, and prosperity around the globe.

State Department/Ann Thomas

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. All foreign affairs activities – U.S. representation abroad, foreign assistance programs, countering international crime, foreign military training programs, and services the Department provides to American citizens abroad – are paid for by the foreign affairs budget, which represents little more than 1% of the total federal budget, or about 12 cents a day for each American citizen. This small investment is essential to maintaining U.S. leadership abroad, which promotes and protects the interests of American citizens by:

- Promoting peace and stability in regions of vital interest;
- Creating jobs at home by opening markets abroad;
- Helping developing nations establish investment and export opportunities;
- Bringing nations together to address global problems such as cross-border pollution, the spread of communicable diseases, terrorism, nuclear smuggling, and humanitarian crises.

At our headquarters in Washington, D.C., the Department's mission is carried out through six regional bureaus – each of which is responsible for a specific geographic region of the world – the Bureau of International Organization Affairs, and numerous functional and management bureaus. These bureaus provide policy guidance, program management, administrative support, and in-depth expertise in matters such as law enforcement, economics, the environment, intelligence, arms control, human rights, counternarcotics, counterterrorism, public diplomacy, humanitarian assistance, security, nonproliferation, consular services, and other areas.

The Department operates approximately 260 embassies, consulates, and other posts worldwide. In each Embassy, the Chief of Mission (usually an Ambassador) is responsible for executing U.S. foreign policy goals and coordinating and managing all U.S. Government functions in the host country. The President appoints each Ambassador, whom the Senate confirms. Chiefs of Mission report directly to the President through the Secretary. The Diplomatic Mission is also the primary U.S. Government contact for Americans overseas and foreign nationals of the host country. The Mission serves the needs of Americans traveling and working abroad, and supports Presidential and Congressional delegations visiting the country.

The Department operates national passport centers in Portsmouth, New Hampshire and Charleston, South Carolina; a national visa center in Portsmouth, New Hampshire and a consular center in Williamsburg, Kentucky; two foreign press centers; one reception center; 13 passport agencies; five offices that provide logistics support for overseas operations; 20 security offices; and two financial service centers.

OUR PEOPLE

In the business of diplomacy, people are critical. The Department's success in achieving its mission is directly tied to the creativity, knowledge, skills and integrity of our dedicated team of employees. The Department's Foreign Service, Civil Service and Foreign Service National employees serve at Headquarters, embassies, consulates, and other posts in over 260 locations around the world. Our employees are committed to carrying out the President's foreign policy agenda and to sharing American values with the world.

Secretary Rice congratulates honorees at the State Department's Employee Awards Ceremony. State Department/Michael Gross

The Foreign Service and the Civil Service in the Department of State and U.S. missions abroad represent the American people. They work together to achieve the goals and implement the initiatives of American foreign policy. The Foreign Service is a corps of over 11,000 employees. Foreign Service Officers are dedicated to representing America and responding to the needs of American citizens living and traveling around the world. They also are America's first line of defense in a complex and often dangerous world. A Foreign Service career is a way of life that requires uncommon commitment. It offers unique rewards, opportunities, and sometimes hardships. Members of the Foreign Service can be sent to any embassy, consulate, or other diplomatic mission anywhere in the world, at any time, to serve the diplomatic needs of the United States.

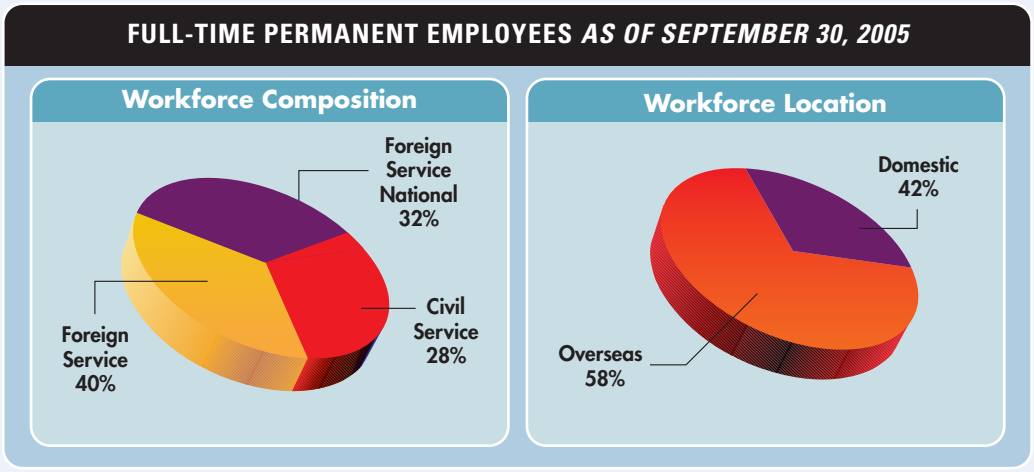
The Department's Civil Service corps, totaling over 8,000 employees, provides continuity and expertise in accomplishing all aspects of the Department's mission. Civil Service officers, most of whom are headquartered in Washington, DC., are involved in virtually every policy area of the Department – from democracy and human rights to narcotics control, trade, and environmental issues. They also are the domestic counterpart to consular officers abroad, issuing passports and assisting U.S. citizens overseas.

Nearly 9,000 Foreign Service National (host country) employees contribute to advancing the work of the Department overseas. These essential employees contribute local expertise and provide continuity as they work with their American colleagues to perform vital services for U.S. citizens and ensure the effective operation of our diplomatic posts.

EMPLOYEE COMPOSITION AND NUMBERS

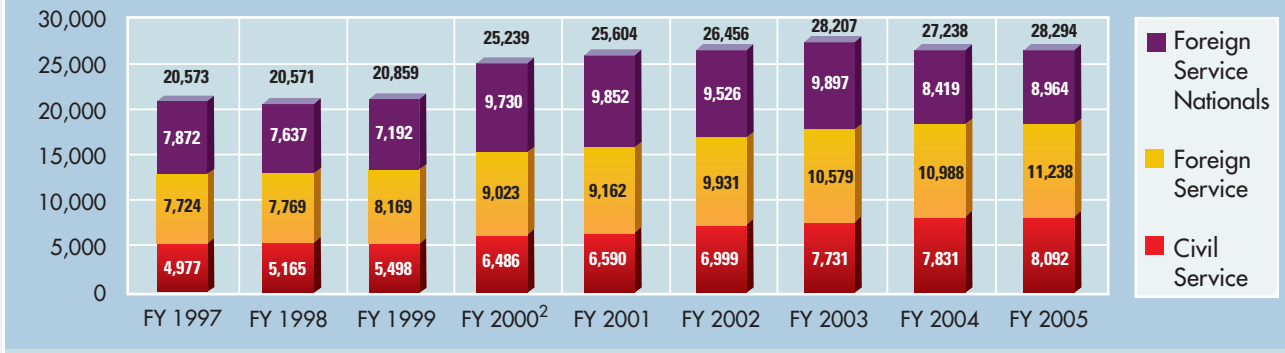
The charts below show the distribution of the Department's workforce by employment category, as well as what proportion of the workforce is located overseas.

FULL-TIME PERMANENT EMPLOYEES *AS OF SEPTEMBER 30, 2005*



Since FY 1997, the total number of employees at the Department has increased by 38% with the greatest increase manifested in the Department's Civil Service staff, which has increased by 63%. During that time, the Foreign Service increased by 45% and the Foreign Service National staff increased by 14%. The overall increases in staffing reflect the Department's increased emphasis on security, public diplomacy, counterterrorism, and management reforms.

SUMMARY OF FULL-TIME PERMANENT EMPLOYEES[1]



[1] These numbers do not include Foreign Service Nationals employed under personal service agreements or as personal service contractors.
[2] Reflects integration of employees of the United States Information Agency and the Arms Control and Disarmament Agency .

DIRECTORY OF KEY OFFICIALS AND SENIOR MANAGEMENT

Condoleezza Rice – Secretary of State

Robert B. Zoellick – Deputy Secretary of State

John R. Bolton – United States Permanent Representative to the United Nations

Arms Control and International Security Affairs

Robert Joseph – *Under Secretary*

- Bureau of International Security and Nonproliferation – *Stephen G. Rademaker, Acting*
- Bureau of Political-Military Affairs – *John Hillen*
- Bureau of Verification, Compliance and Implementation – *Paula A. DeSutter*

Economic, Business and Agricultural Affairs

Josette Sheeran Shiner – *Under Secretary*

- Bureau of Economic and Business Affairs – *E. Anthony Wayne*

Democracy and Global Affairs

Paula J. Dobriansky – *Under Secretary*

- Bureau of Democracy, Human Rights and Labor – *Barry F. Lowenkron*
- Bureau of Oceans and International Environmental and Scientific Affairs – *Anthony Rock, Acting*
- Bureau of Population, Refugees and Migration – *Richard L. Greene, Acting*

Management

Henrietta H. Fore – *Under Secretary*

- Director General of Foreign Service and Director of Personnel – *W. Robert Pearson*
- Bureau of Administration – *Frank Coulter, Acting*
- Bureau of Consular Affairs – *Maura Harty*
- Bureau of Diplomatic Security – *Richard J. Griffin*
- Overseas Buildings Operations – *Charles E. Williams*
- Bureau of Information Resource Management, Chief Information Officer – *Jay N. Anania, Acting*
- Foreign Service Institute – *Barry L. Wells, Acting*

Political Affairs

R. Nicholas Burns – *Under Secretary*

- Bureau of African Affairs – *Jendayi Frazer*
- Bureau of East Asian and Pacific Affairs – *Christopher R. Hill*
- Bureau of European and Eurasian Affairs – *Daniel Fried*
- Bureau of Near Eastern Affairs – *C. David Welch*
- Bureau of South Asian Affairs – *Christina B. Rocca*
- Bureau of Western Hemisphere Affairs – *Thomas A. Shannon*
- Bureau of International Organizational Affairs – *Kristen Silverberg*
- Bureau of International Narcotics and Law Enforcement – *Anne W. Patterson*

Public Diplomacy and Public Affairs

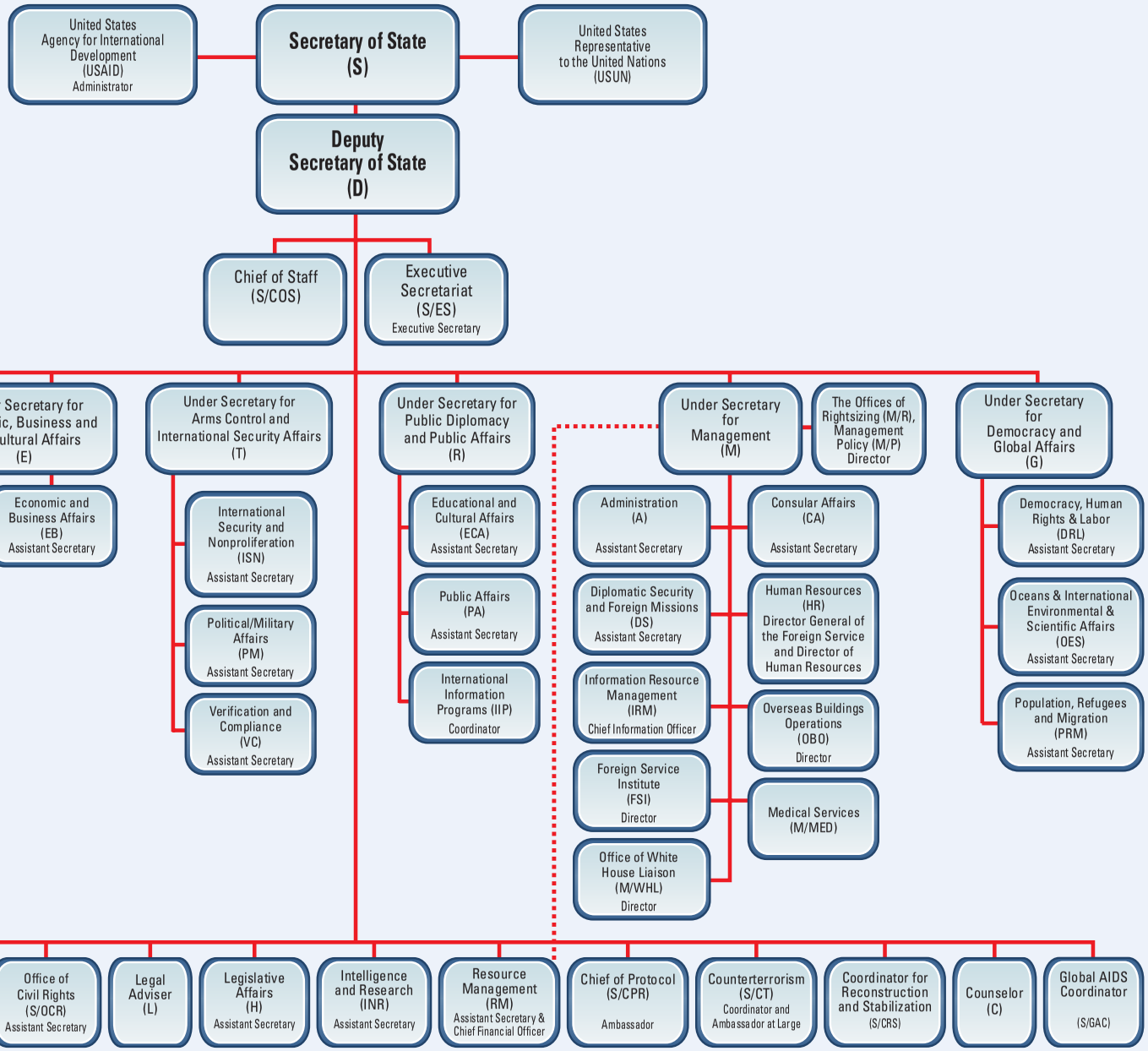
Karen P. Hughes – *Under Secretary*

- Bureau of Public Affairs – *Sean McCormack*
- Bureau of Educational and Cultural Affairs – *Dina Powell*
- Bureau of International Information Programs – *Alexander C. Feldman*

Other Senior Officials

- Chief of Staff to the Secretary of State– *Brian Gunderson*
- Executive Secretary – *Harry K. Thomas, Jr.*
- Counselor of the Department – *Philip Zelikow*
- Director, Office of Policy Planning – *Stephen Krasner*
- Assistant Secretary for Resource Management and Chief Financial Officer – *Sid Kaplan, Acting*
- Legal Adviser – *John B. Bellinger III*
- Inspector General – *Howard J. Krongard*
- Assistant Secretary for Civil Rights – *Gregory B. Smith, Acting*
- Assistant Secretary, Bureau of Legislative Affairs – *Jeffrey T. Bergner*
- Assistant Secretary, Bureau of Intelligence and Research – *Carol A. Rodley, Acting*
- Chief of Protocol – *Donald B. Ensenat*
- Coordinator for Counterterrorism – *Henry Crumpton*

UNITED STATES DEPARTMENT OF STATE



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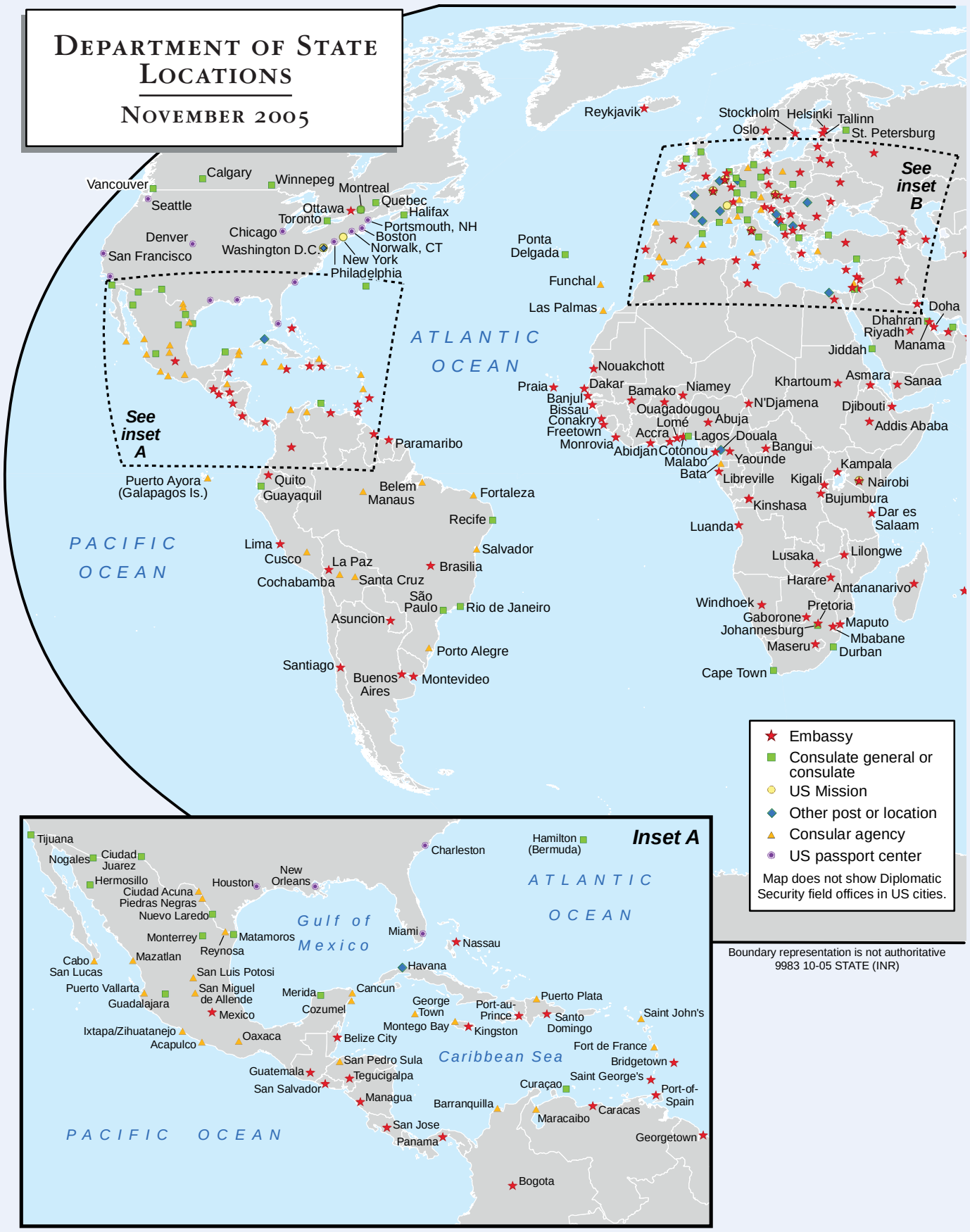
*as approved by M 10/07/2005 – see http://www.state.gov/r/pa/ei/rls/dos/54734.htm for pdf and text versions.

Department of State Locations

November 2005



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Cities with more than one Department of State post or mission

Brussels:
Embassy Brussels
US Mission to European Union
US Mission to NATO

Kinshasa:
Embassy Kinshasa
Embassy Brazzaville

Montreal:
Consulate General Montreal
US Mission to ICAO

Nairobi:
Embassy Nairobi
US Mission to UNEP and Habitat

New York:
US Mission to UN
New York Passport Center

Paris:
Embassy Paris
US Mission to OECD
US Mission to UNESCO

Rome:
Embassy Rome
Embassy Holy See
US Mission to FAO

Vienna:
Embassy Vienna
US Mission to OSCE
US Mission to UNVIE

Washington, DC:
Department of State
US Mission to OAS
Washington Passport Agency

PERFORMANCE SUMMARY AND HIGHLIGHTS

FY 2005 KEY FOREIGN POLICY ACHIEVEMENTS

In FY 2005, the Department of State contributed significantly to creating a more secure, democratic, and prosperous world for the benefit of the American people and the international community. These efforts were designed to fulfill the President's National Security Strategy objectives by furthering democracy, advancing economic prosperity, and promoting religious and human rights throughout the world – especially in states transitioning toward democracy.

AP/Wide World Photo

The United States continued to lead vital and successful efforts to counter threats of terrorism and weapons of mass destruction (WMD) proliferation. Through the Six Party Talks, the United States, China, Russia, Japan, the Republic of Korea, and the Democratic People's Republic of Korea, signed a joint statement of principles unanimously reaffirming the goal of verifiable, peaceful, and irreversible denuclearization of the Korean Peninsula.

The Department continued to expand participation in the President's Proliferation Security Initiative, with more than seventy nations now supporting the initiative. The United States has worked to support efforts of the European Union, the International Atomic Energy Agency and the international community to end Iran's pursuit of nuclear weapons capability by pressing Iran diplomatically to cease its pursuit of sensitive nuclear fuel cycle capabilities. Through the Trilateral Steering and Cooperation Committee, we worked with the Government of Libya in implementing its commitment to abandon WMD programs, promoting a "Libya Model" for rogue states to follow. With the Government of Russia, the U.S. continued implementing the Strategic Arms Reduction Treaty and the Moscow Treaty, further reducing the numbers of deployed strategic nuclear weapons.

In the Middle East, the Department's efforts promoted peace and stability in the region. The U.S. Government's strong support for Iraq's transition to a permanent constitutional democracy, its increasing responsibility for security operations, and the reconstruction of its economy and essential services has set a path toward democracy, stability, and prosperity. In January, millions of Iraqis voted in the country's first free and democratic elections in over half a century, and October's constitutional referendum solidified Iraq's commitment to democracy. American efforts to resolve the Arab-Israeli conflict, working towards our goal of two democratic states – Israel and Palestine – living side by side in peace, leaped forward when Israel peacefully withdrew from the Gaza Strip. For the first time, Egypt also held its first competitive presidential elections, with opposition parties allowed to register, organize and mobilize voters.

In South Asia, the United States continued military and diplomatic efforts to combat extremism and to eliminate remaining al Qaeda elements. With U.S. and international assistance, Afghanistan successfully conducted Provincial Council and National Assembly elections. More than 1.5 million new voters registered, and the new National Assembly should be seated before the end of the year. The United States continues to devote considerable resources to Afghanistan's reconstruction and transition towards a democracy that is open to all of its citizens, regardless of religion, ethnicity, or gender. U.S. relations with India reached an historic high with Prime Minister Singh's July visit to Washington and our bilateral agreements to pursue greater cooperation along a number of fronts, including the "Next Steps in Strategic Partnership," promising broader cooperation owing to India's efforts to strengthen export controls and to prevent the

onward proliferation of sensitive materials and technologies. In addition, we announced our intention to further bring India into the global nonproliferation mainstream by way of a bilateral civil nuclear cooperation initiative. Relations with Pakistan are excellent, as demonstrated by our close cooperation in the aftermath of the devastating October earthquake. We committed $156 million to Pakistan earthquake relief efforts for reconstruction, airlift and other logistical support. The funds have been used for medical supplies, winterized tents, food, blankets, heavy road-building equipment, and other relief supplies. Our strong partnerships lend support to the Indo-Pakistani process of rapprochement and offer additional opportunities to build stability and development in other countries of concern, including Nepal, Sri Lanka, and Bangladesh.

In East Asia, the United States continues to enjoy strong relations with allies Japan, South Korea, Australia, Thailand, and the Philippines – as well as its security partnership with Singapore. The threat of terrorism in the region, as evidenced by this year's bombings in Bali, continues to produce close cooperation and information sharing between the United States and Southeast Asian nations, and we continue to work together on an array of shared transnational challenges. The expanded relationship between the United States and China is being demonstrated by coordination on negotiations with North Korea to denuclearize the Korean peninsula.

In Europe, NATO took on a greater role in Iraq through a training mission, and expanded the NATO-led International Security Assistance Force in Afghanistan, which is key to stability and development there. The United States continued to promote transformation of the Alliance to enhance further its ability to deal with 21st century challenges such as terrorism, WMD proliferation, and security crises outside Europe, while promoting better coordination with the European Union.

The United States continued to work closely with the European Union on the full range of issues worldwide, including promoting democracy, good governance, and shrewd economic policies. The United States supported the European Union's decision to open negotiations with Turkey on EU accession and, using diplomatic tools and assistance under the Support for East European Democracies Act, helped move former communist countries, such as Croatia, Serbia-Montenegro, Bosnia, Macedonia, Romania and Bulgaria further along the road of Euro-Atlantic integration. After ten years of U.S.-led effort, the Baku-Tbilisi-Ceyhan oil pipeline was inaugurated, opening a new era of energy security and regional stability. Assistance from the FREEDOM Support Act in support of democratic and economic reforms and strong U.S. support for the OSCE and its objective election observation role helped to promote democratic developments in Georgia, Ukraine, and Kyrgyzstan.

The United States maintains a strong commitment to peace and stability in Africa. The President's Emergency Plan for AIDS Relief delivered HIV/AIDS assistance to bilateral programs in over 120 countries. The Department continues to work towards ending the 20-year civil war in Sudan and obtain NATO agreement to support the African Union's peacekeeping expansion in Darfur. The U.S. provided peace support operations training and capacity building for several African states under the African Contingency Operations Training and Assistance program and adopted the Action Plan on Expanding Global Capability for Peace Support, which will allow us to work in conjunction with the Group of Eight to train 75,000 peace support troops by 2010.

The United States has worked successfully with its western hemisphere partners to create a community of nations characterized by democratic institutions, respect for individual freedoms and human rights, market-oriented economic institutions, and cooperation against terrorism and crime. Together with its regional partners, the United States is committed to defending and promoting democracy through the Organization of American States Inter-American Democratic Charter and the Inter-American Convention Against Corruption. We promoted economic opportunity through the Central American-Dominican Republic Free Trade Agreement, the negotiation of additional free trade agreements, and the U.S.-Mexico Partnership for Prosperity. Through hemispheric cooperation in programs such as the Andean Counterdrug Initiative, the newly developed Western Hemisphere Travel Initiative, and the Security and Prosperity Partnership with Canada and Mexico, our regional diplomacy has advanced a number of priority U.S. interests.

PERFORMANCE MANAGEMENT - A LEADERSHIP PRIORITY

For the Secretary of State and her management team, strategic and performance planning is more than a series of activities to fulfill congressionally mandated requirements under the 1993 Government Accountability and Results Act (GPRA). Although complying with GPRA is a responsibility the Department takes seriously, the Secretary and Deputy Secretary set strategic and performance management as a leadership priority to ensure the Department achieves its desired objectives and goals for the benefit of the American people and the international community. The Department's strategic objectives and goals lead toward a future of greater peace, security, sustainable development, international understanding, and increased diplomatic strength.

For fiscal years 2004-2009, the Department of State issued a joint Strategic Plan in conjunction with USAID that governs the activities of both agencies. The Strategic Plan utilizes a strategic goal framework that captures and articulates high priority goals and objectives shared by both agencies. Guided by the Strategic Plan, the planning and resource allocation process receives the personal attention of the Secretary on an ongoing basis as she leads senior level Policy, Performance, and Resource Reviews of bureau performance and resource plans. The Department and USAID are in the process of revising the Strategic Plan, which will be completed in FY 2006.

Components of the Performance Landscape

To help achieve U.S. diplomatic, development, and management priorities and eliminate duplication, the Department and USAID have established joint policy and management councils as recommended in the Strategic Plan. The Secretary's leadership in establishing these councils is ensuring the alignment of foreign policy and development assistance, and is improving the necessary management and organizational coordination and collaboration between the two agencies.

Each year, the Department's diplomatic missions and Washington-based bureaus submit Mission Performance Plans (MPPs) and Bureau Performance Plans (BPPs) respectively that describe their policy and program goals, priorities and resource requirements, and evaluate performance. In FY 2005, the Department installed new application and database servers supporting the MPP and BPP applications, providing missions, bureaus, and senior officials the benefit of more reliable service and faster response times. The Department also launched the Global Affairs Dashboard, an executive reporting tool that allows the sharing of performance and budget data among the Department's bureaus and missions. The Dashboard allows managers to efficiently review, extract and organize data found in the Department's thirty-eight bureau performance plans and one hundred eighty-four mission performance plans to assess trends and performance outcomes.

The Department has now fully integrated and institutionalized PART into the budget and planning processes. This enables State to systematically track PART findings and recommendations and has resulted in a number of management actions that address program performance deficiencies. PART efficiency measures enable program managers to monitor the administrative cost of achieving a given outcome or output. The Department delivers a comprehensive review of efficiency measures, including both those

developed for the PART in consultation with OMB and those developed internally by non-PART program managers, to OMB via quarterly management reports.

Since the President's Management Agenda (PMA) was initiated in 2001, the Department has measurably improved performance on the PMA's five government-wide initiatives: human capital; e-government; competitive sourcing; financial performance; and budget and performance integration. The Department now ranks in the top tier of the 26 PMA agencies. The Department is able to match personnel and financial requirements against policy objectives better than ever and continues to deliver services electronically to employees and the public in ways that are faster, cheaper, and more effective. These efforts support the Department's IT vision — empower diplomacy with tools and information available anytime, anywhere. We have accelerated our competitive sourcing program, as evidenced by the improvement in status on the PMA scorecard from red to yellow in December 2004, and we will continue our sustained focus on competitive sourcing goals to move from yellow to green. The Department's improved financial performance has enhanced our ability to track where every dollar comes from and where every dollar goes in a timely and accurate manner. Accurate and timely information is critical to managing our programs on a day-to-day basis, obtaining the best performance, and ensuring accountability to the American public.

The Department of State has been a leader in using financial and performance information to support decision-making at all managerial levels. The Department's FY 2007 budget submission includes chapters that further integrate performance measures and targets into the Department's resource request. The resulting budget is a more analytical and robust document, framing priorities and accomplishments in terms of performance goals. The Department and USAID's fiscal year 2006 and 2007 Joint Performance Plans (JPP) describe Department and USAID plans to advance their common mission, long-term strategic goals, and performance goals. Performance targets relate to the most critical efforts on which the agencies will focus. The Joint Performance Plan is built upon the long-term State and USAID strategic planning framework, and supports the Administration's efforts to better integrate foreign policy and development assistance. The annual Joint Performance Plan process will lead to: increased strategic collaboration and communication between agencies; standardization of evaluation tools, indicators, and benchmarks; and effectiveness and efficiency gains from more integrated program execution.

Underlying the Department's performance management processes is senior leadership's commitment to use funds efficiently and judiciously to produce outstanding results. The American public has a right to know how much time, talent and treasure it costs to achieve key U.S. foreign policy goals. In fiscal year 2005, the Department continued to enhance our capacity to evaluate the cost of achieving goals and results, including:

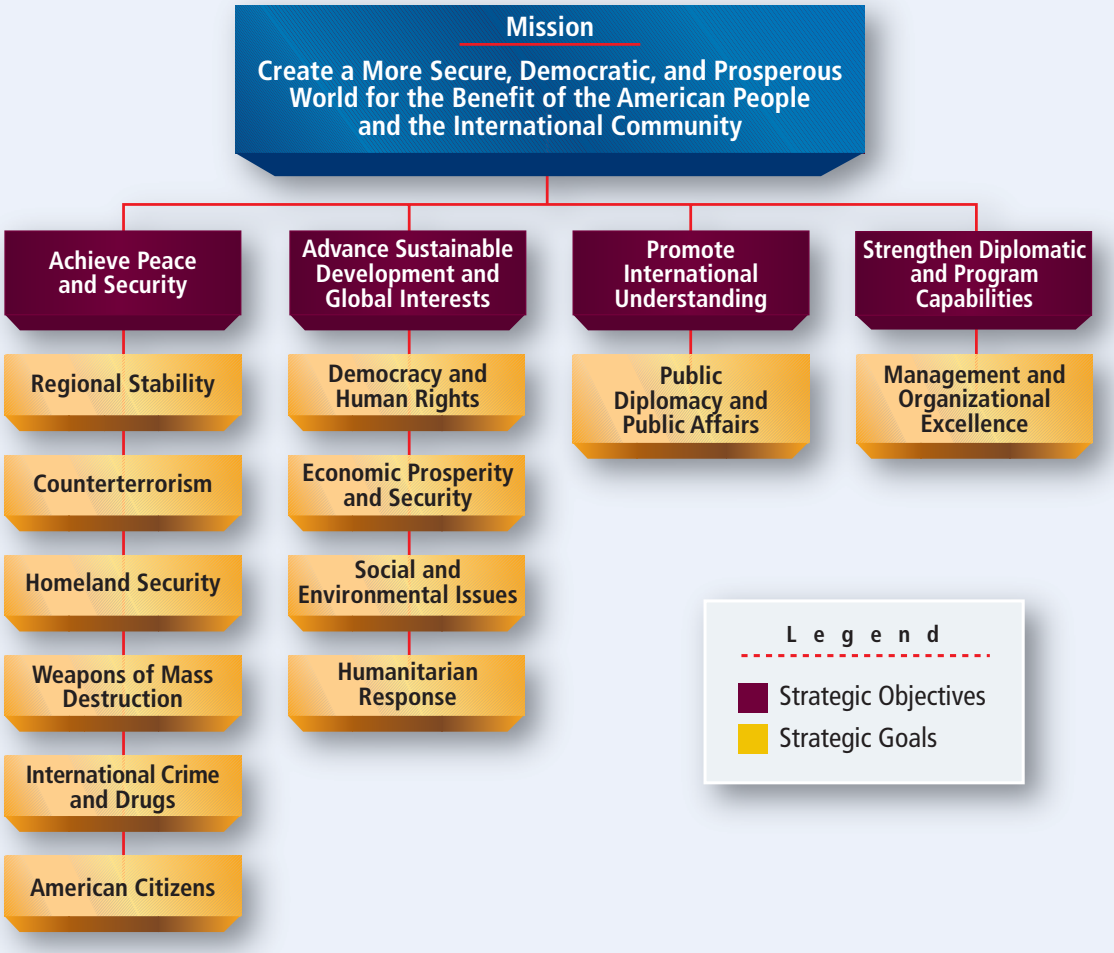
The Department's Consolidated Statement of Net Cost – included in this report – breaks down revenue and expenditures by strategic objective and strategic goal, so it is possible to see at a glance, for example, how much the Department spent to promote Democracy and Human Rights in FY 2004 and FY 2005. The Consolidating Schedule of Net Cost further allocates revenue and cost by program area, so the American public can see how much the Department of State spent on Arms Control activities to promote the strategic goal of Regional Stability, for example.

Resource allocation. At all levels of annual performance planning – mission, bureau and agency – Department managers are mindful of the link between requested resources and strategic goals. This promotes coordination and cooperation, since multiple Department bureaus and federal agencies collaborate on crosscutting issues under each strategic goal. Linking resources to performance also encourages government program managers to justify their budget requests based on expected return. The FY 2005 PAR estimates the number of staff and dollars applied toward each of the Department's 12 strategic goals and 38 performance goals using percentage allocations derived from the most recent information available.

STRATEGIC PLANNING FRAMEWORK

Strategic Objectives and Strategic Goals

The Department focuses its work around twelve strategic goals that capture both the breadth of its mission and its specific responsibilities. As depicted below, the Department's twelve strategic goals are centered around four core strategic objectives.



STRATEGIC PLANNING FRAMEWORK QUICK REFERENCE GUIDE

Strategic Objectives	Strategic Goals	Performance Goals
Achieve Peace and Security	Regional Stability	RS.01 Close ties with allies and friends
		RS.02 Resolution of regional conflicts
	Counterterrorism	CT.01 Active anti-terrorist coalitions
		CT.02 Frozen terrorist financing
		CT.03 Prevention and response to terrorism
		CT.04 Stable conditions in fragile/failing states
	Homeland Security	HS.01 Proper visa adjudication
		HS.02 Border agreements
		HS.03 Infrastructure network protection
	Weapons of Mass Destruction	WD.01 Bilateral measures
		WD.02 Multilateral agreements and nuclear safety
		WD.03 Verification and compliance
	International Crime and Drugs	IC.01 Disruption of criminal organizations
		IC.02 Law enforcement and judicial systems
	American Citizens	AC.01 Assistance for U.S. citizens abroad
		AC.02 Passport issuance and integrity
Advance Sustainable Development and Global Interests	Democracy and Human Rights	DE.01 Democratic systems and practices
		DE.02 Universal human rights standards
	Economic Prosperity and Security	EP.01 Economic growth and development
		EP.02 Trade and investment
		EP.03 Secure and stable markets
		EP.04 Food security and agricultural development
	Social and Environmental Issues	SE.01 Global health
		SE.02 Environmental protection
		SE.03 Access to quality education
		SE.04 Migration policies and systems
	Humanitarian Response	HT.01 Assistance for refugees and other victims
		HT.02 Disaster prevention/response via capacity building
Promote International Understanding	Public Diplomacy and Public Affairs	PD.01 International public opinion
		PD.02 Mutual understanding
		PD.03 American values respected abroad
		PD.04 Domestic understanding of foreign policy
Strengthen Diplomatic and Program Capabilities	Management and Organizational Excellence	MG.01 Human resources and training
		MG.02 Information technology
		MG.03 Diplomatic security
		MG.04 Overseas and domestic facilities
		MG.05 Resource management
		MG.06 Administrative services

HOW WE ASSESS PERFORMANCE

Six-Tiered Performance Measurement Methodology

The Department is committed to utilizing the funds it receives from taxpayers through the Congress to produce successful results. To assess performance, the Department employs a performance management methodology depicted in the pyramid below. Each component of the pyramid is defined as follows:

Strategic Objectives High-level, broad categories of action through which the Department carries out its strategic and performance goals.

Strategic Goals The Department's twelve long-term goals as detailed in the Strategic Plan.

Performance Goals The desired outcomes the Department is planning to achieve in order to attain its strategic goals. The Department has thirty-eight performance goals.

Initiatives/Programs Specific functional and/or policy areas, including programs as defined by the OMB Program Assessment Rating Tool (PART), which contribute to the achievement of performance and strategic goals, and to which the Department devotes significant attention. Initiatives/Programs (I/Ps) provide greater clarity and better linkage in terms of how specific performance indicators and targets relate to given policies or functions.

Performance Indicators Values or characteristics that the Department utilizes to measure progress achieved towards stated annual performance goals. The indicators are drawn from bureau and mission performance plans.

Performance Targets Expressions of desired performance levels or specific desired results targeted for a given fiscal year. Achievement of targets defines success. Where possible, targets are expressed in quantifiable terms. The FY 2005 Performance and Accountability Report reports on how well the Department achieved its FY 2005 targets.

SIGNIFICANT ACHIEVEMENTS AND MANAGEMENT CHALLENGES

FY 2005 SIGNIFICANT ACHIEVEMENTS

STRATEGIC GOAL #1: REGIONAL STABILITY

Security in Haiti

In response to the urgent need for security and stability in Haiti, a total of eleven countries in the Western Hemisphere have contributed troops, police, or both. The Hemispheric community has embraced this mission as an opportunity to provide security and stability in the region. Brazil, for example, is providing the military commander to the U.N. Stabilization Mission to Haiti, while Canada leads the mission's police contingent. U.S. leadership has been essential to the international response to the Haiti Crisis. Our political engagement through multilateral organizations, our role as the leading international donor, and our strong support for the electoral process and democratic transition is a key element to returning Haiti to stability after the departure of ex-president Aristide. The on-going commitment to Haiti of the U.S. and our partners in the Hemisphere will provide the Haitian people with the opportunity to hold free and fair elections and pursue economic development.

People wait in line to register to vote while a U.N. peacekeeper stands guard in Port-au-Prince, Haiti, July, 2005. AP/Wide World Photo

STRATEGIC GOAL #2: COUNTERTERRORISM

Terrorist Interdiction

In some countries, the Terrorist Interdiction Program serves as the cornerstone of the U.S. mission's counterterrorism relationship with the host government, fostering increased counterterrorism cooperation and action around the world. The program provides host country immigration authorities – front line defenders against terrorism – with a computer database system that enables identification of suspected terrorists attempting to transit air, land or sea ports of entry. For example, in FY 2005, three suspects in the July 7 U.K. bombings, all from the northern England area of Leeds, were located by the terrorist interdiction database in Pakistan when they entered into that country.

President Bush greets Pakistani President General Pervez Musharraf, left, during their meeting in the Oval Office of the White House, December, 2004 in Washington. AP/Wide World Photo

STRATEGIC GOAL #3: HOMELAND SECURITY

Container Security Initiative

The Department spearheaded global efforts to protect transportation networks through stronger shipping and aviation security rules. Twenty of the world's largest ports committed to participate in the Container Security Initiative (CSI). In addition, the program expanded to other strategic ports including Malaysia and South Africa. CSI is now operational in 38 ports and at least two countries, Canada and Japan, have utilized the reciprocal aspects of the program to have their customs officials present at U.S. ports to observe cargo bound for their countries.

A security ship passes next to a container boat on Panama Canal waters in Panama City, Panama, February 2005.
AP/Wide World Photo

STRATEGIC GOAL #4: WEAPONS OF MASS DESTRUCTION

Libya Eliminates Weapons of Mass Destruction

Since December 2003, Libya has taken several steps to eliminate its nuclear, chemical, and biological weapons, and its long-range missiles. Libya has cooperated with the U.S. and U.K. to remove equipment from its nuclear weapons program, acceded to the Chemical Weapons Convention, destroyed chemical weapon munitions, eliminated its SCUD-C missile force, and agreed to ultimately eliminate its SCUD-B missiles. The Department launched the Scientist Engagement Initiative to integrate former weapons experts into the global science community and deter them from transferring their expertise to terrorists or states of concern. Libya's strategic decision to forego and dismantle weapons of mass destruction has resulted in positive benefits accruing to Libya. This "Libyan model" of dismantlement offers the promise of a better future for other states that make a similar strategic decision.

Destroyed Libyan Missles *AP/Wide World photo*

STRATEGIC GOAL #5: INTERNATIONAL CRIME AND DRUGS

Andean Counterdrug Initiative

The U.S. investment in the Andean Counterdrug Initiative to combat narco-terrorism in South America is paying important political, security and economic dividends. This is particularly apparent in Colombia, which faced a frontal assault by major narco-terrorist organizations in the 1990s. Today, the World Bank lists Colombia as one of the world's ten most attractive investment climates. For the first time ever, the Colombian Government has established a security presence in all of the country's municipalities (equivalent to county seats), including many previously dominated by narco-terrorist groups. Civil violence—terrorist attacks, kidnapping, and homicides—has dropped dramatically over the past two years. Our most steadfast ally in the fight against illicit drugs, the Colombian Government extradited more than 250 drug traffickers to the U.S. over the past two years, including the leader of the infamous Cali Cartel.

Undersecretary of State Nicholas Burns, left, talks with Colombia's President Alvaro Uribe during a meeting at the presidential palace in Bogota, Colombia, July 2005.

AP/Wide World Photo

STRATEGIC GOAL #6: AMERICAN CITIZENS

Serving Citizens, Managing Crises

The Department's Bureau of Consular Affairs (CA) provides support and assistance to citizens and families when tragedy strikes Americans overseas. In FY 2005, CA provided support to families in conjunction with the deaths of 5,687 Americans overseas and followed 2,776 new overseas arrest cases. CA played a major role in the interagency response to the December 2004 tsunami that struck South Asia. CA organized a massive task force that followed up on over 15,000 specific welfare and whereabouts inquiries resulting from the crisis. The task force worked with the Departments of Homeland Security, Health and Human Services, Defense, and other U.S. Government agencies to confirm the safety of Americans, identify deceased American victims, and provide assistance to survivors and the families of those killed.

Officers on the Consular Affairs Task Force track missing Americans during the tsunami crisis.

State Department Photo

STRATEGIC GOAL #7: DEMOCRACY AND HUMAN RIGHTS

Middle East Partnership Initiative

The Middle East Partnership Initiative (MEPI) made strong strides to bolster democracy in FY 2005. Nearly 100 Arab women legal professionals from sixteen countries participated in the launch of the Arab Women's Legal Network in Amman, Jordan in July 2005. MEPI quickly responded to the spring 2005 elections in Lebanon by mounting a program to increase electoral transparency through effective monitoring, public opinion polls and a nationwide voter education campaign. In Egypt, MEPI supported civil society organizations in domestic election monitoring, youth training to develop advocacy skills, and voter education ahead of fall 2005 elections. Additionally, MEPI launched multiple projects to strengthen the role of indigenous civil society organizations in North Africa and the Middle East, particularly in the Persian Gulf.

An election official empties a ballot box in front of election observers in Tripoli, northern Lebanon, June 2005. AP/Wide World Photo

STRATEGIC GOAL #8: ECONOMIC PROSPERITY

Iraq Reconstruction and Development

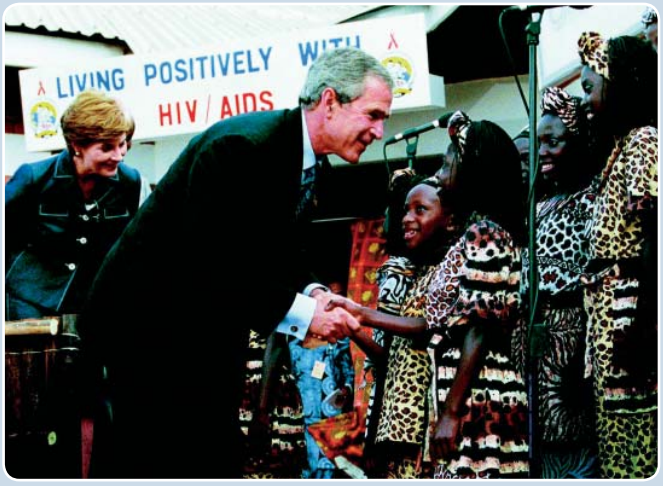
The Department led an international group of major donors for Iraq's reconstruction, which organized donors meetings in Tokyo in October 2004 and the Dead Sea in July 2005. At these meetings, over 60 countries and international organizations coordinated their reconstruction assistance and agreed to align and accelerate their assistance along Iraqi priorities. By the end of FY 2005, donors other than the United States had disbursed about $3 billion in reconstruction assistance to Iraq. The meetings also set in place a central role for Iraq in coordinating donor assistance. The Department led meetings of U.S. Government and Iraqi Government officials in Washington and Amman that deepened the bilateral dialogue on a broad range of issues that are critical to Iraq's economic restructuring and reintegration into the world economy. The Department's joint effort with the Department of Treasury to secure an historic Paris Club debt-reduction agreement in November 2004 was a vital step in relieving Iraq of its overwhelming debt burden.

Secretary Rice looks toward Iraq's Planning and Development Cooperation Minister Barham Salih at a press conference in Washington, May, 2005. AP/Wide World Photo

STRATEGIC GOAL #9: SOCIAL AND ENVIRONMENTAL ISSUES

HIV/AIDS

As President Bush has said, "Confronting HIV/AIDS is the responsibility of every nation and a moral imperative for the United States." HIV/AIDS is not only a human tragedy of enormous magnitude, it is also a threat to the stability of entire countries and to entire regions of the world. To turn the tide against this devastating pandemic, President Bush launched his historic $15 billion Emergency Plan for AIDS Relief—the largest commitment any nation has ever made to an international health initiative. The Emergency Plan is combating HIV/AIDS in 123 countries around the world through prevention, treatment, and care, placing special emphasis on 15 countries where the need is most urgent. Assistance is also provided for HIV/AIDS research and to multilateral organizations such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria. In FY 2005, the Emergency Plan supported over 235,000 people on treatment, well exceeding its June 2005 target.



President Bush and First Lady Laura Bush greet children at the AIDS Support Organization in Entebbe, Uganda. AP/Wide World Photo

STRATEGIC GOAL #10: HUMANITARIAN RESPONSE

Protecting Women from Violence in Sudan

The United States remains gravely concerned about sexual violence against women in the Darfur region of Sudan and the Government of Sudan's refusal to address the problem and protect the lives of its people. Secretary Rice and Deputy Secretary Zoellick have both urged the government to bolster its efforts to stop the violence, to hold perpetrators accountable, and to provide help for victims. In FY 2005, the United States initiated a two-year project to fund eight centers for displaced women living in camps in the Darfur region. The centers provide a safe haven for women and a range of services, including literacy classes, health education, income-generating activities, and treatment for sexual violence. Victims of rape and other forms of sexual violence also receive medical, psychosocial and case management services that protect their privacy.

Sudanese women distribute American vegetable oil in Zalengie, West Darfur. State Department Photo

STRATEGIC GOAL #11: PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

Former Exchange Participants Form New Government in Kyrgyz Republic

When protests following March 2005 parliamentary elections led to the end of President Akayev's rule, the new Kyrgyz Government included eight people who had been on International Visitor Leadership Programs between 1994 and 2004, including current President Bakiyev. Democracy Commission and other Embassy grants supported the initiatives of Kyrgyz civil society groups to promote free and fair elections, the highlight of which was a series of "Rock the Vote" concerts held across Kyrgyzstan in the run up to the July presidential election. Widely attended and nationally televised, these concerts helped raise awareness of election fraud and voter rights, and encouraged young voters to participate in the July 2005 presidential election.

Kyrgyz President Bakiyev, left, greets supporters during a meeting in Balykchi, east of the capital, Bishkek, July 2005. AP/Wide World Photo

STRATEGIC GOAL #12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

Foreign Language and Leadership Training

Through FY 2005, the Department provided leadership training to over 6,700 Foreign Service and Civil Service mid-level employees. Since its inception in 2004, the Senior Policy Seminars division has continued to expand opportunities for advanced professional development, policy discussions, and networking opportunities to senior leaders in the Civil and Foreign Services. Crisis Management remains a key component of the Department's leadership training program.

The Department's School of Language Studies delivers 450,000 hours of training to Department personnel in Critical Needs Languages, including Arabic, Chinese, Korean, Russian, Ukrainian, as well as Turkic, Indic and Iranian languages. The Foreign Service Institute developed innovative options for more advanced language skill development through targeted overseas immersions and focused offerings to meet specific needs, such as language media skills. "Continuing education" and non-traditional training are being strengthened through pilot iterations of short-term in-country "transition" immersions, and growing delivery of distance language learning offerings, currently numbering 18 courses in 11 languages.

Instructors from the U.S. Embassy in Dar es Salaam teach members of the American community Swahili language and culture during a three-day immersion visit to Zanzibar, an island off the coast of Tanzania.
State Department Photo

ADDRESSING FY 2005 MANAGEMENT CHALLENGES

The Government Accountability Office (GAO) and the Department's Office of Inspector General (OIG) have identified specific areas where the Department must improve operations. The table below lists, by strategic goal, the major challenges the GAO and OIG identified in FY 2005, corresponding actions that the Department is taking and expected results.

STRATEGIC GOAL 1	REGIONAL STABILITY
CHALLENGE	AFGHANISTAN SECURITY
Findings (GAO-05-575)	◆ As of September 2005, the Department of State and Germany have trained more than 45,000 police and expect to complete basic training for all 62,000 national, border and highway police by mid-2006. ◆ State and the Department of Defense (DOD) will also work together to provide critically need equipment and infrastructure support as many police stations need extensive reconstruction or renovation; and police often lack weapons, vehicles, communications, and other basic equipment, all of which create a difficult working environment for trainees. ◆ The basic police training has been enhanced to include a Field Training Officer initiative as well as a major local police mentoring initiative that will be implemented by 34 mobile police advisory teams deploying in September 2005. These teams will provide invaluable on-the-job training and guidance to local police officers. ◆ Though our basic training goals will be accomplished by mid 2006, the Afghan police will require support from the U.S. Government for many years as we continue to help with reform initiatives as well as follow-on mentoring and equipment and infrastructure support. The State Department and Defense Department have closely coordinated all plans for existing funding including equipment, infrastructure, training, mentoring and reform plans and contracting vehicles are in place. ◆ Overall progress toward providing nationwide security and ensuring stability of the Afghan Government will be hindered if more progress is not made in resolving other Afghan security problems, including the following: lack of an effective judiciary system; the substantial illicit narcotics industry; and the continued presence of armed militias.
Major Recommendations	◆ State, along with Department of Defense, should develop more detailed plans for completing and sustaining the Afghan army and police forces, including clearly defined objectives and performance measures, milestones, funding requirements, and a strategy for sustaining the results achieved. ◆ Work with other lead nations to ensure that progress in other security pillars, including justice, combating drugs, disarmament, demilitarization, and reintegration, is congruous with the army and police programs. ◆ State and Defense should report to Congress on their progress.
Major Actions Taken or That Will be Taken	◆ FY 2005 supplemental funds have allowed us to increase assistance in these vital efforts. State will continue to coordinate closely on future funding request to support this critical program. ◆ State disagrees with the recommendation to report to Congress, noting that currently mandated reports to Congress on Afghanistan are comprehensive and believe they can address these issues in that report.
Expected Result	◆ Track quarterly progress of the Afghan National Army (ANA) via OMB's Program Assessment Rating Tool (PART) ◆ 100% of authorized Afghan police will be trained by mid-2006. ◆ The Afghan National Army has 25,782 troops assigned for duty (14,684 are combat troops), assisted by U.S. embedded trainers, with increasing presence, influence and capability. There are 1,700 troops in training and recruitment is on target. ◆ The Government of Afghanistan is in the final phase of its plan to restructure the Ministry of Defense, ensuring proportional ethnic representation all levels, improved accountability capable planning, command and control. ◆ The influence of warlords has been reduced as the national government secures greater control over customs, deploys the national army and police and the legitimacy proffered by parliamentary and presidential elections. ◆ More than 63,000 former militia members have been disarmed, 11,004 heavy weapons have been cantoned and more than 260 military units have been decommissioned. The disarmament and demobilization phase of the Disarmament, Demobilization and Reintegration program was completed in June 2005 and the Afghanistan New Beginnings Program continues to process former combatants who submitted their lists before the June deadline. Reintegration of all soldiers is expected to be completed by June 2006. ◆ Implement a five pillar counternarcotics strategy

STRATEGIC GOAL 1	REGIONAL STABILITY *(CONTINUED)*
CHALLENGE	**REBUILDING IRAQ – USE OF PRIVATE SECURITY PROVIDERS**
Findings **(GAO-05-737)**	◆ Contractors replaced their security providers on five of the eight Iraq reconstruction contracts awarded in 2003 that the GAO reviewed. This turnover rate is attributable to the following factors: contractors' need to acquire security services quickly, contractors' lack of knowledge of the security market and potential security providers available to provide the type of security required in Iraq, and the absence of useful agency guidance. ◆ The Department's quarterly report to Congress, which describes the status of projects, initiatives, and funding dedicated to Iraq reconstruction, does not provide information on the costs associated with using private security providers.
Major Recommendations	◆ State, with Department of Defense (DOD) and USAID, should explore options that would enable contractors to obtain security services quickly and efficiently, including the possibility of identifying minimum standards, establishing qualified vendor lists, and/or establishing contracting vehicles that contractors could be authorized to use. ◆ State, with Department of Defense and USAID, should establish a means to track and account for security costs to develop more accurate budget estimates.
Major Actions Taken or That Will be Taken	◆ State met with the Department of Defense and USAID to prepare formal responses to these recommendations. The Department expects to send this letter to GAO in November. ◆ DOD, USAID and the Department determined we can best assist contractors, without assuming substantial additional contract performance risk, by providing access to open-source information related to Industry best practices, methodology and material for coordinating security planning and implementation of security programs. This would be for information purposes only to assist contractors in the acquisition of their own security services. ◆ All three agencies agree to include a line item in all future contracts that will require contractors to report all costs for private security services (as defined by the GAO in Appendix I, page 52 of the GAO report) that the contractors may have to acquire to successfully perform their contracts.
Expected Result	◆ The Department, along with DoD and USAID, will include a line item in all future contracts that will require contractors to report all costs for private security services (as defined by the GAO in Appendix I, page 52 of the GAO report) that the contractors may need to acquire to successfully perform their contracts. ◆ The Department, along with DoD and USAID, will in the future have more information on contractor security costs in Iraq.

STRATEGIC GOAL 2	COUNTERTERRORISM
CHALLENGE	**ASSISTANCE TO FOREIGN SECURITY FORCES**
Findings **(GAO-05-793)**	◆ State issued new guidance in February 2005 intended to improve the efficiency of the human rights vetting process. ◆ State announced that it had established a new human rights database, the Abuse Case Evaluation System, to be a clearinghouse for information on alleged human rights abuse. ◆ The strategy did not identify how programs would be combined at the country level to achieve objectives or be coordinated with other U.S. Government agencies. ◆ Agencies do not have controls in place to help ensure compliance with human rights funding restrictions. ◆ Vetting process lacks clearly defined roles and responsibilities. ◆ Monitoring system not established to assess overseas posts' compliance with State policies.
Major Recommendations	◆ The Secretary of State, in consultation with the Secretaries of Defense and Justice should establish: a) The roles and responsibilities of posts and headquarters units for vetting foreign candidates for human rights consideration; b) Written policies and procedures covering all entities involved in the vetting process at posts, including documentation and record retention policies specifying what documentation is needed and where and how long vetting files should be maintained; c) Monitoring mechanisms and a central focal point to verify that these procedures are being carried out properly. ◆ State should develop a multi-year security assistance plan coordinated with the Departments of Defense and Justice and any other agencies providing assistance to foreign security forces. This plan should: a) Identify all federal agency programs providing assistance to foreign security forces, regardless of their source; b) Describe all related resource allocations used to support program goals; c) Incorporate quantitative and qualitative performance measures designed to determine the extent to which country programs contribute to broader U.S. foreign policy and security objectives.
Major Actions Taken or That Will be Taken	◆ The Department is reviewing procedures to determine how best to improve vetting and address GAO recommendations. ◆ State is committed to executing its security assistance programs in a coherent, efficient manner that complies with the law and helps the U.S. Government achieve its foreign policy goals. ◆ State has articulated Department vetting policies to overseas posts. ◆ State established the Abuse Case Evaluation System (ACES) database as one mechanism to enhance documentation of human rights abusers and which can be used in the vetting processes. ◆ State has trained more than 100 Department and embassy officials on use of ACES. ◆ State developed an ACES training manual and made it available to employees of State, Defense, Justice and Homeland Security. ◆ State is developing Leahy vetting and ACES training for the Foreign Service Institute.
Expected Result	◆ Encourage continued intra-departmental and inter-agency cooperation to develop an integrated strategic plan for all U.S. Government programs that provide training. ◆ Encourage increased use of ACES to enhance the identification of human rights abusers and improve vetting.

STRATEGIC GOAL 2	COUNTERTERRORISM *(CONTINUED)*
CHALLENGE	**ANTI-TERRORISM ASSISTANCE**
Findings **(SIO-A-05-11)**	◆ A cooperative relationship exists between the Office of the Coordinator for Counterterrorism (S/CT) and the Bureau of Diplomatic Security (DS), regarding the Anti-Terrorism Assistance (ATA) program, but the program's effectiveness could be improved through stronger involvement by S/CT. ◆ S/CT's limited input to DS/ATA may affect the program's budget priorities and certain ATA program requirements may fail to be considered as a direct result.
Major Recommendations	◆ S/CT and DS should reassess the delineation of ATA program management responsibilities, originally approved in 1991. ◆ ATA's program evaluation function should be located within S/CT and should have a more formal structure and greater autonomy. ◆ DS/ATA need to improve its control over contact personnel and address the staffing requirements needed, as the scope of the program continues to expand. ◆ DS/ATA should confirm complete accountability for the total number of weapons that have been acquired for use at its in-country training programs.
Major Actions Taken or That Will be Taken	◆ DS/ATA has developed a reorganization proposal that is currently in the approval process, which would move the function of assessments and program reviews/evaluations to a non-training delivery division within DS/ATA. ◆ DS/ATA and S/CT are continuing to develop an update of the 1991 Memorandum of Agreement to improve program management and measurement of program effectiveness.
Expected Result	◆ After expected HR bureau concurrence is received and the evaluation function is relocated to a non-training division of DS/ATA, the assurance of objectivity of the measures, data, and results of the evaluation function will be satisfactorily enhanced, thereby successfully resolving the finding of the OIG recommendation. ◆ Once the update of the 1991 Memorandum of Agreement has been completed, DS/ATA and S/CT will have a more integrated relationship, which will allow for more effective program management and will improve program performance.

STRATEGIC GOAL 3	HOMELAND SECURITY
CHALLENGE	**VISA PROCESSING AND BORDER SECURITY**
Findings **(ISP-CA-05-58)**	◆ Since September 11th, the Bureau of Consular Affairs (CA) has strengthened the visa process in a number of ways. CA has eliminated waivers of personal interviews for nearly all New Immigrant Visa (NIV) applicants, first initiated by Department instruction, then codified by statute in 2004; increased and lengthened training of new consular officers to include counterterrorism training and interviewing techniques; increased CA oversight and guidance by issuing standard operating procedures (more than 80 to date); dispatched teams to review operations and ensure standard operating procedures are being complied with at select posts; updated the visa foreign affairs manual; improved mission front office oversight by requiring deputy chiefs of mission to review certain visa adjudications; strengthened the referral system; upgraded consular positions to eliminate situations where visa sections are headed by first tour officers; and added 515 additional consular positions since 2002. ◆ Amending section 214(b) to remove H, L and V visas from its scope created an anomaly in the law that has led to confusion among consular officers in the application of that section. In addition, converting the R visa to a petition-based visa would make it less susceptible to persons intending to harm the U.S. by allowing concerned U.S.G. agencies to conduct domestic investigations prior to petition approval. ◆ Foreign Affairs Manual (FAM) and standard operating procedures guidance on 214(b) are too widely scattered among different sources. Consular officers need refresher 214(b) and other visa adjudication training at FSI, including counterterrorism training, especially if they have been in non-consular assignments or in long-term training. They also need training from all agencies at post, in situ. ◆ It is important for the consular officer to have broad discretion, looking at the totality of the applicant's circumstances, in adjudicating visas. Codifying guidance would severely limit that discretion and would limit an officer's freedom to adjudicate the eligibility of an applicant in unforeseen and unintended ways, which would weaken rather than strengthen U.S. border security. ◆ Creating minimum evidentiary standards for visa eligibility would serve to narrow the focus of a consular officer's review of a case, promote worldwide markets in fraudulent documents and make it easier for potentially ineligible applicants to circumvent the law. Current practice and regulations provide the best basis for visa adjudication. ◆ Department of Homeland Security (DHS) and the Department have made great progress in developing and sharing information, but more needs to be done, especially the electronic transfer by DHS of all USVISIT exit data, "turnarounds" and the status of adjustments.
Major Recommendations	◆ The Department should submit to Congress a technical amendment to section 214(b) of the Immigration and Nationality Act, restoring the H, L, and V visa categories to that section's purview but without an immigrant intent requirement. ◆ CA should consolidate its guidance on applying 214(b) into one chapter in the FAM. ◆ CA should issue more expansive guidance in the FAM on denying visas under 214(b) when an applicant does not meet the individual Section 101(a)(15) requirements of one of the NIV categories. ◆ The Bureau of Human Resources, with the Foreign Service Institute (FSI), should require refresher visa adjudication training if consular officers have had extended training or an intervening non-consular assignment since receiving basic consular training. ◆ FSI should develop training materials to make the new 214(b) guidance (04 State 274068) part of its training module on refusals.
Major Actions Taken or That Will be Taken	◆ Congress changed Section 214 (b). CA has drafted proposed language for an amendment to section 214(b) to restore the H, L, and V NIV categories. CA is coordinating with the Bureau of Legislative Affairs to present this proposed amendment to Congress. ◆ CA will add a section to the FAM to consolidate and give additional guidance to consular officers on refusals. CA has already sent two cables on 214 (b) that speak to this guidance. ◆ CA has recently amplified 9 FAM 41.11 on refusals. ◆ CA and FSI will work together to make 04 State 274068 a regular part of NIV training.
Expected Result	◆ More uniform application of section 214(b) and other grounds for refusals worldwide.

STRATEGIC GOAL 3	HOMELAND SECURITY *(CONTINUED)*
CHALLENGE	**VISA PROCESSING – VISA REFERRAL SYSTEM**
Findings **(ISP-CA-05-56)**	◆ Recent changes to the visa referral process have made it more codified, more transparent, and more accountable since the events of September 11th. ◆ A log of all referral cases must be kept in the NIV system with the application and accompanying documents including the referral form scanned into the consolidated consular database.
Major Recommendations	◆ Consular sections overseas should conduct at least one study annually to ensure compliance by referred applicants with the conditions of their visas. ◆ Chiefs of mission and principal officers must assume responsibility for the implementation and supervision of visa referral systems at posts and should reissue the referral policy annually and certify to CA this has been done. ◆ Every mission should be required to submit a copy of its post referral policy to CA. ◆ The Department should continue to exert its principal control over the visa referral system to ensure chiefs of missions understand the importance of following referral procedures, and the consequences of undue influence. ◆ The Department should designate a senior-level officer to serve as an ombudsman for visa officers who feel they may be subject to undue influence at post to issue NIVs. ◆ Consular officers, especially those in the beginning of their careers, need further training on referral systems and dealing with possible undue influence by senior officers.
Major Actions Taken or That Will be Taken	◆ CA has consolidated all guidance on referrals into Appendix K of the FAM and is instructing posts to conducting an annual "validation" study. ◆ CA has instructed Chiefs of Mission to reissue the referral policy memo annually, certify this has been done and submit a copy of its referral policy to CA. ◆ In an annual cable to all posts, CA reminds Chiefs of Mission of their primary responsibility for the implementation and supervision of the mission referral policy, in accordance with Department guidance and Appendix K of the FAM. ◆ The Assistant Secretary for CA is the ombudsman, and has designated the Managing Director of the Visa Office as an alternative contact for visa officers overseas. ◆ In addition to the ethics training required in the Basic Consular Course, FSI has incorporated a role-playing management module to train officers how to differentiate undue influence from appropriate actions by mission officers and to teach them how to deal with a situation of undue influence, should it arise.
Expected Result	◆ Nonimmigrant visa adjudicating officers will be better protected against undue influence in the referral system.

STRATEGIC GOAL 3	HOMELAND SECURITY *(CONTINUED)*
CHALLENGE	**BORDER SECURITY – VISA AND PASSPORT FRAUD PREVENTION**
Findings **(ISP-CA-05-52)**	◆ In the post-September 11, 2001, environment, the Department has cited fraud deterrence and prevention as key elements of its border security policy. ◆ Through responses from questionnaires, OIG found that too many adjudicators remain overworked and lack the time to absorb fraud prevention intelligence, indicative of the need for greater resources in this area. ◆ Post specific training for consular fraud detection and prevention is not well defined and OIG found there was a lack of uniformity in the training programs across posts. ◆ There is insufficient communication between posts, even regionally, to share intelligence or combat fraud rings operating across national borders.
Major Recommendations	◆ The Department's leadership can improve the border security strategy by placing greater emphasis on the importance of the antifraud responsibilities and programs, and securing adequate resources and funding for related programs. ◆ Fraud prevention managers at post should continue to undergo rigorous training to enable them to better prioritize and carry out their responsibilities and the Department should standardized training. ◆ The Bureau of Consular Affairs should require regular and rigorous fraud reporting from posts and passport agencies, using a standard format, and establish a mandatory quarterly reporting schedule. ◆ CA should develop a way to work with Homeland Security and other pertinent Departments that would facilitate two-way sharing of all databases pertaining to visa and passport issuance.
Major Actions Taken or That Will be Taken	◆ Together with CA, the Bureau of Diplomatic Security has developed training programs that include lessons learned from previous years. ◆ CA has emphasized the importance of fraud prevention programs and implemented new initiatives, including an excellent and useful fraud prevention website and a new e-room to serve as a forum to exchange fraud prevention information and document information. ◆ In May, the Office of Fraud Prevention Programs held a regional fraud prevention conference in Abu Dhabi. The next regional conference is planned for Panama in February 2006, with others to follow. ◆ CA, in concert with the Foreign Service Institute, has increased the offerings of the Fraud Prevention Manager's course from two times per year to ten times per year. ◆ The Office of Fraud Prevention Programs has just finished reassigning geographical areas of responsibility to its analysts and is now establishing the new reporting requirements and format. ◆ CA is now negotiating a Memorandum of Understanding with the Department of Homeland Security to allow for mutual access to all databases. ◆ FSI, in conjunction with CA, has posted on its website training for post-arrival, post-specific training. CA's Assistant Secretary and the FSI Director sent a joint cable advising posts of this new training tool.
Expected Result	◆ Improved communication between posts, CA, DS and other agencies. ◆ Advanced fraud prevention training for all Fraud Prevention Managers at overseas posts. ◆ Increased support of Fraud Prevention Managers to identify fraud trends and techniques.

STRATEGIC GOAL 3	HOMELAND SECURITY *(CONTINUED)*
CHALLENGE	**BORDER SECURITY – REVIEW OF WATCH LIST VULNERABILITIES**
Findings **(ISP-CA-05-55)**	◆ Based on analysis of denied passport applications at certain Embassies, OIG found that significant portions of these cases were not entered into the Consular Lookout and Support System (CLASS) between at least 1994 and 2003. The Department has not yet identified the names of those applicants. ◆ The current CLASS system has adequate controls and all names that posts submitted after November 2003 seem to have been entered into the system. ◆ The Department has not yet reviewed the system for entering domestic passport cases into CLASS.
Major Recommendations	◆ The Bureau of Consular Affairs should develop and implement a plan to identify all persons denied U.S. passports overseas since 1995 whose names do not appear in the Consular Lookout and Support System and enter them. ◆ CA should determine whether any persons denied U.S passports overseas since 1995 whose names do not appear in the CLASS have been issued passports in error and take action to revoke them. ◆ CA should evaluate the system for entering names of applicants denied U.S. passports domestically and make any changes necessary to ensure that it is operating properly.
Major Actions Taken or That Will be Taken	◆ As of 2003, the Office of Overseas Citizens Services can enter persons directly into the CLASS system. Plans are underway to provide access and lookout privileges to the Passport Lookout Tracking System (PLOTS) to posts overseas. ◆ CA reviewed a year's worth of lookout requests, and based upon this review, has found the requests for lookout entries and deletions to have been handled appropriately. No cases have been identified requiring passport revocation action. CA informed posts of the results of this review, and has queried posts as to whether there are any cases for which passport issuance was denied, but the cases were not, or have not yet been entered into CLASS. Significant results of this query will be provided to OIG as soon as they are obtained and compiled. ◆ All domestic passport agencies can now enter information into CLASS directly through PLOTS. Furthermore, CA checked a random selection of cases, ranging from several years to several months old, at four passport agencies to verify that cases in which electronic requests had been made from the field agencies were indeed in Passport CLASS. The results were positive. The same type of test was conducted at our Passport Records Division, which does manual entries of Headquarters-generated refusals. Again, the results were positive.
Expected Result	◆ All efforts undertaken to ensure complete and accurate records pertaining to U.S. passport issuance denials help strengthen our country's security by upholding the integrity of the U.S. passport. In response to the OIG recommendations, CA has improved the functioning of the lookout system. In addition, CA has now further streamlined the process so that appropriate offices can enter information directly into the relevant databases.

STRATEGIC GOAL 5	INTERNATIONAL CRIME AND DRUGS
CHALLENGE	**INL WASHINGTON OPERATIONS AND ACTIVITIES**
Findings **(ISP-I-05-14)**	◆ At present, the Bureau of International Narcotics and Law Enforcement (INL) lacks sufficient permanent staff to adequately manage its major programs. ◆ INL is strained by pressing demands and responsibilities of high priority Iraq and Afghanistan programs. ◆ INL's plans to reorganize and restructure have stalled under delays in funding for new staff positions. ◆ INL needs to strengthen mechanisms for oversight of procurement and contract compliance, particularly regarding Iraq and Afghanistan programs.
Major Recommendations	◆ INL should review and implement its long delayed reorganization plan, including personnel increases, to relieve evident strains within the bureau caused by long term staffing shortages and growing demands of Iraq and Afghanistan programs. ◆ INL should establish working groups to manage Iraq and Afghanistan programs. ◆ INL should provide the Bureau of Resource Management (RM) with information on the type of financial data the Department should include in its core financial systems for INL to meet its financial recording requirements. ◆ INL should update its property records, followed by an annual inventory and reconciliation as required by Department regulations.
Major Actions Taken or That Will be Taken	◆ Implementation of reorganization plan was delayed by funding shortfalls and the desire to have a new Assistant Secretary in place to concur with several aspects of the plan that will have a significant bearing on INL's future organizations. Open positions that are still pending will be filled within sixty days after the new Assistant Secretary assumes duties. ◆ Working groups were established in March 2005 for Iraq and Afghanistan. The Iraq Group meets weekly and the Afghan Group meets twice-weekly. Working Group heads meet with the Acting Assistant Secretary on a weekly basis. ◆ INL/RM is working with RM to address shortcoming in the current core financial management systems with the goal of incorporating key aspects of INL's unique financial management requirements and its local management tools into the Department's forthcoming Joint Financial Management System (JFMS). ◆ INL/RM has updated its property records. The annual reconciliation was completed and submitted to the Bureau of Administration on August 24, 2005.
Expected Result	◆ Implementation of the reorganization plan will allow INL to meet the growing demands of the Iraq and Afghanistan programs and relieve some of the staffing strains on the rest of the bureau. ◆ The establishment of the Iraq and Afghanistan working groups allows INL to effectively manage the growing programs in those countries. ◆ Including INL financial requirements in the forthcoming JFMS will allow the bureau to bring INL's unique financial management practices in line with the Department's official accounting records.

STRATEGIC GOAL 6	AMERICAN CITIZENS
CHALLENGE	PROTECTION OF U.S. OFFICIALS FROM TERRORIST ATTACKS OUTSIDE OF EMBASSIES
Findings **(GAO-05-642)**	◆ State has not developed a comprehensive strategy that clearly identifies safety and security requirements and resources needed to protect U.S. officials and their families abroad from terrorist threats outside of the embassy. ◆ State has not fully implemented counterterrorism training; officials lack hands-on training course to help counter attacks. ◆ Fully implement State's personal security accountability system for embassy officials. ◆ The Residential Security Program in place provides effective deterrence against crime, though only limited deterrence against terrorist attack.
Major Recommendations	◆ State, in conjunction with Overseas Security Policy Board, should develop a comprehensive "soft targets" strategy that determines the extent of State's responsibilities to protect U.S. officials and their families outside the embassy. ◆ Mandate counterterrorism training, track attendance to determine compliance with training requirements, and add "soft target protection" training module to ambassadorial, deputy chief of mission, and Regional Security Officer (RSO) training. ◆ Fully implement personal security accountability system for all embassy officials, including developing related personal security standards for the *Foreign Affairs Manual*.
Major Actions Taken or That Will be Taken	◆ A comprehensive Soft Target Strategy was submitted to Congress July 1, 2005. ◆ State mandated personal security training for all employees transferring overseas under the Chief of Mission June 1, 2004. The Department's Student Training Management System tracks enrollment and attendance for all Foreign Service Institute and DS Training Center courses. A "soft target protection" training module is included in both the Ambassadorial and Deputy Chief of Mission/Principal Officer seminars. This module has been part of the basic RSO training since July 2004 and was added to In-Service RSO training October 2005. ◆ A Department cable (STATE 120220) reiterated Chief of Mission responsibility for the security of personnel at post. Information summarized in the cable was released in various forms over the last two years. Based on existing Department authority, as mandated by the Omnibus Diplomatic Security and Antiterrorism Act of 1986, additional guidance and Foreign Affairs Manuals modifications to monitor compliance with personnel and security regulations are being examined by a Department-wide working group.
Expected Result	Inherent in the Department's overall strategy for the protection of soft targets is the understanding and acceptance of the principle of personal responsibility, both for individuals and institutions overseas. The Department will lead by example, serve as coordinator and facilitator for threat and security information exchanges, and develop specific programs and regulations where our responsibility lies. The Department is moving forward with initiatives to enhance our overall strategy in protecting U.S. Officials and their families by: ◆ Expanding post-specific briefings programs tailored to potential soft target areas, which are mandatory for all staff and family members. ◆ Enhancing liaison with host government security, intelligence and police services on soft target awareness and potential countermeasures. ◆ Creating an interagency Soft Targets Coordinating Committee through the Overseas Security Policy Board to review soft target issues and vulnerabilities with regards to employees and family members of all U.S. Government agencies abroad. Through this interagency process security standards will be revised as required to address potential threats across a host of security programs. ◆ Continuing our close working relationship with overseas schools on physical security projects and emergency plans, procedures, and security.

STRATEGIC GOAL 6	AMERICAN CITIZENS *(CONTINUED)*
Expected Result ***(continued)***	Specific Results: ◆ 500 RSOs now serve at nearly 200 missions worldwide. ◆ Approximately 175 agents will be trained for overseas assignment this fiscal year. ◆ Commenced a worldwide surveillance detection program, primarily focused on our official facilities, but which is available to be adjusted to non-official facilities depending on threat information and the local security environment. ◆ Delivered over 1,500 armored vehicles to our posts overseas, to provide the ability to transport our people safely serving in heightened threat conditions. ◆ Instituted a comprehensive chemical/biological/radiological protection program. Provided escape masks, equipment for our personnel overseas, and the necessary training. ◆ Provide local guards, roving patrols, and react teams at our residences based on threat ratings, costing in excess of $100,000,000 in FY 2005. ◆ Provided residential security upgrades to over 13,000 residences overseas, including window grilles, security doors, alarms, safehavens and lighting based upon post specific threat. These traditional countermeasures are not only viewed as a deterrent to crime, but serve a dual purpose in hardening our residences against terrorist threats. ◆ Under the guidance of the Department-wide Soft Target Working Group chaired by the Bureau of Overseas Building Operations (OBO), funded grants of over $34 million to overseas schools for security enhancements. ◆ Expended over $10,000,000 on long-term residential security improvements since 2003 through OBO's residential security facilities program. ◆ Enhanced the Department's Foreign Service Institute's Crisis Management Exercise Program which includes a soft target module. In the past year alone, FSI has provided training in crisis management to 115 posts and nearly 10,200 staff. ◆ Made available on-line a series of training scenarios that Foreign Service posts can use to conduct post specific crisis management exercises. ◆ From fiscal year 1999 to March 31, 2005, more than 15,000 persons have completed FSI's Security Overseas Seminars. ◆ The Department Executive Secretary mandates that all agencies and organizations with personnel under COM Authority must send individuals to FSI's Security Abroad for Employees, or certify similar training for their employees being assigned abroad. ◆ Conducted 28 mobile training visits to 68 posts since 2003. This training, provided to all members of the Embassy community, addresses a wide range of defensive measures that employees can use to counter and respond to incidents of crime and terrorism, and also covers emergency medical response.

STRATEGIC GOAL 7	DEMOCRACY AND HUMAN RIGHTS
CHALLENGE	**MONITORING THE EFFECTIVENESS OF THE MIDDLE EAST PARTNERSHIP INITIATIVE (MEPI)**
Findings **(GAO-05-711)**	◆ MEPI provides funding for projects aimed at political, economic, and educational reform and women's empowerment in the Middle East. ◆ Through MEPI, the Department of State and USAID have worked together with other U.S. Government agencies to ensure that U.S. bilateral assistance to this region is aligned with the new focus on promoting democratic reform and empowering women in the Middle East. ◆ MEPI allows for targeting of reform goals not otherwise addressed by U.S. bilateral assistance in this region. ◆ Despite its emphasis on monitoring the results of its specific projects and on holding project implementers accountable, GAO concluded that MEPI project monitoring was limited by unclear delineation of roles and responsibilities between MEPI, USAID, Embassies and Missions. ◆ GAO also concluded that MEPI project performance was not always monitored consistently, and that access to project performance information was not readily available to managers.
Major Recommendations	◆ Clearly delineate, document, and communicate monitoring roles and responsibilities. ◆ Systematically obtain, maintain, and communicate complete information on all MEPI projects. ◆ Regularly assess progress in these areas.
Major Actions Taken or That Will be Taken	◆ State and USAID have signed coordination guidelines for MEPI projects, and have begun joint monitoring trips to monitor and evaluate USAID-implemented MEPI programs. ◆ MEPI organized all records of its projects and produced a monitoring and evaluation plan for the next year. ◆ MEPI has solicited proposals for contract monitoring and evaluation support to systematize and prioritize oversight and evaluation tasks. ◆ State and USAID created a joint task force to select and implement an integrated grants and program management database system. ◆ This database will standardize the grant making and post award monitoring processes. The information will be simultaneously available electronically to State and USAID managers and grantees or implementing partners worldwide. ◆ MEPI is in the process of putting together a performance report on all active programs.
Expected Result	◆ Improved coordination and a clear delineation of roles and responsibilities between State, USAID, Embassies and Missions in setting standards and monitoring MEPI project performance. ◆ Systematic, timely, and verifiable performance data on MEPI projects that will allow the Department to evaluate effectiveness and measure results against MEPI strategic goals. ◆ Easier, faster and more complete access to information on MEPI project performance for both State and USAID project managers and grantees or implementing partners.

STRATEGIC GOAL 9	SOCIAL AND ENVIRONMENTAL ISSUES
CHALLENGE	**TO ENSURE GRANTS MADE BY THE GLOBAL FUND TO FIGHT AIDS, TB AND MALARIA ARE BASED ON PERFORMANCE OF GRANTEES**
Findings (GAO –05-639)	◆ The Global Fund's documentation of its grant disbursements and management did not always explain its decisions, for example to disburse funds to some recipients who reported meeting few of their targets. ◆ The Global Fund does not track or publicly document disbursement requests that it has denied. ◆ The Global Fund is taking steps to improve grants management, including strengthening of its staff and recipients' capacity, and clarifying and streamlining guidance, reporting and funding procedures, but there are still gaps in oversight and guidance to potential recipients.
Major Recommendations	◆ GAO recommends that the U.S. Global AIDS coordinator work with the Global Fund's Board Chair and Executive Director to improve the basis for, and documentation of, the Global Fund's funding decisions. ◆ This guidance should be aimed at completing efforts to 1) ensure that local fund agents have expertise to evaluate performance data; 2) strengthen quality and consistency of grant recipients' data; and 3) continue the Fund's efforts to clearly document its reasons for periodically disbursing funds and renewing grants.
Major Actions Taken or That Will be Taken	◆ The U.S. Global AIDS Coordinator agreed to continue to work with the Global Fund's Board and Executive Director to improve performance measurement, documentation, and overall grants management. ◦ Representing the U.S. Government at the 11th Global Fund Board of Directors meeting, the U.S. Global AIDS Coordinator supported several decisions to strengthen and enhance the grants management process of the Global Fund. ◆ The Office of the U.S. Global AIDS Coordinator is also working with the Global Fund to develop harmonized tools for assessing data quality in Global Fund grant programs.

Expected Result	◆ Improved grants management based upon performance indicators.
	◆ At the April 2006 Global Fund Board meeting, the Portfolio Committee will make proposals on:
	  ◦ How to "improve NGO access to the Global Fund resources in Round 6."
	  ◦ Revising the Proposal Form and Guidelines for Proposals for future Rounds.
	  ◦ Improving the process for screening out and clarifying proposals prior to submission to the TRP.
	  ◦ Improving guidelines in future Rounds for proposals dealing with Health Systems Strengthening.
	◆ The first joint tool being developed is a Monitoring and Evaluation Systems Self Assessment Checklist that is designed to be completed at the beginning of the project cycle before contracts/grants are signed. This self assessment will allow for the evaluation of data used in results reporting and the identification of technical assistance needs.

STRATEGIC GOAL 11	PUBLIC DIPLOMACY AND PUBLIC AFFAIRS
CHALLENGE	PUBLIC DIPLOMACY AT THE DEPARTMENT OF STATE
Findings **(ISP-I-05-54)**	◆ Following the merger of the United States Information Agency (USIA) with the Department of State, the Department has not completed a consolidated strategy that integrates direct public diplomacy into its overall mission and objectives. ◆ Lack of funding and attention from senior leadership at the Department has had an adverse affect on the success and effectiveness of public diplomacy programs. ◆ There is no institutionalized form of coordination between public diplomacy regional bureau staff and public diplomacy functional bureau staff and there is no line authority over both. ◆ Although the Department has addressed the issue of interagency coordination, it has yet to institutionalize a government wide strategy to better approach long-term problems of public diplomacy. ◆ An unreasonable constraint on the use of public diplomacy contact management databases has also had a negative impact on the effectiveness of the conduct of public diplomacy programs.
Major Recommendations	◆ The Department should request that Congress review the Smith-Mundt Act's continued relevance, particularly its restrictions on domestic dissemination of public diplomacy information, given the ready availability of this information via the Internet. ◆ The Department should revise the Foreign Affairs Manual to designate authority to the Under Secretary for Public Diplomacy and Public Affairs for coordinating policy guidance to the regional and functional bureaus on the conduct of public diplomacy. ◆ The Department should seek greater representation at the National Security Council in order to ensure better and continuing coordination of interagency public diplomacy activities.
Major Actions Taken or That Will be Taken	◆ At her first meeting with State Department public diplomacy employees in September 2005, the Under Secretary for Public Diplomacy and Public Affairs announced her intention to form an informal group to examine the issues arising out of Smith-Mundt. The group will make recommendations to the Under Secretary about the options for Department and Congressional action and the ramifications of different possible courses of action to eliminate or amend this legislation. ◆ While no steps have been taken as yet to amend the Foreign Affairs Manual to provide the Under Secretary authority for coordinating public diplomacy policy guidance, since her arrival the Under Secretary has taken a number of actions to solidify her authority and improve public diplomacy. Regular "Echo Chamber" messages are sent to the field under her authority to provide ambassadors, public affairs officers and others guidance on important issues (such as UN Reform, America's response to Hurricane Katrina, the Iraq constitution, etc.). Plans are underway to "double hat" one deputy assistant secretary in each regional bureau with responsibility for public diplomacy, reporting both to the regional assistant secretary and the Under Secretary. The Bureau recently established a rapid response unit within the Bureau of Public Affairs to provide agile response, on a 24/7 basis, to misinformation and hateful propaganda appearing in the world press. ◆ The Under Secretary has been charged by the President and Secretary of State to establish and chair an interagency Strategic Communications committee that will be responsible for identifying and coordinating U.S. Government public diplomacy activities across the interagency, and work is ongoing to implement this directive.
Expected Result	◆ While it may not prove to be necessary or advisable to ask Congress to eliminate Smith-Mundt restrictions on domestic dissemination of public diplomacy products, it is possible that recommendations may emerge that would allow us to reduce redundancies and duplication and achieve greater economies, particularly in web-based public diplomacy products and activities. ◆ Over time, efforts to improve our ability to get the U.S. Government point of view before foreign publics will give U.S. policies a fair hearing among key influencers and publics around the world. By designating a Deputy Assistant Secretary in each regional bureau as the lead for public diplomacy, it is expected that public diplomacy will be more effectively integrated into the bureau's policy and management decision-making. At the same time, this gives the Under Secretary a senior-level official with whom to work to make certain that public diplomacy and policy are effectively integrated within and across bureau boundaries. ◆ By establishing and chairing an interagency strategic communication coordinating group, the Under Secretary will ensure that important coordination of public diplomacy programs and messages will more effectively take place, and economies will be realized by reducing duplicative efforts or tailoring agency public diplomacy activities to conform closely with policy objectives.

STRATEGIC GOAL 11	PUBLIC DIPLOMACY AND PUBLIC AFFAIRS *(CONTINUED)*
CHALLENGE	**COORDINATING A NATIONAL STRATEGY FOR PUBLIC DIPLOMACY**
Findings **(GAO-320283)**	◆ The lack of a national communication strategy hampers coordination of interagency public diplomacy activities. ◆ The White House Office of Global Communications, charged by the President to facilitate strategic public diplomacy planning and coordinate U.S. Government efforts, has not done this effectively and has not developed a national communication strategy. ◆ The State Department has not developed a specific strategy to engage the private sector in public outreach efforts wherever feasible, though State recognizes the importance of the private sector in this area.
Major Recommendations	◆ The Director of the Office of Global Communications should facilitate the development of a U.S. Government national communications strategy. ◆ The Secretary of State should develop a strategy to guide State Department efforts to engage the private sector in pursuit of common public diplomacy objectives.
Major Actions Taken or That Will be Taken	◆ State's Bureau of Public Diplomacy and Public Affairs responded that an area of early focus for its newly appointed leadership would be to build on its current ties with the private sector and to implement the GAO recommendation.
Expected Result	◆ Increased interaction between State and the private sector in developing effective public communication/outreach products to communicate U.S. Government policies to overseas audiences.
CHALLENGE	**TO ASSIST INDEPENDENT MEDIA ABROAD AND MEASURE RESULTS OF THIS ASSISTANCE**
Findings **(GAO-05-803)**	◆ The State Department, along with USAID and other agencies, provides a wide range of assistance to independent media in foreign countries with the goal of developing sustainable democracies abroad, reducing corruption and advancing civic education. ◆ State faces challenges in developing performance indicators that can accurately measure the success of its many and varied programs assisting and developing independent media abroad. ◆ Country-specific and programmatic challenges can impede implementation of media development, including changes in the political environment, difficulty coordinating donors, and lack of adequate civic or legal institutions in the recipient country. ◆ Performance indicators for media development were not widely or uniformly established by State at all of its overseas missions, but those embassies that established independent media as a priority and set specific performance goals in its mission-planning documents were most likely to have established specific indicators for measuring this goal.
Major Recommendations	◆ [None given]
Major Actions Taken or That Will be Taken	◆ State is currently developing a new set of performance indicators for public diplomacy that will include media development and outreach activities. ◆ State's recently-established Office of Policy, Planning and Resources in the Public Diplomacy bureau plans to begin training in evaluation of media programs in fiscal year 2006, including assessment of performance at the field level.
Expected Result	◆ Establishment of uniform and specific performance indicators by State for use in Washington and overseas in evaluating the success of its programs to assist independent media abroad. ◆ Improved ability to determine which programs are most successful at assisting independent media abroad, and increased ability to target funds for maximum effectiveness.

STRATEGIC GOAL 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
CHALLENGE	**COMPLIANCE WITH FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002**
Findings **(IT-I-05-09)**	◆ The Department, under the leadership of the Chief Information Officer (CIO), is currently upgrading its information technology application baseline to strengthen connections among enterprise architecture, e-Authentication, privacy, systems authorization, the Plan of Action and Milestones process, and the capital planning process. ◆ The Department has taken a proactive approach to improve patch management operations and customer service. ◆ The Department ensures that all employees receive an annual information security awareness briefing through its web-based training tool and continues to operate a successful and robust cyber incident response program. ◆ However, OIG found that the Department still does not have a complete inventory of systems that includes major applications, minor applications, and general support systems. ◆ IT security weaknesses found within a local area network are not included in the plan of action process because the Department does not consistently define the term " system" throughout documentation and guidelines. ◆ The Department's certification and accreditation process has not been fully implemented. ◆ Additionally, implementation of information security at overseas posts and domestic bureaus continues to require Department attention. OIG observed problems with the duties of the Information Systems Security Officer (ISSO), patch management, contingency planning, and inappropriate use at many of the 36 sites visited.
Major Recommendations	◆ The Chief Information Officer should ensure that the State Automated Federal Information Security Management Act Reporting Environment application is certified and accredited, and that users receive the requisite training on this application. ◆ A risk assessment should be conducted on all subcomponents or a representative sample prior to reaccrediting the Department's unclassified and classified networks. ◆ The CIO should provide information security requirements that must be addressed during the regional computer security officers' site evaluation and verification visits. ◆ The CIO should require that the Chief Information Security Officer (CISO) be included in all operational decisions made in Washington that increase the risk to the Department's information security posture, and should establish mandatory minimum requirements for Information Systems Security Officers (ISSOs). ◆ The CIO should design and implement procedures for ensuring that the privacy impact assessment section in the Department's application inventory system is completed for all applications, and, in coordination with the Assistant Secretary for Administration and the Office of the Legal Adviser, update guidance on employee Privacy Act responsibilities.
Major Actions Taken or That Will be Taken	◆ The Department performed risk assessments on the major components of OpenNet (Unclassified) and ClassNet (Classified) networks, and these components will undergo more rigorous testing in the future. ◆ The CIO will formally task all operational elements to include the Chief Information Security Officer in all operational and policy decisions that may significantly impact the risk to the Department's information security posture. The CISO's staff is also working with the Bureau of Human Resources to professionalize the ISSO program. ◆ The Department's new registration process for Information Technology Asset Baseline will incorporate mandatory privacy reporting into the Department's application registration process. ◆ In addition, numerous efforts are underway that address the need to raise employee awareness of protecting privacy information, including Department-wide training for employees and contractors.
Expected Result	◆ Improved security for both unclassified and classified information systems and networks at the Department of State. Better training and more consistent standardization of programs aimed to ensure system security and periodic testing for system vulnerabilities and risks. Increased awareness of privacy standards and concerns for employees/system users.

ADDRESSING FY 2004 MANAGEMENT CHALLENGES

The *FY 2004 Department of State Performance and Accountability Report* highlighted several management challenges that the Government Accountability Office (GAO), Office of Inspector General (OIG), and the Department's independent auditor identified as areas where the Department needed to improve its operations. Of particular note were problems with visa processing and border security; secure passport issuance; communication with and outreach to the Muslim public; and internal management issues ranging from staffing of hardship posts to protection of classified material to internal controls over financial transactions.

MANAGEMENT CHALLENGES HIGHLIGHTED BY THE OFFICE OF INSPECTOR GENERAL

Three of the five OIG reports included in the Management Challenges section of the FY 2004 PAR have been closed by the inspectors. Inspectors have concluded that the Department has taken appropriate action to satisfy recommendations and improve operations in areas under the following reports:

- **Report AUD/PPA- 04-07,** which called for the State Department to construct concurrently with the U.S. Agency for International Development (USAID) buildings, annexes and additions to the greatest extent possible, and encouraged collocation of facilities whenever feasible;
- **Report ISP-04-54,** which encouraged the Director General of the Foreign Service to improve leadership and staffing at hardship posts in order to improve morale and management at these posts;
- **Report ISP-I-04-18,** which recommended that the Department of State document lessons learned from its move of domestic financial services to offices in Charleston, South Carolina.

Report SIO-A-04-08, which called on the Department to remind overseas employees of their responsibilities regarding handling of classified material, is currently being closed out pending formal changes to the Foreign Affairs Manual on the distribution of certain categories of classified documents.

Report ISP-CA-04-01, regarding the need for additional training on the issuance of passports, especially overseas, was resolved. In following with the recommendations of the Inspector General, the Bureau of Consular Affairs (CA) agreed to develop and issue a standard passport troubleshooting guide for use worldwide and has implemented a quality assurance program. CA also agreed to institute a mentoring program for junior officers to provide feedback and additional training in processing passports.

MANAGEMENT CHALLENGES HIGHLIGHTED BY THE GOVERNMENT ACCOUNTABILITY OFFICE

As detailed below, the Department took additional steps since the release of the *FY 2004 Performance and Accountability Report* to resolve management challenges identified by the GAO under the following reports:

- **Report GAO-04-795** highlighted problems associated with delays in the process for revoking visas. The GAO recommended corrective action to eliminate these delays. To meet these concerns and implement the recommendations, the Department of State revised and formalized its tracking system for visa revocations. State also met with Department of Homeland Security

officials to agree on steps to solve legal and policy problems associated with visa revocations. These actions have met the GAO's concerns and greatly accelerated the processing of visa revocations.

- **Report GAO-04-1001** indicated a need for more guidance to the field in the collection of biometric data necessary for visa issuance, specifically the collection of two index fingerprints from all applicants. This additional guidance was provided to the field, so this need has been met. It should be noted that, since this report was issued, the Department of Homeland Security decided that ten fingerprints must be collected from all visa applicants. The Department of State is now planning for collection of ten fingerprints from all applicants beginning in FY 2007.

- **Report GAO-04-4435T** recommended that State develop a strategy to integrate its pubic diplomacy efforts and direct them toward common, measurable objectives, targeting Muslim audiences in particular. Since becoming Under Secretary for Public Diplomacy and Public Affairs, Karen Hughes has taken a number of steps to meet this requirement. First, the Department has put in place a strategic framework with three key components: (1) offer a positive vision of hope that is rooted in the President's freedom agenda; (2) work to isolate and marginalize extremists and undermine their appropriation of religion; and (3) foster a sense of common interests between Americans and people of different countries and cultures and faiths throughout the world. In addition, the Department is taking the following steps to support this strategic vision and integrate public diplomacy more effectively into the policy process:

  - The Department is reviewing public diplomacy structures and programs with the goal of strengthening public diplomacy to support this strategic vision.

  - The Department now has one deputy assistant secretary or equivalent in each of the regional bureaus with responsibility for public diplomacy activities in the region. These officials report both to the regional assistant secretary and the Under Secretary.

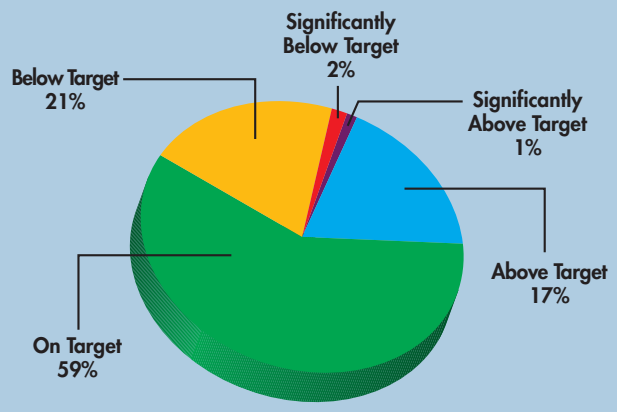
  - The President has asked the Under Secretary to lead the strategic communication effort with the U.S. Government. The Under Secretary has consulted policy and communications experts in various agencies on how best to counter extremist ideology, which will be an immediate focus. The expected result from this outreach is to achieve broader interagency coordination on the full range of strategic communications matters.

  - The Department is also working with the Performance Institute, the leading think tank on public policy performance, to develop a framework of performance metrics to measure the extent of public diplomacy activities against strategic objectives.

SUMMARY OF FY 2005 PERFORMANCE

The following pie chart shows the ratings distribution for all performance indicators reported across all strategic goals in FY 2005. As shown below, 78% of the ratings were "On Target" or above, meaning that these initiatives or programs met or exceeded performance targets.

Summary of FY 2005 Performance Results



RATINGS DISTRIBUTION

Significantly Above Target	2
Above Target	34
On Target	116
Below Target	40
Significantly Below Target	3
Total Number of Ratings	**195**

This table shows the allocated resources and average performance ratings for all strategic goals. The performance rating shown here is the average of all ratings for initiatives/programs under each strategic goal as opposed to the pie chart above which shows results by indicators. Positions are U.S. direct hire only.

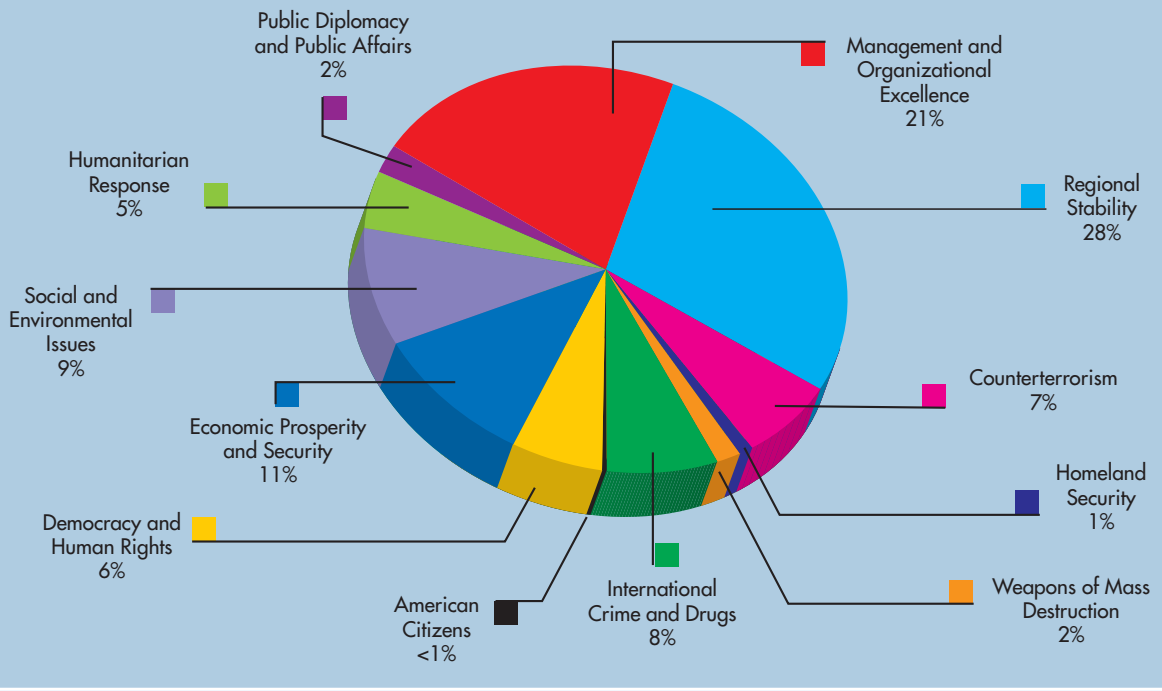
SUMMARY BUDGET AUTHORITY AND HUMAN RESOURCES BY STRATEGIC GOAL

	FY 2004			FY 2005			Change
	Positions	Dollars	Performance Rating	Positions	Dollars	Performance Rating	Performance Rating
1 Regional Stability	1,270	$ 6,641	Below Target	1,282	$ 7,092	On Target	↑
2 Counterterrorism	898	1,160	On Target	906	1,768	On Target	↔
3 Homeland Security	562	237	On Target	567	262	On Target	↔
4 Weapons of Mass Destruction	514	431	Below Target	519	422	On Target	↑
5 International Crime and Drugs	695	1,482	On Target	702	1,918	On Target	↔
6 American Citizens	551	60	On Target	556	66	On Target	↔
7 Democracy and Human Rights	822	1,100	On Target	830	1,500	On Target	↔
8 Economic Prosperity and Security	1,539	3,270	On Target	1,553	2,654	On Target	↔
9 Social and Environmental Issues	281	2,367	On Target	284	2,306	On Target	↔
10 Humanitarian Response	547	1,126	On Target	552	1,179	On Target	↔
11 Public Diplomacy and Public Affairs	2,230	538	On Target	2,251	597	On Target	↔
12 Management and Organizational Excellence	9,585	4,861	On Target	9,675	5,418	On Target	↔
Total	**19,494**	**$ 23,273**		**19,677**	**$ 25,182**		**Net +2**

DEPARTMENT OF STATE BUDGET ALLOCATION BY STRATEGIC GOAL

Includes both Appropriations Act Resources and Foreign Operations and Food Aid Resources

FY 2005 Budget Allocation by Strategic Goal

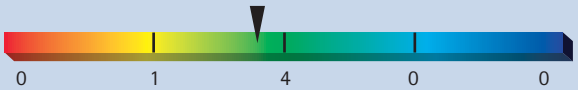
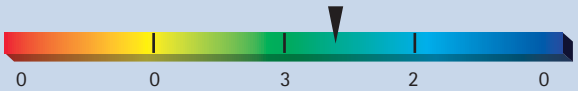
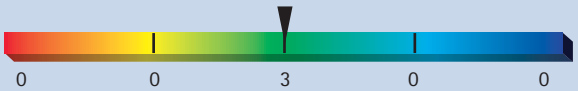
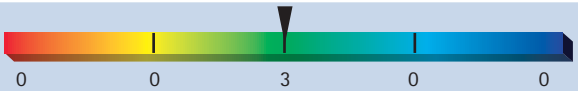
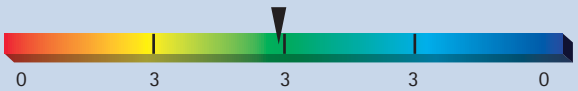


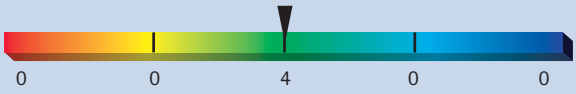
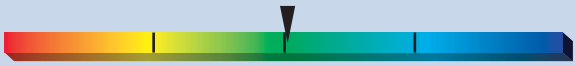
SUMMARY OF PERFORMANCE GOAL RESULTS

The table below provides performance results for each of the Department's FY 2005 annual performance goals. The inverted black triangle represents the average of all performance ratings assigned to results associated with the performance goal. The numbers in the graphs show how the ratings are distributed among the reported FY 2005 results. Also represented in the table below is the amount of "Budget Authority" and "Human Resources" applied to each strategic goal for FY 2005. The resource data are further defined by performance goal in each strategic goal chapter under "Resources Invested."

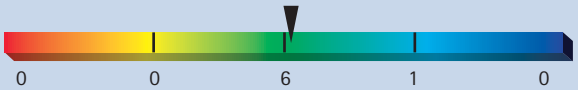
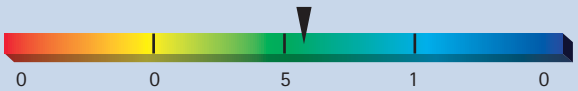
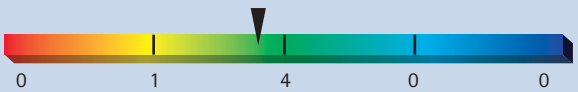
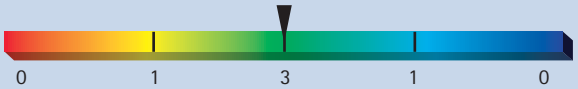
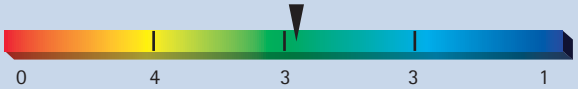
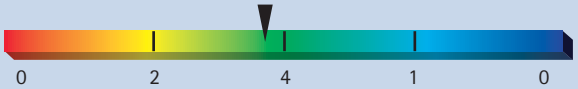
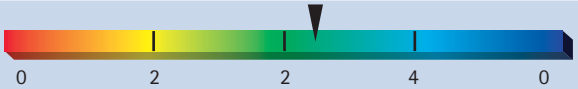
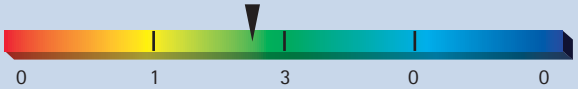
Strategic Goal with Resources Invested	**Performance Goal** (Total Number of Reported Results)	**Average Performance Rating and Number of Reported Results**
		Significantly Below Target | Below Target | On Target | Above Target | Significantly Above Target
Regional Stability **Budget Authority: $7,092 Million** **Human Resources: 1282 Positions**	Close, strong, and effective U.S. ties with allies, friends, partners and regional organizations. *6 Results*	0 | 0 | 5 | 1 | 0
	Existing and emergent regional conflicts are contained or resolved. *11 Results*	1 | 4 | 6 | 0 | 0
Counterterrorism **Budget Authority: $1,768 Million** **Human Resources: 906 Positions**	Coalition partners identify, deter, apprehend, and prosecute terrorists. *7 Results*	0 | 3 | 4 | 0 | 0
	U.S. and foreign governments actively combat terrorist financing. *5 Results*	0 | 1 | 4 | 0 | 0
	Coordinated international prevention and response to terrorism, including bioterrorism. *4 Results*	0 | 1 | 3 | 0 | 0
	Stable political and economic conditions that prevent terrorism from flourishing in fragile or failing states.	USAID addresses this performance goal.[1]
Homeland Security **Budget Authority: $262 Million** **Human Resources: 567 Positions**	Denial of visas to foreign citizens who would abuse or threaten the U.S. while facilitating entry of legitimate applicants. *4 Results*	0 | 0 | 3 | 1 | 0
	Implemented international agreements to stop the entry of goods that could harm the U.S., while ensuring the transfer of bona fide materials. *3 Results*	0 | 0 | 3 | 0 | 0
	Protection of critical physical and cyber infrastructure networks through agreements and enhanced cooperation. *3 Results*	0 | 0 | 2 | 1 | 0

[1] *Department of State and USAID share the same goal framework.*

Strategic Goal with Resources Invested	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results Significantly Below Target | Below Target | On Target | Above Target | Significantly Above Target
Weapons of Mass Destruction **Budget Authority: $422 Million** **Human Resources: 519 Positions**	Bilateral measures, including the promotion of new technologies, combat the proliferation of WMD and reduce stockpiles. *6 Results*	
	Strengthened multilateral WMD agreements and nuclear energy cooperation under appropriate conditions. *5 Results*	
	Verification integrated throughout the negotiation and implementation of nonproliferation and arms control agreements and commitments, and rigorous enforcement of compliance with implementation and inspection regimes. *5 Results*	
International Crime and Drugs **Budget Authority: $1,918 Million** **Human Resources: 702 Positions**	International trafficking in drugs, persons, and other illicit goods disrupted and criminal organizations dismantled. *7 Results*	
	States cooperate internationally to set and implement anti-drug and anti-crime standards, share financial and political burdens, and close off safe havens through justice systems and related institution building. *5 Results*	
American Citizens **Budget Authority: $66 Million** **Human Resources: 556 Positions**	U.S. citizens have the consular information, services, and protection they need to reside, conduct business, or travel abroad. *3 Results*	
	Effective and timely passport issuance, with document integrity assured. *3 Results*	
Democracy and Human Rights **Budget Authority: $1,500 Million** **Human Resources: 830 Positions**	Measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices. *9 Results*	
	Universal standards protect human rights, including the rights of women and ethnic minorities, religious freedom, worker rights, and the reduction of child labor. *6 Results*	

Strategic Goal with Resources Invested	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results Significantly Below Target | Below Target | On Target | Above Target | Significantly Above Target
Economic Prosperity and Security **Budget Authority: $2,654 Million** **Human Resources: 1,553 Positions**	Institutions, laws, and policies foster private sector growth, macroeconomic stability, and poverty reduction. *4 Results*	 0 0 4 0 0
	Increased trade and investment achieved through market-opening international agreements and further integration of developing countries into the trading system. *7 Results*	 0 1 4 2 0
	Secure and stable financial and energy markets. *2 Results*	 0 0 1 1 0
	Enhanced food security and agricultural development.	USAID addresses this performance goal.[1]
Social and Environmental Issues **Budget Authority: $2,306 Million** **Human Resources: 284 Positions**	Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis. *8 Results*	 0 0 5 2 1
	Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and resource management. *7 Results*	 0 0 4 3 0
	Broader access to quality education with emphasis on primary school completion.	USAID addresses this performance goal.[1]
	Effective and humane international migration policies and systems. *1 Result*	 0 0 1 0 0
Humanitarian Response **Budget Authority: $1,179 Million** **Human Resources: 552 Positions**	Effective protection, assistance, and durable solutions for refugees, internally displaced persons, and conflict victims. *10 Results*	 0 1 6 3 0
	Improved capacity of host countries and the international community to reduce vulnerabilities to disasters and anticipate and respond to humanitarian emergencies.	USAID addresses this performance goal.[1]

[1] *Department of State and USAID share the same goal framework.*

Strategic Goal with Resources Invested	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results Significantly Below Target | Below Target | On Target | Above Target | Significantly Above Target
Public Diplomacy and Public Affairs **Budget Authority: $597 Million** **Human Resources: 2,251 Positions**	Public diplomacy influences global public opinion and decision-making consistent with U.S national interests. *7 Results*	 0 0 6 1 0
	International exchanges increase mutual understanding and build trust between Americans and people and institutions around the world. *6 Results*	 0 0 5 1 0
	Basic human values embraced by Americans are respected and understood by global publics and institutions. *5 Results*	 0 1 4 0 0
	American understanding and support for U.S. foreign policy, development programs, the Department of State, and USAID. *5 Results*	 0 1 3 1 0
Management and Organizational Excellence **Budget Authority: $5,418 Million** **Human Resources: 9,675 Positions**	A high performing, well-trained, and diverse workforce aligned with mission requirements. *11 Results*	 0 4 3 3 1
	Modernized, secure, and high quality information technology management and infrastructure that meets critical business requirements. *5 Results*	 1 1 2 1 0
	Personnel are safe from physical harm and national security information is safe from compromise. *7 Results*	 0 2 4 1 0
	Secure, safe, and functional facilities serving domestic and overseas staff. *8 Results*	 0 2 2 4 0
	Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability. *4 Results*	 0 1 3 0 0
	Customer-oriented, innovative delivery of administrative and information services, acquisitions, and assistance. *6 Results*	 0 3 3 0 0

SUMMARY OF RESULTS RATED "SIGNIFICANTLY BELOW TARGET"

STRATEGIC GOAL 1: REGIONAL STABILITY	
I/P #7: AN ENHANCED AND EXPANDED EURO-ATLANTIC PARTNERSHIP	
Indicator #3: Progress on Implementation of Adapted Conventional Forces in Europe (CFE) Treaty	
Target	Russia makes progress toward fulfillment of remaining Istanbul commitments, allowing for U.S. ratification and, after all other CFE states ratify, entry into force of the Adapted CFE Treaty.
Result	On May 30, 2005, Russia and Georgia agreed on a timeline for Russia to withdraw from two of its bases in Georgia and identified an initial step toward resolving the status of the Russian presence at a third base. NATO Allies agreed that while this constitutes important progress toward meeting the Istanbul commitments on Georgia, follow-on steps are needed. No progress to report yet this fiscal year regarding the Russian commitment to withdraw from Moldova.
Impact	While the continuing inability to begin the process of achieving entry into force of the Adapted CFE Treaty does not materially affect U.S. security, it is a growing irritant in U.S. and NATO relations with Russia. Russia's failure to implement its Istanbul commitments raises questions about Russian motivations regarding Georgia and Moldova. Failure to achieve entry into force of the Adapted Treaty could undermine the confidence and stability gained by the 1990 CFE Treaty.
Reason for Shortfall	Russia has yet to make the political decisions necessary to withdraw forces from Moldova.
Steps to Improve	The U.S. and NATO will continue to press Russia to implement its Istanbul commitments. The 2006 CFE Review Conference will provide a special occasion for applying such pressure.

STRATEGIC GOAL 7: DEMOCRACY AND HUMAN RIGHTS	
ECONOMIC SUPPORT FUND (PART PROGRAM EFFICIENCY MEASURE)	
Indicator #6: Percentage of Economic Support Funds (ESF) That Have Been Obligated Four Months After the Bureau of Western Hemisphere Affairs (WHA) Receives Its Final Line Item Allocations[1]	
Target	50%
Result	10%
Impact	The amount of time it takes WHA and USAID to obligate funds once line item allocations have been received determines when ESF programs can be implemented. The sooner WHA is able to obligate funds, the faster the region will benefit from these programs.
Reason for Shortfall	The target was not met until the sixth month after receipt of line item allocations due to the late issuance of new funding guidance and submission formats.
Steps to Improve	This situation was unique and due to circumstances beyond WHA's control.

1. *Moved in FY 2005 from Chapter Eight, "Economic Prosperity," Performance Goal 1, Indicator #5. The focus of projects covered under this indicator now primarily fall under democracy and human rights rather than economic development.*

STRATEGIC GOAL 12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE	
I/P #9: MODERN, WORLDWIDE, INTEGRATED MESSAGING	
Indicator #5: Elimination of the Legacy Cable System & Status of SMART Deployment	
Target	1. Complete Pilot 2. Bring Online Second Secure Processing Facility 3. Initiate Worldwide Deployment 4. National Archives and Records Administration compliant records management and transfer capabilities established.
Result	1. System requirements decomposition effort results in validated list of derived requirements. 2. 50 users participated in a series of system usability demonstrations and provided feedback, driving defect corrections.
Impact	Vendor request for delay under negotiation. Now that the pilot has been postponed, the likely outcome is that completion of the Phase 1A Beta Solution schedule will be extended into FY 2006. However, due to SMART's firm fixed price, performance-based contract, no additional financial resources are required.
Reason for Shortfall	In November FY 2005, the system integrator requested an additional three-month delay in order to address system stability and functionality issues identified during a usability dry run. In March FY 2005, the system integrator named a new Program Manager for SMART, and an internal program review was initiated. In May FY 2005, the system integrator requested an additional 45-day delay in order to complete its re-planning effort, and develop and submit a proposal for the completion of Phase 1A.
Steps to Improve	Negotiations for the modification of the SMART contract are currently underway.

PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

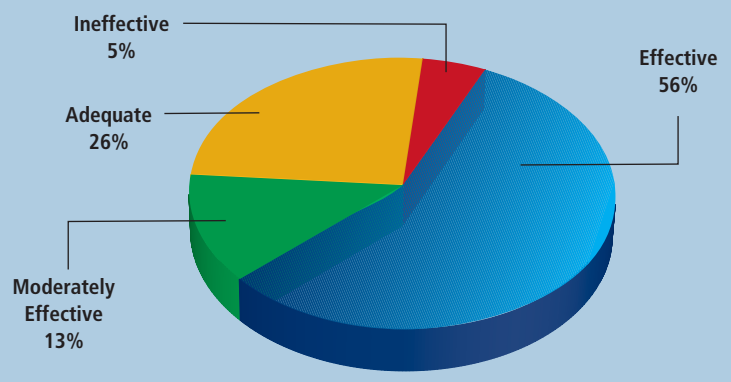
The Office of Management and Budget (OMB) uses the Program Assessment Rating Tool (PART) to assess federal programs. The PART is a series of diagnostic questions used to assess and evaluate programs across a set of performance-related criteria, including program design and purpose, strategic planning, program management, and results. PART results are then used to inform the budget process and improve program management to ensure the most effective and efficient usage of taxpayer dollars.

To date, State and OMB have conducted 39 PART reviews for State's programs. Twelve new PART reviews were conducted in 2005 for inclusion in the President's FY 2007 budget submission to Congress. No reassessments were conducted for programs reviewed in previous years. Preliminary scores for the current-year assessments rate three State programs as "Effective," one program as "Moderately Effective'" six programs as "Adequate," and two programs as "Ineffective."

Recent results from PART reviews conducted by OMB are summarized below by strategic goal. Information is provided describing how bureaus have addressed and implemented findings and recommendations for each of the PART programs.

PART Program Scores and Ratings

CY 2002 - 2005 (39 programs)



RESULTS by PART Assessment Categories

Effective	22
Moderately Effective	5
Adequate	10
Ineffective	2
Total Number of Assessments	**39**

PART PROGRAMS CY 2002 – 2005: SCORES AND RATINGS

Strategic Goal	Bureau	Program Name	Scores and Rating as of October 19, 2005
Public Diplomacy	ECA	Educational and Cultural Exchange Programs – Near East and South Asia	98% – Effective
Public Diplomacy	ECA	Educational and Cultural Exchange Program – Global	97% – Effective
Management Excellence	OBO	Capital Security Construction	97% – Effective
Regional Stability	AF	Security Assistance in Sub-Saharan Africa	97% – Effective
Humanitarian Response	**PRM**	**Migration and Refugee Assistance: Protection**	**96% – Effective**
Humanitarian Response	PRM	United Nations High Commission for Refugees	96% – Effective
Regional Stability	**SA**	**Security Assistance**	**93% – Effective**
Humanitarian Response	PM	Humanitarian Demining	93% – Effective
Humanitarian Response	**PRM**	**Migration and Refugee Assistance - Other PRM Programs**	**93% – Effective**
Homeland Security	CA	Border Security Program – Visa and Consular Services	92% – Effective
Management Excellence	DS	Worldwide Security Upgrades	92% – Effective
Humanitarian Response	PRM	Humanitarian Migrants to Israel	91% – Effective
Regional Stability	IO	United Nations Development Program	91% – Effective
Regional Stability	WHA	Security Assistance	90% – Effective
Weapons of Mass Destruction	ISN	Export Controls	90% – Effective
Weapons of Mass Destruction	ISN	Non Proliferation and Disarmament Fund	89% – Effective
Democracy and Human Rights	EUR	Freedom Support Act/Support for East European Democracy	88% – Effective
Regional Stability	IO	Contributions to International Peacekeeping Activities	86% – Effective
Management Excellence	OBO	Regular Construction/Asset Management	86% – Effective
Humanitarian Response	PRM	Refugee Admissions to the U.S.	86% – Effective
Counterterrorism	S/CT	Terrorist Interdiction Program	85% – Effective
Counterterrorism	S/CT	Anti-Terrorism Assistance	85% – Effective
Regional Stability	EUR	North Atlantic Treaty Organization	83% – Moderately Effective
Regional Stability	EUR	New NATO Countries and Aspirant Countries	80% – Moderately Effective
Weapons of Mass Destruction	ISN	Nonproliferation of Weapons of Mass Destruction Expertise	79% – Moderately Effective
Management Excellence	**DS**	**Protection of Foreign Missions and Officials**	**72% – Moderately Effective**
Economic Prosperity	WHA	Economic Support Funds	71% – Moderately Effective
Democracy and Human Rights	DRL	Human Rights and Democracy Fund	67% – Adequate
Management Excellence	**RM**	**International Cooperative Administrative Support Services**	**65% – Adequate**
Social and Environmental	**S/GAC**	**The President's Emergency Program for AIDS Relief - Focus Countries**	**65% – Adequate**
Social and Environmental	**S/GAC**	**The President's Emergency Program for AIDS Relief - Global Fund**	**60% – Adequate**
Social and Environmental	OES	International Fisheries Commissions	59% – Adequate
Economic Prosperity	**AF**	**Economic Support Funds**	**58% – Adequate**
Public Diplomacy	**R**	**Public Diplomacy**	**56% – Adequate**
International Crime and Drugs	INL	Andean Counterdrug Initiative	53% – Adequate
International Crime and Drugs	**INL**	**International Narcotics Control and Law Enforcement: Africa/Asia**	**53% – Adequate**
International Crime and Drugs	INL	International Narcotics and Law Enforcement in the Western Hemisphere	52% – Adequate
Social and Environmental	**S/GAC**	**The President's Emergency Program for AIDS Relief - Other Bilateral**	**49% – Ineffective**
Public Diplomacy	**IIP**	**International Information Programs**	**45% – Ineffective**

Programs in bold type were assessed in 2005.

THE PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda (PMA) is the President's strategy for improving the management and performance of the federal government. The Department has made substantial progress on each of the five government-wide PMA initiatives, as well as on the two additional initiatives for which State plays a key role. Each quarter, the Office of Management and Budget (OMB) releases an executive scorecard, which rates progress and overall status in each of the President's Management Agenda initiatives. The progress and status ratings use a color-coded system that is based on criteria determined by OMB and used by all agencies. Agency performance in specific areas is rated on the grading scale of red, yellow, and green. For more information on the PMA and the executive scorecard, please visit *www.whitehouse.gov/results/*.

The Department achieved green scores for progress on implementing each of the five government-wide PMA initiatives. With respect to overall status, the Department has made significant improvements in several areas, with the status scores for Strategic Management of Human Capital, Improved Financial Performance, and Budget and Performance Integration now at green. For the PMA initiatives in Competitive Sourcing, E-Government, and Federal Real Property Asset Management, the Department is currently at green for progress and yellow for status. E-Government went from green to yellow on status for the Fourth Quarter of FY 2005 because State did not meet e-Gov criteria on operations optimization and secure systems.

In addition, OMB designated the State Department as the principal implementing partner for the PMA initiative on a Rightsized Overseas Presence and Congress mandated the creation of the Office of Rightsizing the U.S. Government Overseas (M/R) within the Department. The Rightsizing initiative is now at green for progress and green for status. This initiative moved to double green because the Department: (1) established and implemented a rightsizing review process for all posts overseas; (2) focused on linking staffing to mission goals; (3) minimized duplication and promoted shared services and outsourcing; (4) established the Capital Security Cost Sharing program to have agencies pay pro-rata share of embassy construction costs; (5) established a strategic architecture for the regionalization and centralization of State Department support services, including the opening of the Frankfurt Regional Center; and (6) established an Office of Rightsizing to coordinate internal State and interagency rightsizing efforts. Our next challenges are to strengthen the rightsizing mechanisms now in place and systematically quantify outcomes and results.

The State Department develops its PMA performance goal milestones, which are integrated into Strategic Goal 12: Management and Organizational Excellence, through an annual deliberative process. This includes both agency initiative owners and OMB. Participants owning the PMA initiatives detail where they would be "Proud To Be" within one year, and then coordinate with OMB examiners to strategize how to best accomplish their goals through quarterly progress. OMB reviews this progress and issues its PMA government-wide scorecard summary. The Department, in consultation with OMB's International Affairs Division, fully articulated its "Proud To Be" goals for the third year of the PMA in August 2005.

The Stoplight Scoring System

OMB assesses agency progress and status for each PMA initiative. OMB's scorecard employs a simple scoring system common today in well-run businesses. Scoring is color-coded as follows:

SCORE	PROGRESS	STATUS
GREEN	Implementation is proceeding according to plans agreed upon with the agency	The Agency meets all of the scorecard standards for success
YELLOW	Some slippage or other appropriate issues require the agency to adjust operations to achieve objectives within timeframes	The agency meets all the scorecard standards for success but some areas could slip absent management intervention
RED	Initiative is in serious jeopardy; realizing objectives is unlikely absent significant management intervention	The agency demonstrates any one of a number of serious flaws listed in the standards for success

The following is a brief overview of the Department's overall PMA progress:

Progress	STRATEGIC MANAGEMENT OF HUMAN CAPITAL	Status

Goal

- Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives and goals.

Progress

- Fully implemented Civil Service (CS) Workforce Planning System for CS employees.
- Registered 76% of all Foreign Service (FS) and CS in "Employee Profile +"
- Collected data, developed reporting templates, populated on-line system to track and document HC results.
- Implemented new promotion procedures for FS Generalists.
- Completed Career Development plan (FS Generalists). Expanded to include Foreign Service and enhanced Civil Service opportunities.

Upcoming Actions

- Report on mission critical occupations (FY 2005 data and projections).
- Improve diversity/reduce under representation. Report FY 2005 hiring statistics.
- Report status on Civil Service Performance Appraisal System.
- Report progress on Mandatory Leadership and Management training and assess needs beyond 2006.
- Complete IT competency gap assessment and gap closure plan.
- Negotiate with unions for new CS Performance Appraisal System and prepare request for the Office of Personnel Management (OPM) approval.
- Report progress on family employment activities.
- With OPM, determine elements necessary for strengthening Agency accountability system.

Progress	IMPROVED FINANCIAL PERFORMANCE	Status

Goal

- World-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people.

Progress

- Modified structure, composition and duties of Management Control Steering Committee (MCSC) to facilitate implementation of Revised OMB Circular A-123.
- Issued interim financial statements for the quarter ending June 30, 2005.
- State and USAID installed production Joint Financial Management System (JFMS) hardware in Charleston, SC to support USAID operations.
- Continued to expand the content and use of financial data to inform the management decision-making process.
- State and USAID successfully upgraded to Momentum 6.02 for JFMS. Efforts included collaboration on software conversion utilities, procedures, configuration setups and post-implementation monitoring.

Upcoming Actions

- Issue final report and recommendation for migrating Consolidated American Payroll Processing System to the National Finance Center (NFC).
- Address auditor-identified material weaknesses in internal control relating to personal property and information systems security.
- Implement requirements of revised OMB Circular A-123, Appendix A in accordance with plan submitted to OMB.
- Report improper payments program results and recovery audit efforts in the FY 2005 PAR.
- Implement first E-Travel pilot in Charleston, SC.
- Move USAID financial system database to Charleston, SC, and begin production JFMS operations.

Progress	COMPETITIVE SOURCING	Status

Goal

- Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions.

Progress

- Announced standard competition for Human Resources/Career Assignments Technicians.
- Continuing to work with OMB to obtain approval of State's FAIR Act Inventory.
- Began drafting Performance Work Statement for motor-pool drivers.
- Conducted industry day for Multimedia Services Competition.
- Completed streamlined competition for language instruction.
- Announced and completed streamlined competition for TV Broadcast Technicians.

Upcoming Actions

- Publish solicitation for MMS competition, subject to resolution of issues.
- Issue draft solicitation for Career Assignments Competition (standard competition).
- Work with OMB to get approval for State's FAIR Act Inventory.
- Issue draft solicitation on MMS competition pending OMB approval of waivers.

Progress	BUDGET AND PERFORMANCE INTEGRATION	Status

Goal

- 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.

Progress

- Submitted draft pilot performance Congressional Budget Justification (CBJ) for two accounts to OMB for review.
- Included PART Ratings and Substantive Analysis in Account Justification section of draft Performance Budget Submission.
- Submitted OMB Exhibit 300 for joint State-USAID performance planning system.
- Rolled out the Global Affairs Dashboard to select bureau users.
- Provided final FY 2004 Efficiency Measure Report with 4th Quarter deliverables package.
- Continued to track status of PART findings and recommendations.

Upcoming Actions

- Produce PART Scores and Ratings Reports.
- Include PART ratings and substantive analysis in account justification section of draft performance budget submission.
- Further develop pilot CBJ format in coordination with OMB.
- Provide documentation highlighting bureau Quarterly Management Reports (QMRs) that were used in internal budget decision-making process to OMB and senior managers within the Department.
- Integrate select USAID performance data into Global Affairs Dashboard.

EXPANDED ELECTRONIC GOVERNMENT

Progress | Status

Goal

- 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.

Progress

- Submitted quarterly report stating the agency has no IT acquisitions duplicative of e-Gov initiatives.
- Submitted e-Gov/Line of Business/SmartBuy Implementation and Alignment Quarterly Milestones Report to OMB on September 15th.
- Posted 100% of eligible Grants on Grants.gov and ensured that at least 25% are available for on-line application.
- Completed Department of State/U.S. Agency for International Development Joint Enterprise Architecture Communications Strategy.
- Completed Privacy Impact Assessments on all applicable IT systems to meet FY 2007 requirements before submitting the budget.
- Awarded the first Department enterprise-wide contract renewal of ORACLE under the e-Gov SmartBuy program.
- Provided OMB draft of the Department's Earned Value Management System Framework.

Upcoming Actions

- Incorporate Performance Reference Model into the Joint Enterprise Architecture.
- Develop Comprehensive Department Earned Value Management System policies and fully implement plan by December 31, 2005.
- Map Data Architecture to the Federal Enterprise Architecture Business Reference Model.

FEDERAL REAL PROPERTY ASSET MANAGEMENT INITIATIVE

Progress | Status

Goal

- To promote the efficient and economical use of America's real property assets.

Progress

- Asset Management Plan: State submitted a State and USAID consolidated plan.
- Inventory and Performance Measures: Completed the collection of all necessary Federal Real Property Council (FRPC) inventory and performance measures (e.g., cost, condition, utilization) for buildings and structures.
- Submitted a data validation procedure to ensure the quality of the data reported to the FRPC database in the first quarter of FY 2006.
- State and USAID have agreed to expand the original OMB-approved Asset Management Plan and have begun to make revisions based upon comments from OMB.

Upcoming Actions

- Provide evidence that State continues to implement the previously approved Asset Management Plan.
- Coordinate efforts with USAID to submit a draft USAID Asset Management Plan by November 15 and a final joint State/USAID plan by December 15, 2005.
- Coordinate efforts with USAID to ensure that all FRPC data on USAID assets is captured in the Real Property Application database.
- Submit complete draft of FY 2006-FY 2011 Long Range Overseas Buildings Plan.

Right-Sized Overseas Presence

The President has emphasized the importance of security, efficiency, and accountability in U.S. Government staffing overseas by identifying Rightsizing as part of the President's Management Agenda. Rightsizing is ensuring that the mix of U.S. Government agencies and personnel overseas is appropriately aligned with foreign policy priorities, security concerns, and overall resource constraints. OMB is leading this PMA initiative. It is included in this report due to its importance to the Department of State.

Progress	RIGHT-SIZED OVERSEAS PRESENCE (OMB LEAD)	Status

Goal

- Reconfigure U.S. Government overseas staff allocation to the minimum necessary to meet U.S. foreign policy goals.
- Have a government-wide comprehensive accounting of total overseas personnel costs and accurate mission, budget, and staffing information.
- Ensure that accurate projected staffing patterns determine embassy construction needs.

Progress

- Submitted Regionalization Shared Service Architecture and migration plan to OMB to create lines of business and systematically regionalize or centralize support functions from all overseas posts for the next three years, starting with critical danger posts in FY 2006.
- Submitted draft five-year Post Rightsizing review schedule/plan to OMB.
- Submitted FY 2007 and FY 2006 Rightsizing Review Report for staffing projections for New Embassy Construction (NEC) projects.
- OMB guidance (A-11) includes requirement for agencies to report on overseas positions and costs for the FY 2007 budget submission.
- M/R submitted a draft proposal on regional cost distribution system for International Cooperative Administrative Support Services (ICASS) system to the ICASS Executive Board.

Upcoming Actions

- Complete draft of Rightsizing Review Standard Operating Procedures.
- Submit Global Staffing Matrix, outlining approved, disapproved, pending, new position, reduction, or realignment. NSDD-38 and State equivalent data on overseas staffing changes to be included.
- Develop a performance standard for the NSDD-38 process.
- Submit FY 2006 financial plan for the Office of Rightsizing.
- Expand Model for Overseas Management Support services to additional pilot posts.

MANAGEMENT CONTROLS, FINANCIAL MANAGEMENT SYSTEMS AND COMPLIANCE WITH LAWS AND REGULATIONS

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

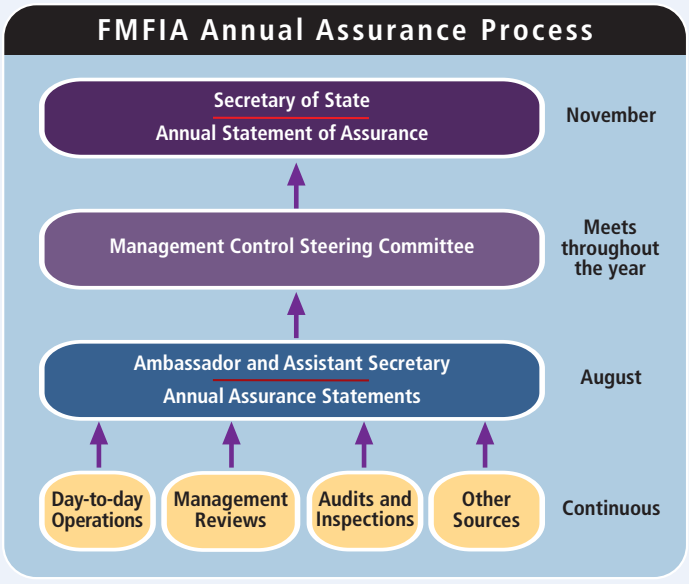
The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish management control and financial systems that provide reasonable assurance that the integrity of federal programs and operations are protected. It also requires that the head of the agency, based on an evaluation, provide an annual Statement of Assurance on whether the agency has met this requirement.

The Department evaluated its management control systems and financial management systems for the fiscal year ended September 30, 2005. This evaluation provided reasonable assurance that the objectives of the FMFIA were achieved in FY 2005, and formed the basis for the Secretary's Statement of Assurance. The Secretary of State's unqualified Statement of Assurance for FY 2005 is included in the Message from the Secretary located at the beginning of this Report.

Management Control Program

The Management Control Steering Committee (MCSC) oversees the Department's management control program. The MCSC is chaired by the Chief Financial Officer, and is composed of nine other Assistant Secretaries [including the Chief Information Officer and the Inspector General (non-voting)], the Deputy Chief Financial Officer, and the Deputy Legal Advisor. Individual assurance statements from Ambassadors assigned overseas and Assistant Secretaries in Washington, D.C. serve as the primary basis for the Department's assurance that management controls are adequate. The assurance statements are based on information gathered from various sources including the managers' personal knowledge of day-to-day operations and existing controls, management program reviews, and other management-initiated evaluations. In addition, the Office of Inspector General and the Government Accountability Office conduct reviews, audits, inspections, and investigations.

To be considered a material weakness in management control for FMFIA reporting purposes, the problem should be significant enough that it meets one or more of the FMFIA material weakness criteria. The accompanying chart describes the criteria that the Department uses for the FMFIA review.



FMFIA MATERIAL WEAKNESS CRITERIA

- Significantly impairs the fulfillment of the Department's mission.
- Deprives the public of needed services.
- Significantly weakens established safeguards against waste, loss, unauthorized use or misappropriation of funds, property, other assets, or conflicts of interest.
- Merits the attention of the Secretary, the President, or a relevant Congressional oversight committee.
- Is of a nature that omission from the report could reflect adversely on the Department's management integrity.

Status of Management Controls and Financial Manaagement Systems

During the last five years, the Department made significant progress by correcting all outstanding material weaknesses. In addition, there are no items specific to the Department on the Government Accountability Office's High Risk List, and there have not been any since 1995. The following table show the Department's progress during the past five years with correcting and closing material weaknesses.

NUMBER OF MATERIAL WEAKNESSES BY FISCAL YEAR				
Fiscal Year	**Number at Beginning of Fiscal Year**	**Number Corrected**	**Number Added**	**Number Remaining at End of Fiscal Year**
2001	3	0	0	3
2002	3	3	0	0
2003	0	0	0	0
2004	0	0	0	0
2005	0	0	0	0

For financial systems, the MCSC voted to close in FY 2003 the Department's one remaining material nonconformance - Financial and Accounting Systems. This was the first time since the inception of the FMFIA that the Department had no open material nonconformances – a significant accomplishment. No new material nonconformances were identified by the MCSC during FY 2004 and FY 2005. As a result, the Secretary has provided an unqualified Statement of Assurance regarding the Department's financial management systems.

Future Plans

In FY 2005, OMB revised Circular A-123, *Management's Responsibility for Internal Control*, which implements FMFIA, to include a new requirement for agency management to provide an annual assessment of internal control over financial reporting beginning for FY 2006. The Department began implementing the revised Circular during FY 2005 and is well-positioned for full implementation in FY 2006.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that agencies' financial management systems provide reliable financial data in accordance with generally accepted accounting principles and standards. Under FFMIA, financial management systems must substantially comply with three requirements — Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL).

To assess conformance with FFMIA, the Department uses OMB Circular A-127 survey results, FFMIA implementation guidance issued by OMB (January 2001 Memorandum to Executive Department Heads, Chief Financial Officers, and Inspectors General), results of OIG and GAO audit reports, annual financial statement audits, the Department's annual Federal Information Security Management Act (FISMA) Report, and other relevant information. The Department's assessment also relies a great deal upon

evaluations and assurances under the FMFIA, with particular importance attached to any reported material weaknesses and material nonconformances.

The Department has made it a priority to meet the objectives of the FFMIA. In December 2003, the Department initially determined that its financial systems comply substantially with the requirements of the FFMIA. This determination was made after considering (1) the audited financial statement results as of September 30, 2003, whereby the material weakness on Information Systems Security was reduced to a reportable condition, (2) the approval of the Management Control Steering Committee to close the longstanding FMFIA material noncomformance for our Financial and Accounting Systems, and (3) systems efforts completed in FY 2003 along with additional improvements to our financial systems during early FY 2004.

In November 2004, the Department conducted a comprehensive OMB Circular A-127 assessment. The assessment included (among other things) a collection of the various background materials, reference documents, and supporting details that document how the Department meets the applicable A-127 requirements and OMB FFMIA implementation guidance. Based on the results of this assessment, along with information contained in the Department's FY 2005 FISMA Report and evaluations and assurances provided under FMFIA, the Department reaffirmed its determination of substantial compliance with FFMIA in its FY 2005 Management Representation Letter provided to the Independent Auditor. The Department will reassess this determination based upon receipt of the FY 2005 Independent Auditor's Report.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The Department's Federal Information Security Management Act (FISMA) and Privacy Management Report for FY 2005 shows considerable improvement over previous reports. The Department remains acutely aware of the value and sensitivity of its information and information systems and is dedicated to the vigilance required to ensure their adequate protection. A wide range of measures is used to assess the Department's performance in information security. The 2005 FISMA report presents major accomplishments, as well as the specific metrics upon which performance is assessed. There is commitment at all levels to continually maintain and enhance the Department of State information security posture.

Over the past year, the Department made considerable strides in the following areas, while maintaining steady improvement across the Information Security Program in automating its IT asset inventory, systems authorization, professionalizing the cyber security workforce, integrating information security costs with IT investments, implementing information security into acquisitions, automating configuration management, enhancing incident reporting, information security policy development, and awareness, training, and education.

The Information Security Program focus areas for FY 2006 include improved contractor oversight, continued enhancements and refinements to the Department's IT asset baseline, implementing Personnel Identity Verification, and increased support for Information Systems Security Line of Business. The Program goal for FY 2006 will continue the development and implementation of improved metrics for managing and reporting on the performance of the Program. Information security costs will be fully integrated into the IT investment process. The Information Security Program will accelerate the use of the internal bureau scorecard, which highlights each quarter all bureau achievements and needed improvements in the areas of Systems Authorization, Role Based Training, Patch Management, and Plans of Actions and Milestones (POA&Ms).

GOVERNMENT MANAGEMENT REFORM ACT - AUDITED FINANCIAL STATEMENTS

The Government Management Reform Act (GMRA) of 1994 amended the requirements of the Chief Financial Officers (CFO) Act of 1990 by requiring an annual preparation and audit of agency-wide financial statements from the 24 major executive departments and agencies. The statements are to be audited by the Inspector General (IG), or an independent auditor at the direction of the IG. An audit report on the principal financial statements, internal controls, and compliance with laws and regulations is prepared after the audit is completed.

The Department has a proud tradition of unqualified opinions on our annual financial statements from our independent auditors for the better part of the last decade. However, late in FY 2005, the Department became aware of potentially material amounts of Department-owned personal property held by host countries and contractors, including aircraft and spare parts inventories, which had not been reflected in our financial statements. Due to the need for a complete and thorough analysis, the complexity of the matters involved, and the accelerated financial reporting requirements, the Department was unable to satisfy our independent auditors with regard to the presentation of personal property by November 15, 2005.

As a result, and as more fully explained in the *Independent Auditor's Report,* the independent auditors issued a qualified opinion on our FY 2005 and FY 2004 financial statements released on November 15, 2005. Since then, the independent auditors satisfied themselves about the amounts presented as personal property in the Department's FY 2005 and FY 2004 financial statements, and issued an unqualified opinion thereon, dated December 14, 2005, which has cleared the way for updating this Report.

In relation to internal control, the Report cites material weaknesses in (1) the recording and related depreciation of personal property and (2) the Department's security of information systems networks. In addition, the report cites three reportable conditions: (1) the inadequacy of the Department's financial management systems, (2) the management of unliquidated obligations, and (3) the implementation of Managerial Cost Accounting Standards. The Department's financial management systems are also reported as noncompliant with laws and regulations, including the Federal Financial Management Improvement Act of 1996 (FFMIA).

The definition of material weaknesses previously discussed in the FMFIA section differs from the definition that the independent auditors use to assess and report on internal controls in their audits. Under standards issued by the American Institute of Certified Public Accountants, material weaknesses in internal control are defined as reportable conditions in which the design or operation of the internal control does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Reportable conditions are significant deficiencies, though not material, in the design or operation of internal control that could adversely affect the Department's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The table starting on the adjoining page summarizes the weaknesses in internal control and compliance with laws and regulations cited in the FY 2005 Independent Auditor's Report, as well as the actions taken or planned to resolve the problems.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS
(Refer to Independent Auditor's Report Section)

Material Weakness	Corrective Actions	Target Correction Date	Strategic Goal
Information Systems Security Information system networks for domestic operations are vulnerable to unauthorized access. Consequently, systems, including the Department's financial management system, that process data using these networks may also be vulnerable. These deficiencies were cited as material weaknesses in the Department's 1997 Principal Financial Statements and subsequent audits through 2002. In response, the Department initiated a program to assess its information systems security on a comprehensive and continuing basis. As a result, the Independent Auditor downgraded these deficiencies to a reportable condition in connection with the audit of the Department's 2003 Principal Financial Statements. Their review of information system security in connection with the audit of the Department's 2005 Principal Financial Statements disclosed that the Department is no longer assessing information system security to the same extent as it was during 2003 and 2004. Consequently, the Independent Auditor reclassified this deficiency to a material weakness.	The Department remains acutely aware of the value and sensitivity of its information and information systems and is dedicated to the vigilance required to ensure their adequate protection. The 2005 FISMA Report presents major accomplishments, as well as specific metrics upon which performance is assessed. For FY 2006, the Information Security Program (ISP) will focus on addressing any identified shortfalls in assessing information system security, along with improved contractor oversight, implementing Personnel Identity Verification, and integrating information security costs into the IT investment process. In addition, the Department will accelerate the use of an internal bureau scorecard, which highlights each bureau's needed improvements in the areas of systems authorization, role based training, patch management, and Plans of Actions and Milestones (POA&Ms).	2006	Management and Organizational Excellence
Recording of Personal Property The Department does not have a system of controls to identify and record property in the hands of contractors. Further, the Department's controls over aircraft, vehicles and other personal property are ineffective. Audit work disclosed significant discrepancies between inventories of property reported by posts and bureaus and those maintained centrally and used as a source for reporting for financial statement purposes, posts not submitting inventories of property with no investigation by responsible Department officials, property not reported by posts and/or bureaus, significant unreported vehicle armoring costs, and errors in depreciation resulting from incorrect in-service dates.	In recognition of the deficiencies with respect to personal property, the Department's Management Control Steering Committee (MCSC) created in October 2005 a subcommittee to address these weaknesses. The subcommittee is charged with developing recommendations for the MCSC's approval in December 2005 regarding the scope and severity of identified deficiencies along with corrective actions needed to address these issues Departmentwide. Each of the matters identified in the Independent Auditor's Report will be addressed as well as additional deficiencies noted during the audit process.	2006	Management and Organizational Excellence

(continued)

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS
(Refer to Independent Auditor's Report Section)

Reportable Condition	Corrective Actions	Target Correction Date	Strategic Goal
Management of Unliquidated Obligations The Department's internal control process related to managing undelivered orders is inadequate. It lacks a structured process for reconciling and deobligating funds in a timely manner, which may result in the loss of those funds.	Strengthening the management of unliquidated obligations (UDOs) is an important financial management initiative, and the Independent Auditor's Report notes that there have been improvements in this area. In 2004, new capabilities were installed in the Department's Central Financial Management System that allow for the automatic deobligation of UDOs based on a wide range of criteria (e.g., age, object class, dollar amount). In 2005, the UDO database was analyzed by a variety of criteria to identify potentially invalid items. In some instances, meetings were held with bureaus to assist with identifying questionable obligations, understand unique bureau issues for their aged obligations, raise their awareness of their older obligations, and stress the requirement for the bureau to review and deobligate invalid UDOs. Based on these reviews, the new capabilities were used to deobligate 37,000 UDOs for over $220 million. As part of the President's Management Agenda Initiative for Improved Financial Performance, the Department prepares quarterly reports for OMB and senior management. The March 2005 report, and all subsequent reports, includes a chart that identifies by bureau the percentage of UDOs with no activity for the past 12 months. This analysis is used to focus improvement efforts on those bureaus with the higher percentages of no activity. Overall, the Independent Auditor's FY 2005 tests identified over $340 million that should have been deobligated. However, this amount is $184 million (35%) lower than the $524 million reported for FY 2004, and takes on added significance when considering the $1 billion increase in UDO balances in FY 2005. The Department will continue to develop reports and processes to improve the management of UDOs.	2006	Management and Organizational Excellence
Compliance with Managerial Cost Accounting Standards While the Department complies with certain aspects of the Statement of Federal Financial Accounting Standards #4, it does not have an effective process to routinely collect managerial cost accounting information, establish outputs for each responsibility segment, or allocate all support costs.	To address MCAS requirements, the Department developed an automated Statement of Net Cost that enables reporting of cost information by strategic objects and goals, along with responsibility center. It also allows for the allocation of support costs. In FY 2005, the Department established a project team, which includes consultants with experience implementing Cost Accounting Systems. A project plan (Plan) has been developed that includes developing survey instruments to identify outputs and assess each bureaus' need for managerial cost information, preparing a detailed Concept Paper and implementing managerial cost data for pilot bureau(s) by the end of FY 2006. Implementation will be expanded during FY 2007. The Plan includes reviewing the current Statement of Net Cost to improve the gathering and reporting of cost data by strategic goal and responsibility center, including the allocation of indirect or support costs.	2007	Management and Organizational Excellence
Financial and Accounting Systems (See Nonconformance below)	See discussion on next page.	2007	Management and Organizational Excellence

(continued)

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS *(Refer to Independent Auditor's Report Section)*			
Nonconformance with Laws and Regulations	**Corrective Actions**	**Target Correction Date**	**Strategic Goal**
Financial and Accounting Systems The Department has identified and acknowledged serious weaknesses in its financial management systems. When first reported, the Department was charged with overseeing six financial management systems that support its domestic bureaus, overseas posts and other overseas agencies. The financial management systems nonconformance includes the following five weaknesses: deficiencies in data quality; noncompliance with JFMIP core requirements; ineffective interfaces; inadequate documentation and audit trails; and inadequate support of mission performance.	Significant progress has been made over the past few years to improve financial management systems worldwide. The Department has reduced the number of financial systems from six to two; decreased the number of post-level financial systems from nine to two; and re-centralized disbursing offices from 22 to two. In FY 2003, the Department's Management Control Steering Committee voted to close the material nonconformance for financial and accounting systems. In 2004, the two existing overseas accounting databases were merged into one database residing at the Charleston Financial Service Center — all overseas accounting transactions for both the Department of State and our serviced agencies are now recorded in a single database, and many operational/ system activities (e.g., software upgrades, annual close outs) are performed only in one place. In 2005, the overseas Regional Financial Management System was upgraded to the most current version of commercial off-the-shelf (COTS) software used by this system. The Department also expanded the number of on-line overseas users, added and/or enhanced a number of interfaces, and deployed improved reporting capabilities.	2007	Management and Organizational Excellence

IMPROPER PAYMENTS INFORMATION ACT

Narrative Summary of Implementation Efforts for FY 2005 And Agency Plans for FY 2006 – FY 2008

The Improper Payments Information Act of 2002 (IPIA), Public Law No. 107-300, requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments. Significant improper payments are defined as annual improper payments in a program that exceed both 2.5 percent of program annual payments and $10 million. Once those highly susceptible programs and activities are identified, agencies are required to estimate and report the annual amount of improper payments. Generally, an improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, and administrative or other legally applicable requirements.

Summarized below are the Department's IPIA accomplishments and future plans for identifying improper payments as prescribed by OMB Circular A-136, *Financial Reporting Requirements*. Additional IPIA reporting details are provided in the Financial Section of this Report.

Summary IPIA accomplishments

In FY 2004, the Department focused on reviewing programs with a high risk of being susceptible to significant improper payments. Federal Financial Assistance and Vendor Pay were the two categories of payments considered to be susceptible to significant improper payments. The results of the three program reviews completed in FY 2004 are reflected in the table on the following pages. Only the U.S. Speaker and Specialist program actual error rate was high at 81.18%, although the estimated amount of improper

payments was low. This high actual error rate reflects misuse of invitational travel rather than grants for participant transportation. With implementation of a revised "Grants Policy Directive" on October 1, 2005, the error rate is expected to be lower in FY 2006.

In FY 2005, the Department reviewed the high-risk programs that were not reviewed in FY 2004 and performed a reassessment of risk for all payment categories (i.e., Federal Financial Assistance, Vendor Pay and Employee Pay). The results, reflected in the table on the following page, show that the programs reviewed were of moderate risk of being susceptible to significant improper payments. No new high-risk programs were identified in FY 2005.

Future plans

Future plans provide for expanding the IPIA program to include programs assessed as having a low susceptibility to significant improper payments. We do not expect to find significant improper payments in these programs; however, we will seek to identify opportunities to strengthen internal control.

SUMMARY STATUS OF IMPROPER PAYMENTS REVIEWS

Program (Dollars in Millions)	Outlays for First Nine Months of FY 2004	Outlays for Last Quarter FY 2004 and First Three Quarters of FY 2005	Initial Risk	Task	Status and Results	Error Rate	Revised Risk
Year Reviewed: 2005							
Federal Financial Assistance							
Population, Refugee and Migration (PRM) - Refugee Assistance	$ —	$ 682	Moderate	Performed reassessment of risk, selected statistical sample, and reviewed program for improper payments	No improper payments were identified and no further reviews are planned for this program.	0%	Low
Educational and Cultural Affairs (ECA) - Fulbright Program	$ —	$ 169	Moderate	Performed reassessment of risk, selected statistical sample, and reviewed program for improper payments	No improper payments were identified and no further reviews are planned for this program.	0%	Low
International Narcotics and Law Enforcement (INL) - Law Enforcement, Eradication, Aviation Support and Support to the Military Program	$ —	$ —	Moderate	Performed reassessment of risk, selected statistical sample, and reviewed program for improper payments	The review for this program was started in FY 2005 and will be completed in FY 2006 and reported in the FY 2006 PAR.	N/A	N/A
International Organizations (IO) -Voluntary Contributions and Peacekeeping	$ —	$ 1,891	Moderate	Performed reassessment of risk, selected statistical sample, and reviewed program for improper payments	No improper payments were identified and no further reviews are planned for this program.	0%	Low

(continued)

SUMMARY STATUS OF IMPROPER PAYMENTS REVIEWS *(continued)*

Program (Dollars in Millions)	Outlays for First Nine Months of FY 2004	Outlays for Last Quarter FY 2004 and First Three Quarters of FY 2005	Initial Risk	Task	Status and Results	Error Rate	Revised Risk
Year Reviewed: 2005 *(continued)*							
Vendor Pay							
Structures and Equipment	$ 671	$ —	High	Review was started in FY 2004 for first nine months of FY 2004 and was completed in FY 2005	The error rate was a result of isolated incidents caused by human error. This program will not be reviewed for improper payments in the future unless new information becomes available that might increase the risk. The projected error rate for the last quarter of FY 2004 and the first three quarters of FY 2005 < 1%.	3.97%	Low
Year Reviewed: 2004							
Federal Financial Assistance							
INL - Narcotics Program	$ 313	$ —	High	Followed-up on corrective action taken in FY 2005 to reduce improper payment error rate reported in FY 2004	Due to the low error rate, no further reviews are planned.	0.87%	Low
International Information Program (IIP) -- U.S. Speaker and Specialist Program	$ 30	$ 41	High	Followed-up on corrective action taken in FY 2005 to reduce improper payment error rate reported in FY 2004, resulting from the mis-designation of participants as invitational travelers rather than grantees	The high error rate was due to travel vouchers not being submitted at the completion of travel due to the incorrect use of invitational travel forms rather than grant forms. However, with the issuance of revised "Grants Policy Directive 10" on October 1, 2005, participants will be properly designated as grantees and use the appropriate form. This will reduce errors beginning in FY 2006. No review was conducted in FY 2005. The next planned review is in FY 2006.	81.18%	High
Vendor Pay							
Other Contractual Services	$ 1,534	$ 3,299	High	Followed-up on corrective action taken in FY 2005 to reduce improper payment error rate reported in FY 2004	Due to the low error rate, no further reviews are planned.	2%	Low

FINANCIAL HIGHLIGHTS

The Department's financial statements, which appear in the Financial Section of this Report, are audited by the independent accounting firm of Leonard G. Birnbaum and Company, LLP. Preparing these statements is part of the Department's goal to improve financial management and to provide accurate and reliable information that is useful for assessing performance and allocating resources. Department management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The financial statements and financial data presented in this Report have been prepared from the accounting records of the Department of State in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

AUDIT RESULTS

The Department has a proud tradition of unqualified opinions on our annual financial statements from our independent auditors for the better part of the last decade. However, late in FY 2005, the Department became aware of potentially material amounts of Department-owned personal property held by host countries and contractors, including aircraft and spare parts inventories, which had not been reflected in our financial statements. Due to the need for a complete and thorough analysis, the complexity of the matters involved, and the accelerated financial reporting requirements, the Department was unable to satisfy our independent auditors with regard to the presentation of personal property by November 15, 2005.

As a result, and as more fully explained in the *Independent Auditor's Report,* the independent auditors issued a qualified opinion on our FY 2005 and FY 2004 financial statements released on November 15, 2005. Since then, the independent auditors satisfied themselves about the amounts presented as personal property in the Department's FY 2005 and FY 2004 financial statements, and issued an unqualified opinion thereon, dated December 14, 2005, which has cleared the way for updating this Report.

The Department is committed to resolving these personal property issues as quickly as possible and strengthening our controls in this area. In October 2005, the Department's Management Control Steering Committee (MCSC) – the body charged with overseeing the Department's management control program under the Federal Managers' Financial Integrity Act (FMFIA) -- created a Department-wide subcommittee to address the identified weaknesses in personal property. This subcommittee will report to the MCSC in December 2005 and propose a corrective action plan to resolve these issues.

OVERVIEW OF FINANCIAL POSITION

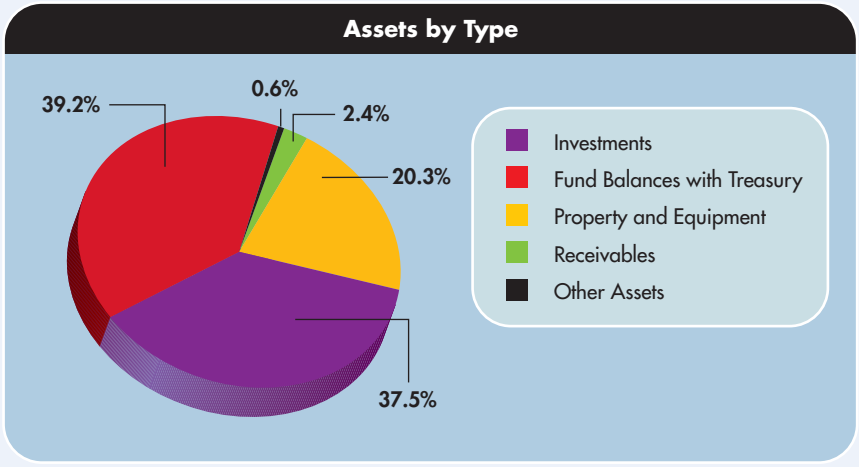
Assets. The Consolidated Balance Sheet shows the Department had total assets of $35.7 billion at the end of 2005. This represents an increase of $3.8 billion (11.9%) over the previous year's total assets of $31.9 billion. The increase is primarily the result of increases of $2.1 billion in Fund Balances with Treasury, $921 million in property and equipment, and $543 million in investments in the Foreign Service Retirement and Disability Fund (FSRDF). The increase in Fund Balances with Treasury primarily resulted from a $2.2 billion increase in unexpended appropriations.

The Department's assets reflected in the Consolidated Balance Sheet are summarized in the following table *(dollars in thousands)*:

	2005	2004	2003
Investment, Net	$ 13,389,090	$ 12,846,060	$ 12,301,173
Fund Balances with Treasury	14,023,542	11,900,569	9,953,197
Property and Equipment, Net	7,244,965	6,323,916	5,996,493
Accounts, Loans & Interest Receivable, Net	854,315	730,951	584,230
Other Assets	225,434	122,051	59,553
Total Assets	$ 35,737,346	$ 31,923,547	$ 28,894,646

Investments, Fund Balances with Treasury and Property and Equipment comprise approximately 97% of total assets for 2005, 2004, and 2003. Investments consist almost entirely of U.S. Government Securities held in the FSRDF.

Information on Heritage Assets, which consists of art furnishings held for public exhibition, education and official entertainment, is provided in the RSSI section of this report.

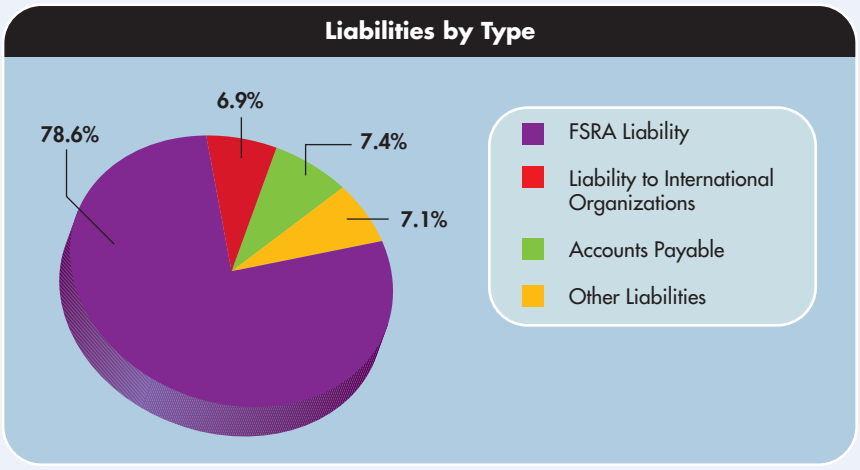


Liabilities. The Department had total liabilities of $17.1 billion at the end of 2005, which is reported on the Consolidated Balance Sheet and summarized in the following table (dollars in thousands):

	2005	2004	2003
Foreign Service Retirement Actuarial Liability	$ 13,429,300	$ 13,317,900	$ 13,093,800
Liability to International Organizations	1,178,130	897,381	919,428
Accounts Payable	1,269,794	1,250,142	1,058,514
Other Liabilities	1,202,774	866,772	709,394
Total Liabilities	$ 17,079,998	$ 16,332,195	$ 15,781,136

The Foreign Service Retirement Actuarial (FSRA) Liability of $13.4 billion and the Liability to International Organizations of $1.2 billion comprise 85% of the Department's total liabilities at the end of 2005.

Of the total liabilities, $1.85 billion were unfunded, i.e., budgetary resources were not available to cover these liabilities. The $1.85 billion is primarily comprised of the $1.2 billion Liability to International Organizations, and the unfunded portion of the Environmental Liabilities of $392.3 million.



The $1.2 billion Liability to International Organizations consists of $1.1 billion in calendar year 2005 annual assessments, and $60.0 million in accumulated arrears assessed by the UN, its affiliated agencies and other international organizations. These financial commitments mature into obligations only when funds are authorized and appropriated by Congress.

As of September 30, 2005, a total of $926 million had been appropriated by Congress for payment of U.S. arrearages. These amounts, however, were made available subject to certifications by the Secretary of State that certain legislative requirements were met. A payment of $100 million in arrearages was made in FY 2000; a payment of $475 million and a credit of $107 million were made in FY 2002; and payments totaling $242 million were made in FY 2003.

Ending Net Position. The Department's Net Position at the end of 2005 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position is $18.7 billion, a $3.1 billion (20%) increase from the previous fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

The growth in Unexpended Appropriations is due principally to the continued increase in budget authority received to provide funding for Iraq, embassy security, international narcotics control, and the Global HIV/AIDS initiative. The increase in Cumulative Results of Operations resulted mainly from the $921 million increase in property and equipment.

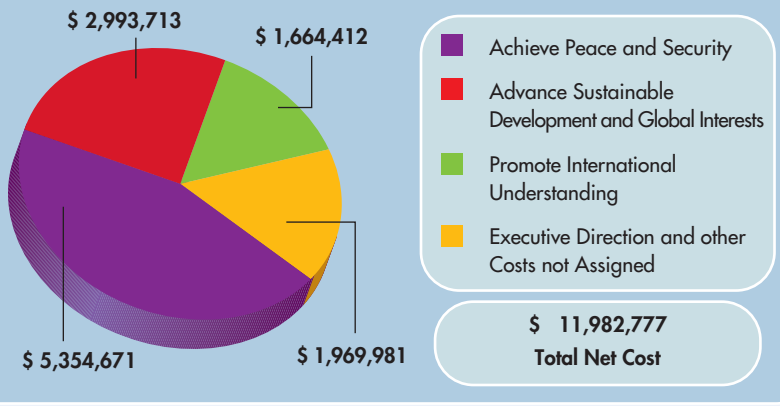
RESULTS OF OPERATIONS

The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position.

The Consolidated Statement of Net Cost presents the Department's gross and net cost for its strategic objectives and strategic goals. The net cost of operations is the gross (i.e., total) cost incurred by the Department, less any exchange (i.e., earned) revenue. The Consolidating Schedule of Net Cost categorizes costs and revenues by strategic goal and responsibility segment. A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. For the Department, a Bureau (e.g., Bureau of African Affairs) is considered a responsibility segment. For presentation purposes, Bureaus have been summarized and reported at the Under Secretary level (e.g., Under Secretary for Political Affairs). Information

on the Bureaus (or equivalent) that report to each Under Secretary can be found on the Organization Chart for the Department provided earlier in this Report. The presentation of program results by strategic objectives and strategic goals is based on the Department's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993.

Where Funds Go - Net Program Costs *(Dollars in Thousands)*

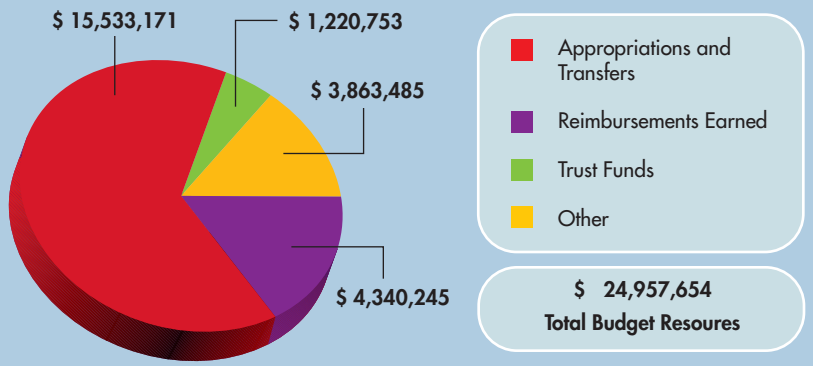


The Department's total net cost of operations for 2005, after intra-departmental eliminations, was $12 billion. The strategic objective to "Achieve Peace and Security" represents the largest investment for the Department at 44.7% of the Department's net cost of operations. The net cost of operations for the remaining strategic objectives varies from 13.9% to 25%.

The Consolidated Statement of Changes in Net Position presents the accounting items that caused the net position section of the balance sheet to change since the beginning of the fiscal year. Appropriations Used totaled $13.6 billion, comprising 90.1% of the Department's total revenues and financing sources after considering intra-departmental eliminations of $2.0 billion. The charts on this page reflect the funds that the Department received during 2005 and how these funds were used.

The Combined Statement of Budgetary Resources provides information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For the fiscal year, the Department had total budgetary resources of $25 billion, an increase of 17% from 2004 levels. Budget Authority of $16.8 billion – which consists of $15.6 billion for appropriations (direct, related, and supplemental) and transfers, and $1.2 billion financed from trust funds – comprise 67% of the total budgetary resources. The Department incurred obligations of $20.7 billion for the year, a 16% increase over the $17.9 billion of obligations incurred during 2004. Outlays reflect the actual cash disbursed against the Department's obligations.

Where Funds Come From *(Dollars in Thousands)*



The Combined Statement of Financing reconciles the resources available to the Department to finance operations with the net costs of operating the Department's programs. Some operating costs, such as depreciation, do not require direct financing sources.

BUDGETARY POSITION

The FY 2005 budget for the Department of State totaled $10.134 billion. It included appropriations for the Administration of Foreign Affairs ($7.691 billion), contributions to international organizations and peacekeeping activities ($2.280 billion), international commissions ($63 million), and related programs ($99 million). It does not include funds for foreign operations.

In addition to regular funding provided by the *Consolidated Appropriations Act, 2005*, the Department's FY 2005 budget reflected supplemental funding provided through the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005*. This supplemental funding was required to address the extraordinary security and operating costs of the U.S. Missions in Iraq and Afghanistan, as well as U.S. assessments for international peacekeeping.

The Department continued to rely on Machine Readable Visa (MRV), Expedited Passport, and other user fee collections for the Border Security Program to strengthen protection of America's borders. This revenue helped support increased consular workloads and meet the national security mandate to collect biometric data for U.S. passports and visas.

Appropriations under Administration of Foreign Affairs provide the Department's core funding. They support the people and programs required to carry out U.S. foreign policy and advance American interests at more than 260 posts worldwide. They also build, maintain, and secure the infrastructure of the diplomatic platform from which most U.S. Government agencies operate overseas.

In FY 2005, the Department's principal operating appropriation – Diplomatic and Consular Programs (D&CP) – was funded at $4.906 billion. Together with MRV fees, this funding sustained critical diplomatic and consular operations and enabled the Department to meet new requirements in the post-September 11 environment. The funding included $650 million for Worldwide Security Upgrades to increase security for diplomatic personnel and facilities under threat from terrorism and $316 million for vigorous public diplomacy to inform foreign opinion and gain support for U.S. policies abroad. The funding also included resources to further the government-wide reforms of the President's Management Agenda.

The Department's appropriations for information technology initiatives totaled $128 million – $51 million in the Capital Investment Fund (CIF) and $77 million in the Centralized Information Technology Modernization Program. FY 2005 investments helped modernize the Department's global IT infrastructure and provide ready access to foreign affairs applications and information. The Department's infrastructure and mission-oriented application systems supported approximately 50,000 users at over 390 locations worldwide for both classified and unclassified processing.

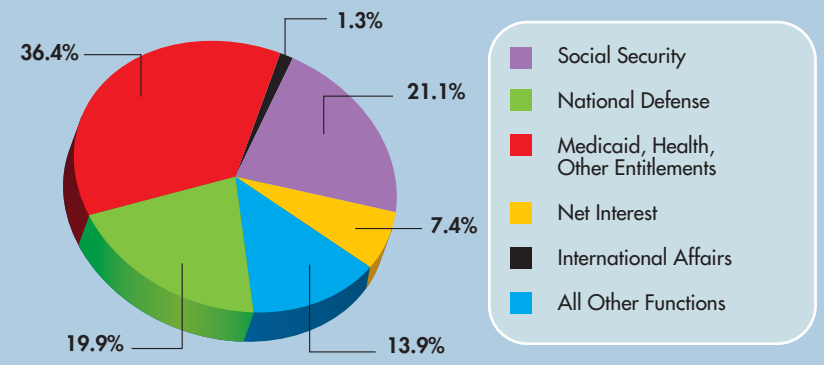
The Embassy Security, Construction, and Maintenance (ESCM) appropriation was funded at $2.096 billion (regular appropriations plus supplemental funding). This funding helped provide U.S. missions overseas with secure, safe, and functional facilities. The funding also supported management of the Department's real estate portfolio, which exceeds $12 billion and includes over 15,000 properties. From the appropriation total, $900 million supported capital security construction and compound security projects and $592 million was for construction of the new embassy in Iraq. Under the Capital Security Cost Sharing program, all agencies with overseas staff under Chief of Mission authority contributed to the construction costs of new embassy compounds.

The Educational and Cultural Exchange Programs appropriation was funded at $356 million. These strategic activities engaged foreign audiences to develop mutual understanding and build foundations for international cooperation. Aligned with public diplomacy efforts, they reached out to wider and younger audiences, especially in the Muslim world. This funding provided $204 million for academic exchanges with foreign participants and U.S. citizens, notably through the Fulbright program. Funding also

provided $121 million for professional and cultural exchanges, including the International Visitor Leadership Program and Citizen Exchanges.

For FY 2006, the Department's budget request (at this date still pending before Congress) totals $9.283 billion. It includes resources to address ongoing foreign policy priorities, particularly to support the global war on terror and maintain the operational readiness of American diplomacy. The request for D&CP is $4.473 billion, including $690 million for upgrades of physical security equipment and technical support, information and systems security, perimeter security, and security training. The request provides $133 million in CIF for information technology investments worldwide. Finally, the request for ESCM totals $1.526 billion, including $910 million for design and/or construction of secure facilities, additional site acquisitions, and compound security projects.

The Federal Government Dollar



Source: Mid-Session Review, Budget of the United States Government, Fiscal Year

America's Best Guesses

Public Estimates on Foreign Policy Issues

Topic	U.S. Perception	Reality
Percentage of U.S. Budget going to foreign aid	20 percent	Less than 1 percent

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LIMITATION OF FINANCIAL STATEMENTS

Management prepares the accompanying financial statements to report the financial position and results of operations for the Department of State pursuant to the requirements of Chapter 31 of the United States Code section 3515(b). While these statements have been prepared from the books and records of the Department in accordance with OMB Circular A-136, *Financial Reporting Requirements*, these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same books and records. These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation and ongoing operations are subject to the enactment of appropriations. The Department also issues financial statements for its International Cooperative Administrative Support Services (ICASS) and the International Boundary and Water Commission (IBWC). The complete, separately-issued ICASS and IBWC Annual Financial Reports are available from the Department's Bureau of Resource Management, Office of Financial Policy, Reporting and Analysis, 2401 E Street, Room H1500, Washington, DC, 20037; (202) 261-8620.

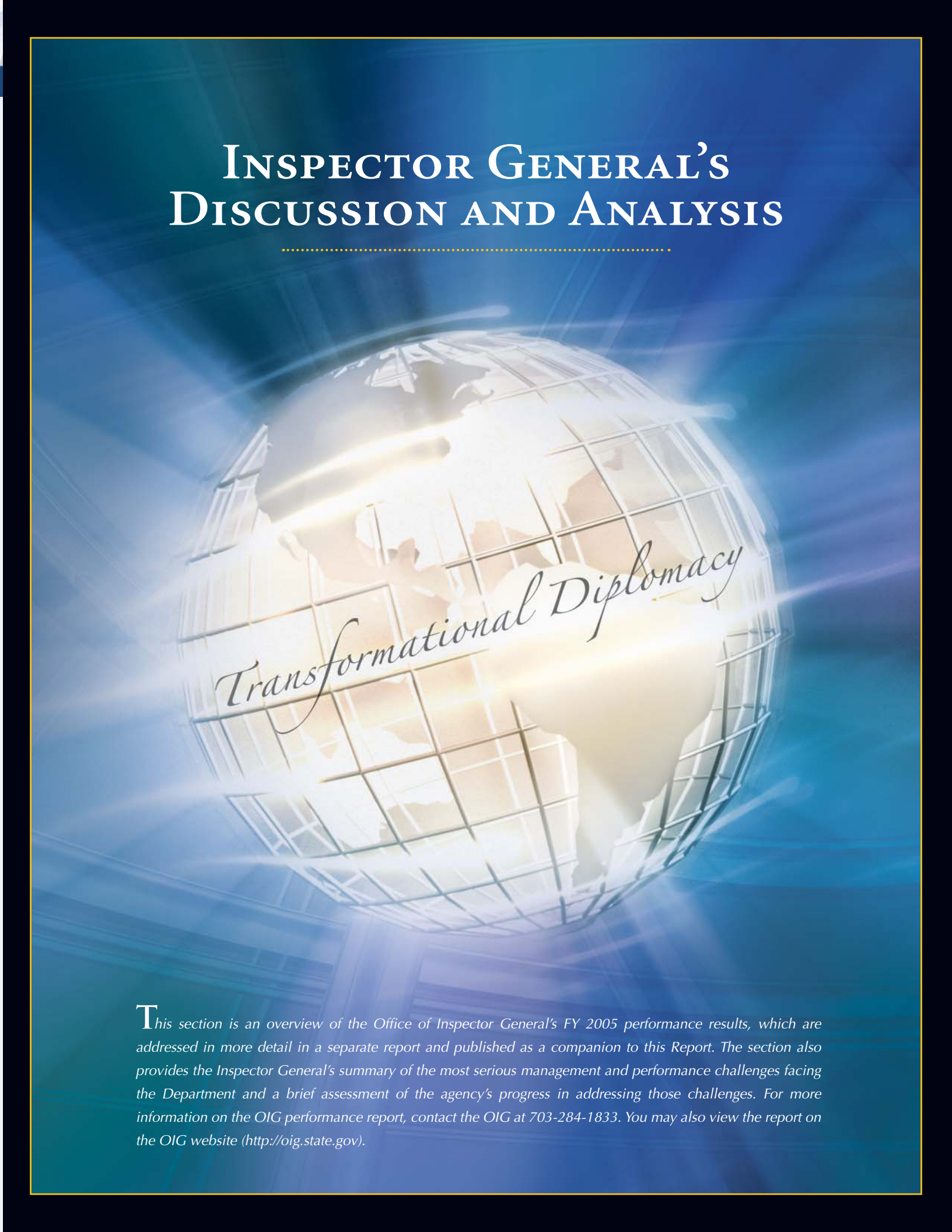
FINANCIAL PERFORMANCE METRICS

Below is a year-end summary provided to senior managers of the Department's performance relative to the Chief Financial Officers (CFO) Council financial metrics. Because of the unique aspects of operating in both a domestic and overseas environment, the Department adjusts these metrics were appropriate to reflect a measure for domestic operations and a separate indicator for overseas performance. A good example of this would be *Percent of Vendor Payments Made by EFT* where the domestic percentage target would be higher than the overseas target to convey the differences in the overseas banking systems ability to handle EFT transactions.

For FY 2005, the Department's financial metrics improved to green in two categories and slipped to yellow in four categories.

Measure and Frequency	Why Is It Important	State Sept 2004		State Sept 2005		Governmentwide Sept 2005		Governmentwide Performance Standards		
		Actual	Rating	Actual	Rating	Actual	Rating	Fully Successful	Minimally Successful	Unsuccess-ful
Fund Balance With Treasury - Net Percent Unreconcil-ed [Monthly]	Smaller reconciliation differences translate to greater integrity of financial reports and budget results.	0.21%		2.90%		0.21%		< = 2%	> 2% to < = 10%	> 10%
Percent of Amount in Suspense (Absolute) Greater than 60 Days Old [Quarterly]	Timely reconciliation supports clean audits and accurate financial information.	No Data		83.10%		28.49%		< = 10%	> 10% to < = 20%	> 20%
Percent of Accounts Receivable from Public Delinquent Over 180 Days [Quarterly]	Actively collecting debt improves management accountability and reduces Treasury borrowing.	51.10%		27.20%		15.49%		< = 10%	> 10% to < = 20%	> 20%
Percent of Vendor Payments made Electronically [Monthly]	Use of electronic funds transfer saves money, reduces paperwork, and improves cash management.	65.20%		96.00%		89.76%		> = 96%	> = 90% to < 96%	< 90%
Percent Non-Credit Card Invoices Paid On-Time [Monthly]	Timely payment reduces interest charges and reflects a high degree of accountability and integrity.	85.00%		90.00%		95.70%		> = 98%	> = 97% to < 98%	< 97%
Interest Penalties Paid as a Percent of Total Payments [Monthly]	Smaller percentages of interest paid shows that an agency is paying its bills on time which saves money and allows funds to be used for their intended purpose.	0.0204%		0.0163%		0.0104%		< = .02%	> .02 to < = .03%	> .03%
Travel Card Delinquency Rates - Individually Billed Accounts [Monthly]	Reducing outstanding travel card balances helps increase rebates to agencies.	2.00%		2.30%		4.15%		< = 2%	> 2% to < = 4%	> 4%
Travel Card Delinquency Rates - Centrally Billed Account [Monthly}	Reducing outstanding travel card balances helps increase rebates to agencies.	0.00%		0.90%		1.96%		= 0%	> 0% to < = 1.5%	> 1.5%
Purchase Card Delinquency Rate [Monthly]	Reducing outstanding purchase card balances helps increase rebates to agencies and reduces interest payments.	0.00%		0.88%		3.30%		= 0%	> 0% to < = 1.5%	> 1.5%

Inspector General's Discussion and Analysis



This section is an overview of the Office of Inspector General's FY 2005 performance results, which are addressed in more detail in a separate report and published as a companion to this Report. The section also provides the Inspector General's summary of the most serious management and performance challenges facing the Department and a brief assessment of the agency's progress in addressing those challenges. For more information on the OIG performance report, contact the OIG at 703-284-1833. You may also view the report on the OIG website (http://oig.state.gov).

MESSAGE FROM THE INSPECTOR GENERAL

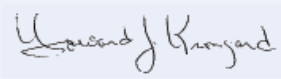
I am pleased to present the Office of Inspector General's (OIG) FY 2005 Performance Report. OIG's results for the past year—both quantitatively and qualitatively—are among the best OIG has ever achieved, despite the daunting challenge of meeting exponentially increasing demands for our expertise and oversight within the continuing constraints of limited resources and rapidly rising costs. During the past year, OIG has provided significant value and a substantial return on investment in terms of cost savings to the government and in improvements to the effectiveness, efficiency, economy, and integrity of Department of State (Department) and Broadcasting Board of Governors (BBG) operations and the safety, quality of life, and accountability of their personnel.

Since taking up my responsibilities as Inspector General in May 2005, I have been impressed by the scope of OIG's oversight mandate and the opportunity it offers to make a positive impact in strengthening the management of the Department and the BBG. OIG was created to prevent and detect waste, fraud, abuse, and mismanagement, and to support the Department and BBG in achieving their missions. We do this primarily through audits, inspections, and investigations that provide independent, objective, and professional assessments of their operations and activities and recommend ways to strengthen and improve them. Our focus is on issuing reports, not report cards, that help the Department and BBG work better. As appropriate, we also provide consultative services and participate in committees, task forces, training, and other efforts to prevent problems and vulnerabilities from occurring, rather than just identifying ways to fix them as they are detected.

As shown in the pages that follow, FY 2005 was a very successful and cost-effective year for OIG, in part because of a supplemental appropriation that enabled OIG to perform valuable services related to Iraq. We met or exceeded 68% of our performance targets, the highest percentage achieved in our seven-year history of performance reporting. We issued almost 150 audit and inspection reports. More important—and of even greater benefit to the government and the public—were the outcomes resulting from our work, which included:

- Actual recoveries and savings of almost $8.6 million and identified potential savings of $29 million more in questioned costs and funds put to better use;
- The Secretary's merger and reorganization of the Bureaus of Arms Control and Nonproliferation, and changes to the Bureau of Verification and Compliance;
- The Interagency Assessment of the Iraq Police Training Program;
- The resignation of the commissioner of a U.S. Commission following a critical OIG inspection; and
- Establishment, in coordination with other Department bureaus, of an initiative to strengthen border security by targeting individuals using identity theft to obtain U.S. passports.

Although we are proud of our results, we recognize the opportunity and the need for improvement, as well as the significant resource constraints we face. These results represent not only accomplishments of the past year, but a benchmark to build upon. We continue to review and reengineer our organization and internal processes as we strive to become more effective and efficient and to improve the services that we provide. We remain committed and confident that, through continued management innovation, the dedication and professionalism of our employees, and adequate investment by the administration and Congress, we will continue to expand our results and the benefits they provide to the Department, the BBG, the Congress, and the American people.



Howard J. Krongard
Inspector General

SUMMARY OF FY 2005 PERFORMANCE

This overview presents the highlights of OIG's FY 2005 Performance Report. Detailed information on OIG's results in meeting performance targets and achieving strategic and performance goals, as required by the Government Performance and Results Act, can be found in our full performance report, which has been published separately as an annex to the Department's FY 2005 *Performance and Accountability Report.*

Vision

To be a world-class organization promoting effective management, accountability, and positive change in the Department of State, the Broadcasting Board of Governors, and the foreign affairs community.

Mission

The Office of Inspector General conducts independent audits, inspections, and investigations that advance the missions of the Department of State and the Broadcasting Board of Governors. OIG provides leadership to: promote integrity, efficiency, effectiveness, and economy; prevent and detect waste, fraud, abuse, and mismanagement; identify vulnerabilities and recommend constructive solutions; offer expert assistance to improve Department and BBG operations; communicate timely, useful information that facilitates decision-making and achieves measurable gains; and keep the Department, BBG and the Congress fully and currently informed.

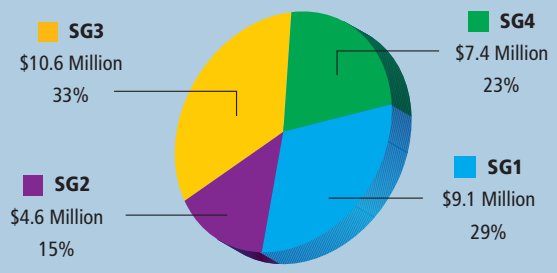
Strategic Goals

OIG's four strategic goals directly support the programs, operations, and activities of the Department and BBG, and are expressed in terms of their effect upon the agencies' ability to achieve their respective missions and strategic objectives. OIG's strategic goals are to support and assist the Department and BBG to:

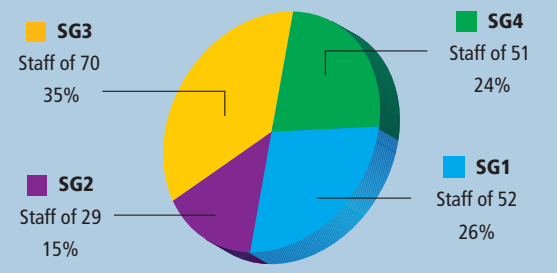
1. Effectively, efficiently, and economically advance the foreign policy interests of the United States.
2. Adequately protect the people, information, and facilities under their control in the United States and abroad.
3. Have the necessary financial management and support systems and controls to meet legal and operational requirements.
4. Ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations.

Resources[1]

Budget Dollars Expended in Support of Each Strategic Goal



Staff Supporting Each Strategic Goal



[1] *Includes $1.698 million in supplemental funding for work related to Iraq*

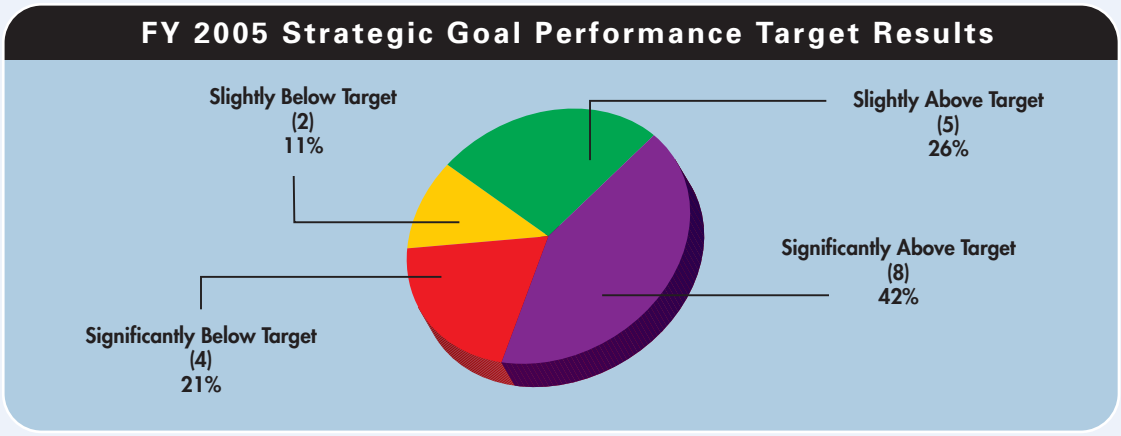
Highlights of OIG's Most Significant Results and Outcomes

During FY 2005, the Department and BBG made significant improvements in their security, programs, and operations as a result of OIG reviews and investigations. The table below shows some of the improvements that occurred in response to OIG recommendations in support of our strategic goals.

SIGNIFICANT RESULTS IN RESPONSE TO OIG REPORTS AND INVESTIGATIONS
FOREIGN POLICY
◆ The Secretary's merger and reorganization of the Bureaus of Arms Control and Nonproliferation and the expanded mandate of the Bureau of Verification and Compliance
◆ The resignation of a commissioner of a U.S. Commission following a critical OIG inspection
◆ Improved program coordination between regional bureaus and the Bureaus of Educational and Cultural Affairs and International Information Programs
◆ More timely processing of exchange visitor visas
◆ Issuance of a joint DOD-State OIG assessment of Iraqi Police Training
SECURITY
◆ Identification of $21.8 million in potential funds put to better use from an Iraq Security contract
◆ Removal of information from embassy websites and publications that increased vulnerability of U.S. citizen faculty and students at overseas schools to anti-American violence and terrorism
◆ Improved border security because of a strengthened nonimmigrant visa referral process
◆ BBG reconsideration of how it performs FISMA and information management oversight and reorganization of its approach so that IT systems at transmitting stations are managed centrally
FINANCIAL MANAGEMENT AND ADMINISTRATIVE SUPPORT
◆ Recovery by the Department of $3.5 million in deobligated funds from an overseas security construction upgrade project, which were subsequently used to fund other security upgrade projects
◆ Savings of over $250,000 in the cost of a new contract for cellular services at an overseas mission
◆ Establishment of a committee for financial assistance to ensure adequate controls for awarding, monitoring and accounting for Federal financial assistance, including joint work with USAID to establish a system of accounting for Federal financial assistance
ACCOUNTABILITY
◆ Recovery of nearly $2 million in questioned costs from a Department contract for Afghanistan protective services
◆ Savings of $1.3 million in contract costs resulting from a double-billing error by a contractor
◆ 20 judicial actions, 22 administrative actions, and more than $900,000 in fines and recoveries

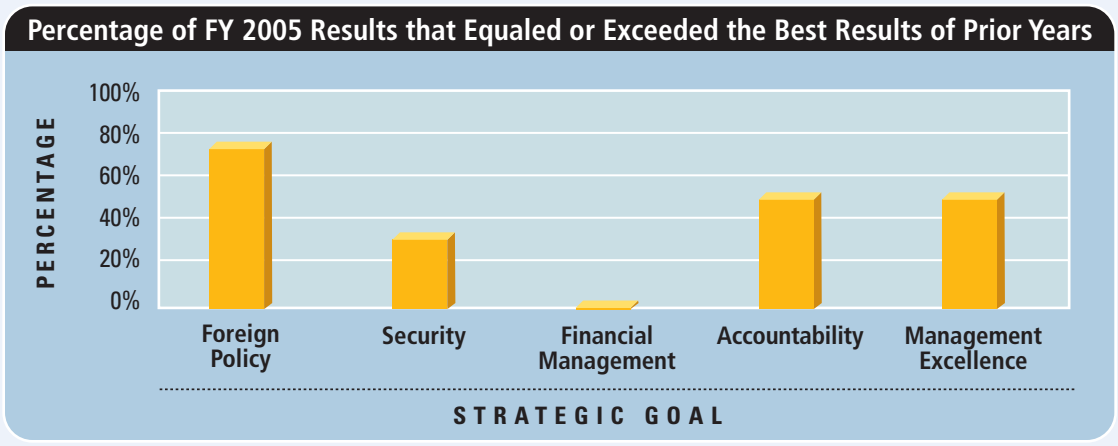
Performance Results

OIG's Performance Plan contains four strategic goals and one internal management goal, eight performance goals, and nineteen indicators and targets used to evaluate its success in achieving its goals.



As shown above, 68 percent of OIG's performance results met or exceeded performance targets. This represents a significant improvement over FY 2004, when 41 percent of results met or exceeded performance targets, and is higher than the prior OIG best of 58 percent in FY 2003. In addition, 50 percent of the FY 2005 results exceeded FY 2004 results.

OIG's most successful performance target results were under its strategic goals for Accountability, Foreign Policy, and Security. FY 2005 results for these goals exceeded 100 percent, 75 percent and 67 percent, respectively of their targets. The results for the strategic goal related to Financial Management and Administrative Support and the internal goal in support of Management Excellence, were less successful, falling short of targeted levels. However, as shown in the bar graph below, 50 percent of the results for Foreign Policy, Accountability, and Management Excellence and 33 percent of the results for Security exceeded the best results of prior years.



Performance Shortfalls, Continuing Challenges and How OIG Will Meet Them

There were three significant factors in performance targets not being met. These were:

- The suspension, deferment, or cancellation of planned work due to unanticipated resource constraints resulting from significantly increased travel costs, a declining dollar, and a decline in staff on board due to budgetary shortages;
- Department and BBG failure to ensure timely agreement with recommended corrective actions; and
- Targets based solely on meeting or exceeding the highest prior targeted or actual results, when it was unlikely that they could be achieved.

OIG continues to face three major challenges to its ability to achieve its strategic and performance goals:

- Obtaining the funding necessary to overcome a decade of static appropriations that has eroded OIG's oversight capabilities as its funding relative to that of the Department declined by over 30 percent;
- Meeting oversight responsibilities that are ongoing (such as the legislatively mandated five-year inspection schedule) and new (such as activities related to Iraq and Afghanistan) in an environment of increasing costs and declining resources; and
- Identifying, attracting, and retaining personnel with the requisite skills, abilities, and experience.

OIG will meet these challenges by actively making its case for the resources it needs to meet its oversight responsibilities while continuing efforts to use the resources it has more efficiently and effectively. The reorganization introduced in FY 2005 to combine related operations, flatten the organization and structure and reduce redundant layers of management will be further refined to build on the benefits achieved to date. Resource and time-intensive, paper-driven processes such as those related to inspection surveys, audit work papers, and OIG reports will be replaced or supplemented by electronic ones that are more cost-effective and easier and faster to use, store, and share. Accessing available Department and BBG data electronically from Washington rather than traveling to posts to collect it will become the rule rather than the exception. The scope, frequency, and priority of audits and inspections will be determined by a risk-based analysis rather than traditional methodologies.

Where appropriate, OIG will coordinate or participate in reviews with other OIGs to leverage resources and results. OIG staff will be encouraged to obtain professional certifications, to receive training that will allow them to become more expert in their own specialties and cross-trained in others, and to develop their leadership skills and abilities. OIG will meet its challenges by becoming more efficient, more effective and, for those who work here, more rewarding.

OIG currently is reevaluating its performance indicators and targets for FY 2006 and beyond.

MANAGEMENT AND PERFORMANCE CHALLENGES

The Reports Consolidation Act of 2000 requires that the Department's *Performance and Accountability Report* include a statement by the Inspector General that summarizes the most serious management and performance challenges facing the Department and briefly assesses the progress in addressing those challenges. The Office of Inspector General (OIG) considers the most serious management and performance challenges to the Department to be in the following areas:

- Protection of People and Facilities
- Information Security
- Financial Management
- Human Resources
- Counterterrorism and Border Security
- Public Diplomacy
- Post-Conflict Stabilization and Reconstruction

The first five challenges previously appeared on OIG's list. The last two challenges, Public Diplomacy and Post-Conflict Stabilization and Reconstruction, recently were added. OIG has removed from this year's list Strategic and Performance Planning in recognition of the Department's considerable progress in addressing that challenge.

Protection of People and Facilities

The protection of people and facilities is fundamental and continues to be one of the Department's highest priorities. A number of issues arose during OIG reviews indicating that such protection remains a management and performance challenge. While security at all posts abroad has improved since the bombings of the Embassies in Nairobi and Dar es Salaam in 1998, many posts, e.g., still do not meet essential security standards for setback and blast protection.

OIG's inspections of the security programs at 25 overseas missions identified substantial progress by the Department in addressing this challenge. The majority of the findings and recommendations from these reviews were in the areas of physical security and emergency preparedness. A common finding was that posts needed to expand their Intrusion Detection Notification Systems to increase their ability to react to a terrorist attack. OIG also found room for improvement in emergency action plans, emergency preparedness, and emergency drills.

OIG's review of contractual agreements for a compound security upgrade construction project led to more than $3 million being deobligated from the current contract and reprogrammed for immediate use to fund other, high-priority security construction projects. OIG's report recommended options to restart the construction project as a partnership between OBO and the post in order to enhance the security posture at facilities located at this high-threat location.

In a procurement audit review, OIG recommended improved communication between the Bureau of Overseas Buildings Operations (OBO) and posts in the early stages of planning to prevent problems during construction. In response to an OIG review of compound perimeter lighting standards for security upgrade projects, OBO created a condensed version of guidelines for site lighting to assist regional security officers at all worldwide locations.

Based upon an OIG investigation, it was found that the Department was unaware that official certification standards for forced entry, ballistic resistant structural systems were posted on an approved vendor website on the Internet, thus potentially providing information to entities seeking to harm U.S. facilities abroad. Once aware, the Department took steps to ensure this material was removed from the Internet.

Information Security

The Department's information security program and practices continue to evolve. The Department recognizes that more must be done to develop fully and ensure the continuity of its information systems security program, and OIG considers information security to be a continuing management and performance challenge.

As mandated by the Federal Information Security Management Act of 2002 (FISMA), OIG conducted its annual evaluation of the Department's information security program and noted several improvements over last year's evaluation. The Department is in the process of upgrading the information technology application baseline to strengthen the connections between enterprise architecture, e-Authentication, privacy, systems authorization, the plan-of-action-and-milestones process, and the capital planning process. Additionally, to identify the number of contractor services or facilities performing work for the Department using their own systems or connecting to Department networks, the Department has initiated a project to be completed within the next three years. The separation of the cyber security roles and responsibilities continues to affect the Department's information security program and continues to be a work-in-progress. Implementation of information security at overseas posts and domestic bureaus continues to require Department attention. OIG observed problems with information system security officer duties, patch management, contingency planning, and inappropriate use at many of the sites visited.

OIG conducted the congressionally mandated review of the protection of classified information at Department headquarters and also reviewed the Department's compliance with Director of Central Intelligence Directives regarding the storage and handling of sensitive compartmented information (SCI) and removing access of employees no longer requiring it. During the review, OIG found that the Department generally met the requirements of the directives for personnel and information security, but found that opportunities existed to improve security program management.

Financial Management

OIG believes that financial management remains a management and performance challenge. The Department has made great strides in financial management in recent years and last year received an eighth consecutive unqualified opinion as a result of the audit of the FY 2004 principal financial statements. In August 2005, however, OIG became aware of a potentially material understatement of assets that could affect the Department's previously issued FY 2004 financial statements. Based on preliminary information, a significant amount of spare parts and aircraft were not included in the FY 2004 statements.

Once these issues were identified, the Department notified appropriate officials that the FY 2004 financial statements and the related report by an independent public accountant (IPA) should no longer be relied upon. The Department quickly developed a plan to resolve this matter. In addition to the issues related to personal property, the IPA's report on the audit of the Department's FY 2004 financial statements identified concerns consistent with previous years regarding information systems security, the adequacy of the Department's financial systems, undelivered orders, and managerial cost accounting.

During its audit of the FY 2005 financial statements, the IPA noted other concerns related to personal property, including inadequate controls over recording items in a timely manner, reporting the full cost of personal property improvements (eg. armoring of vehicles), and tracking items maintained by contractors, which also could have had an impact on the FY 2004 financial statements.

While the Department has improved its management of undelivered orders, and has established a database to track them, the balance of such orders is high and has grown over the past few years. For instance, undelivered orders increased from over $6.4 billion at the end of FY 2003 to $7 billion at the end of FY 2004. During the FY 2004 audit, the IPA estimated that at least $524 million should have been de-obligated. The Department has initiatives underway that it believes will improve the management and oversight of obligations.

The Department provides Federal financial assistance through a variety of instruments including grants, cooperative agreements, loans, and certain types of contributions, which is projected to exceed $5 billion in fiscal year 2005. However, the Department lacks comprehensive and reliable information on Federal financial assistance. This is due, in part, to the Department's use of non-standardized policies and procedures and disparate tracking systems. Another contributing factor is the decentralized manner in which Federal financial assistance is managed in the Department (i.e., no one office is responsible for managing, and no one existing system is capable of capturing, data essential for overseeing, administering, managing, and reporting Department-wide Federal financial assistance). In 2005, the Department established a Department-wide steering committee to oversee and coordinate all aspects (e.g., awarding, monitoring, and closure) of State's Federal financial assistance. In addition, the Department is standardizing Federal financial assistance policies and procedures for use throughout the Department and implementing a financial management system that meets the government-wide Federal financial assistance requirements and managerial demands of the Department.

OIG conducted several investigations involving financial matters affecting different areas of the Department. For example, a private company under contract to OBO double billed the Department for equipment costs which occurred when the company developed a new inventory tracking form after OBO changed the contract terms from a time-and-materials to firm-fixed-price procurement. The company fully cooperated with the investigation, took appropriate administrative actions, reduced its equipment prices and refunded $44,000 to OBO. Additionally, OBO took steps to ensure that proper internal management controls were in place to prevent similar problems in the future.

Human Resources

The Department's goal is to have a high-performing, well-trained and diverse workforce aligned with mission requirements. Rightsizing has been an element of the President's Management Agenda since 2001. In FY 2004, responding to a congressional mandate, the Department established the Office of Rightsizing (M/R) to serve as the focal point for the Department's role in the OMB-led President's Management Agenda initiative to rationalize the federal government's overseas presence. A number of Department initiatives related to rightsizing are underway, including M/R rightsizing reviews, a regionalization working group, State-USAID Joint Management Council efforts, and staffing incentives for hard-to-fill overseas positions. Nevertheless, rightsizing and other issues broadly related to human resources continue to be a management and performance challenge.

OIG in its inspections has focused on the Department's progress in rightsizing, including regionalization and consolidation, of overseas missions and domestic bureaus. Overall, OIG found that the Department has made positive but limited progress to address rightsizing issues. The most recent OMB scorecard gives the Department a green light in assessing State's progress towards key rightsizing milestones, and OIG concurs.

OIG found numerous untapped regionalization opportunities overseas that could reduce costs and security vulnerabilities or improve operations. In Bandar Seri Begawan, for example, OIG found that most administrative functions (as well as nonimmigrant visa services, due to unique circumstances in Brunei) could be provided more securely and more effectively from a regional center.

Redundant administrative structures continue to exist overseas and in Washington. OIG recommended that Embassy Paris and the U.S. Missions to the Organization for Economic Cooperation and Development and the United Nations Educational, Scientific, and Cultural Organization share a joint management structure. OIG also recommended that a number of like functions be consolidated in Frankfurt, including functions in the Vienna Regional Program Office, Paris Financial Support and Training Office, and Embassy Berlin, and identified duplicate administrative support structures in Amman, Paris, Gaborone, Harare, and Lilongwe.

Domestically, OIG found that unclear lines of authority, uneven workload, and unproductive competition impeded performance of the Bureaus of Arms Control, Nonproliferation, and Verification and Compliance. Following OIG's recommendation, the Department is consolidating the first two bureaus and restructuring the third.

OIG also found that in particular cases regional center growth had not been planned or managed effectively. During inspections of some of the Department's largest regional centers, including those in Thailand, Germany, and South Africa, it was found that in some cases growth occurred in a piecemeal fashion and strained existing resources and structures. These reports also cited weaknesses in managing regional center growth due to the inherent difficulty in hosting regional support services and the complexity of dealing with such growth in other agencies.

Counterterrorism and Border Security

The Department continues to play a central role in combating international terrorism, including efforts to stop terrorists before they reach our shores. Posts abroad are encouraged to maintain vigilance in identifying, reporting on, and denying documentation to persons engaged or likely to engage in terrorist activity or in support for such activity. High priority is also given to enlisting the cooperation of host governments in implementing joint counterterrorism initiatives. Counterterrorism and border security are of critical importance and remain a management and performance challenge for the Department.

During inspections of 25 embassies and 10 constituent posts over the past year, OIG found that coordinated interagency efforts to identify and report on international terrorist activities are working well. However, this coordination was found to be more difficult to achieve at those small posts where other-agency representatives working on counterterrorism were based at other posts in the region. At those larger posts where counterterrorism is a major activity, the organizational structure of the American staff appears well suited to the operation.

OIG conducted two management reviews of the Department's visa function: one on the standards used for refusing visa applicants suspected of terrorist or other harmful intent in visiting the United States; and another on management of post visa referral programs. In the former review, OIG found that adjudication officers were generally aware of the possibility of applying a particular section of the law in those cases where they believe the intent of the applicant may involve activities deemed harmful to the U.S. in terms of national security. In the latter review, OIG found that over 95 percent of visa officers responding said they were fully supported by senior management in their visa decisions and not subject to any pressure to approve visa issuance. In a separate review of the Department's visa and passport fraud prevention programs, OIG found that the joint program of the bureaus of Consular Affairs and

Diplomatic Security to establish DS special investigator positions at 25 of the most fraud-prone posts is proving to be successful in countering visa fraud and corruption. OIG has recommended that this new program be expanded as funding permits. In FY 2005, OIG testified twice before congressional committees concerning inspections of U.S. border security.

OIG established the "Passport Sentinel" identity theft initiative to determine if individuals have fraudulently obtained U.S. passports through the use of false identities and to identify and address weaknesses in the passport issuance system. Close interagency cooperation through the Passport Sentinel Alliance now ensures a comprehensive law enforcement approach and addresses systemic aspects relating to the subversion of the nation's passport system by individuals, terrorists, and domestic/transnational criminal organizations.

Public Diplomacy

The Department, as a strategic goal, aims to increase understanding for American values, policies, and initiatives to create a receptive international environment. The Under Secretary for Public Diplomacy and Public Affairs has made clear the importance and urgency of this goal. Given the work yet to be done, OIG now views public diplomacy as a management and performance challenge for the Department.

In order to realize its vision, the Department needs to make progress on the public diplomacy agenda in three major areas: coordination of public diplomacy; perceptions in the Muslim World; and performance measurement.

With regard to the coordination of public diplomacy, OIG reports have identified a mixed picture regarding coordination within missions abroad and a complex system of lines of authority weaving together public diplomacy resources within the Department in Washington. In both the field and in Washington, there is a need to include public diplomacy officers more effectively in the early stages of all policy development and implementation.

Independent surveys such as the Pew Global Attitudes Project, audience research by the Broadcasting Board of Governors, and work by the Office of Research all paint the picture of a tough audience in the Muslim World to which the Department must play in order to generate greater understanding of U.S. policy as well as recognition of the non-threatening U.S. goals of mutual understanding, regional stability, and the promotion of democracy and human rights.

The conventional wisdom is that the impact or results of public diplomacy efforts and activities cannot be easily measured. However, this does not negate the Department's need for better, objective information so that it can consider carefully where to apply resources and how to evaluate the results that can be expected.

The Bureau of Educational and Cultural Affairs (ECA) reported to the Management Control Steering Committee, as a material weakness, the Department's inability to monitor compliance or abuse by designated sponsors of exchange visitors within existing regulations, policies and procedures. The Office of Inspector General worked with ECA and other bureaus to develop a plan for ECA to provide effective oversight of the sponsors and their programs. In addition, the Office of Inspector General took the initiative to create a law enforcement subcommittee to develop practical and effective methods to vet sponsors to ensure they are not associated with criminal or terrorist elements. When implemented this will strengthen the Department's ability to ensure the integrity of the J-Visa program and add another link to the protection of the U.S. borders.

Post-Conflict Stabilization and Reconstruction

The Department views regional stability as one of its strategic goals. In the view of OIG, post-conflict stabilization and reconstruction – in Iraq, Afghanistan, and elsewhere – is now a management and performance challenge.

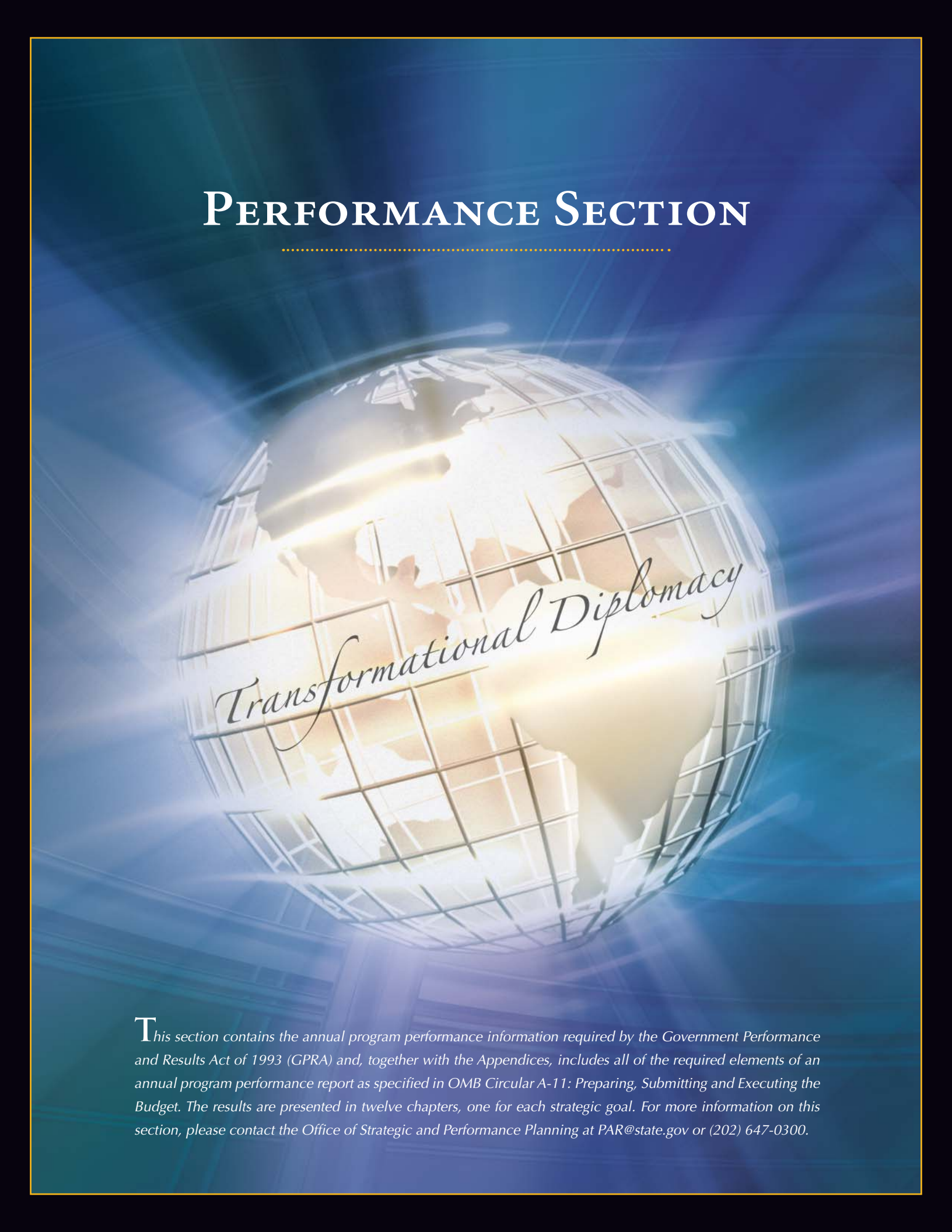
Operations in both Iraq and Afghanistan offer some of the greatest risks and potential rewards facing the Department. The Department's responsibilities in those locations include: managing massive economic reconstruction and development assistance packages; assisting in the development of integrated democratic systems and the rule of law; training local security forces; recruiting embassy staff; and, in Iraq, constructing the largest and most costly embassy in the world.

OIG completed with the Department of Defense OIG an Interagency Assessment of Iraqi Police Training which concluded that the police training has been a qualified success, but there were several areas that required urgent attention. Embassy Baghdad and Coalition military officials have worked to implement key recommendations including greater involvement of Iraqi officials in all aspects of training, shifting the emphasis from the numbers trained to the quality of training, and addressing issues such as the Iraqi commitment and capacity to sustain the police force being trained. An OIG audit reviewed contractor diesel fuel overcharges at the Jordan International Police Training Center (used for Iraqi police training) and resulted in reimbursements to the Department of about $685,000. An audit of demining operations identified potential savings of about $21.8 million.

As of this writing, OIG is about to release its report on Rule of Law Programs in Iraq. This should provide a valuable framework from which those numerous entities participating in rule-of-law activities in Iraq can go forward in a more integrated and effective manner.

The newly created Office of the Coordinator for Reconstruction and Stabilization in the Department is defining and implementing its mission to strengthen international capacities to address conditions in failed, failing, and post conflict states.

Performance Section



This section contains the annual program performance information required by the Government Performance and Results Act of 1993 (GPRA) and, together with the Appendices, includes all of the required elements of an annual program performance report as specified in OMB Circular A-11: Preparing, Submitting and Executing the Budget. The results are presented in twelve chapters, one for each strategic goal. For more information on this section, please contact the Office of Strategic and Performance Planning at PAR@state.gov or (202) 647-0300.

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

The foremost responsibility of government is protecting the life, liberty, and property of its citizens. Since our struggle for independence, diplomacy has been critical to our nation's security. The Department of State, as the nation's first line of offense, leads the effort to build and maintain relationships, coalitions, and alliances that help create the conditions for peace, contain or eliminate potential dangers from abroad before they can harm our citizens, and promote economic, social, and cultural cooperation.

We recognize that our own security is best guaranteed when our friends and neighbors are secure, free, and prosperous, and when they respect human rights and the rule of law. As a result, the Department focuses its efforts on resolving regional conflicts, countering global terror networks, combating international organized crime, and keeping weapons of mass destruction out of the hands of those that can harm the United States, our allies, and our friends.

STRATEGIC GOAL 1: REGIONAL STABILITY

Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States

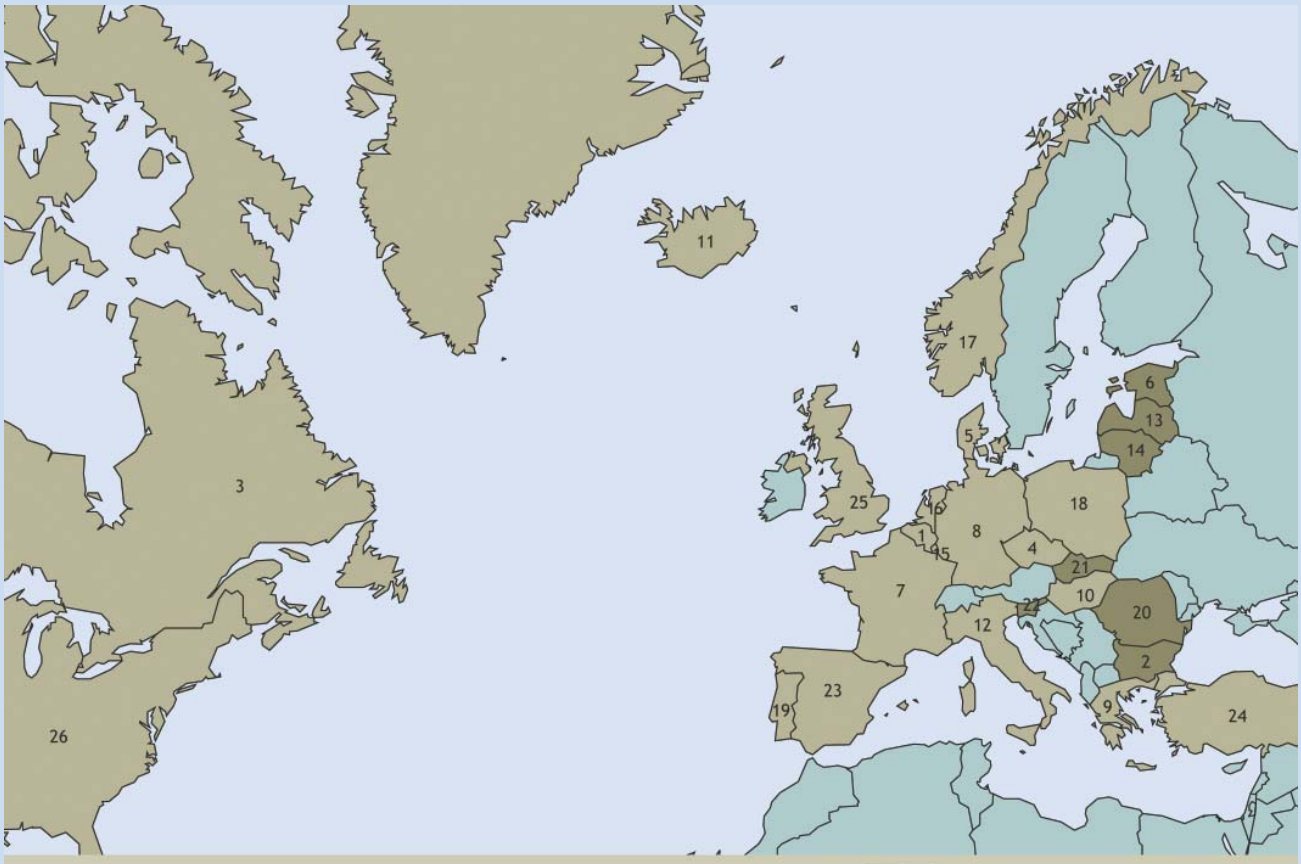
I. Public Benefit

The United States must provide for the safety of Americans at home and abroad, protect against threats to its interests worldwide, and honor commitments to its allies and friends. The Department works with international partners to enhance and ensure stability in all regions of the world so that Americans are less threatened by the ripple effects of regional volatility and global violence. Failed or failing states become voids that may be filled by terrorism, trade in narcotics, trafficking in people, and other illegal activities that threaten our national interests. Early action to address failing, failed, and recovering states, or "fragile states," is central to promoting regional stability and addressing the source of one of our nation's most pressing security threats. Department activities are designed to assess and respond early to the causes and consequences of violent conflict and fragile states. Through diplomacy and development assistance, the U.S. builds and strengthens relations with neighbors and allies worldwide to prevent, manage, and mitigate conflicts, and reduce state fragility. Building capacity of bilateral and coalition partners through military assistance to 120 countries is key to enhancing regional stability and reducing demand on U.S. forces. The engagement of foreign partners also substantially contributes and provides legitimacy to our stabilization and reconstruction efforts.

Secretary Rice speaking at NATO headquarters in Brussels, February 2005.

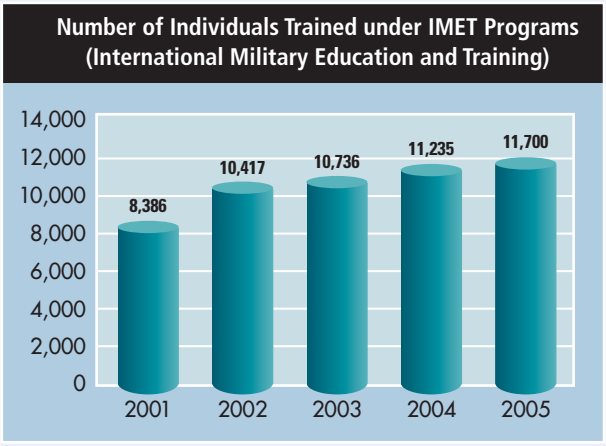
AP/Wide World Photo

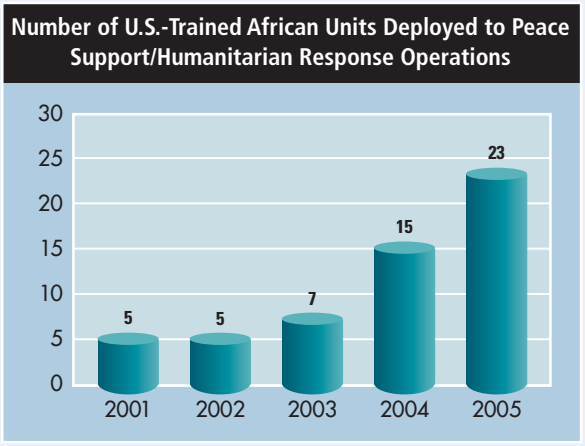
NATO Member Countries



Source: NATO

II. Selected Performance Trends





III. Strategic Context

This strategic goal is supported by two performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Regional Stability	Close Ties with Allies and Friends	Transatlantic Relationship	D&CP, FMF, IMET, ESF	EUR	N/A
		International Military Education and Training	D&CP, IMET, FMF	PM	Office of the Secretary of Defense (OSD)/Defense Security Cooperation Agency Joint Staff, OSD/DSCA
		Military Assistance for New NATO/NATO-Aspirant Nations	D&CP, FMF, IMET	EUR	DoD, Joint Staff
		Regional Stability in East Asia and the Pacific	D&CP	EAP	DoD
	Resolution of Regional Conflicts	Conflict Management and Resolution	D&CP, PKO, IMET, FMF	AF, NEA, WHA, SA, EUR, EAP	DoD, UNDPKO, France, UK, Belgium, ECOWAS, Nigeria, Senegal, Ghana, Kenya, Benin, Mali
		Indo-Pak Relations - Kashmir	D&CP, FMF, INCLE, ESF, DA, PD	SA	USAID, NSC, DoD, UN Agencies
		Enhanced and Expanded Euro-Atlantic Partnership	D&CP	ISN, EUR	OSD, JCS, IC, NSC Joint Consultative Group (JCG) in Vienna, NATO
		Peacekeeping Participation	D&CP, FMF	PM	OSD/Special Operations and Low Intensity Conflict

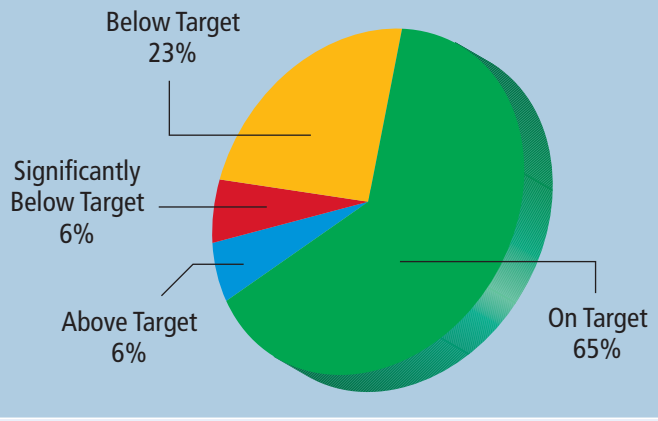
(continued)

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Regional Stability *(continued)*	**Resolution of Regional Conflicts *(continued)***	Implementation of the Road Map	D&CP, ESF	NEA, EB	NSC, USAID, CIA
		Iraq and Gulf Security	D&CP, FMF, IMET,ESF, INCLE, HRDF, IRRF	NEA	NSC, USAID, DoD, Treasury, Commerce, Agriculture, FAA, Education, HHS, International Broadcasting Bureau, DOJ, Energy, UN
		Peacekeeping Operations - OSCE	D&CP, FMF, IMET, INCLE, FSA	EUR	OSD, Joint Staff, CIA, NSC
		Security Assistance Sub-Saharan Africa	D&CP, PKO, ESF, IMET, FMF	AF	Norway, DoD, ECOWAS, UNDPKO, Netherlands, Belgium, France, UK, Nigeria, Senegal, Ghana, Kenya, South Africa, Benin, Mali, Ethiopia, Malawi
		Restrict Advanced Conventional Weapons Transfers	D&CP	ISN	32 Member States of Wassenaar

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Regional Stability strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION

Significantly Above Target	0
Above Target	1
On Target	11
Below Target	4
Significantly Below Target	1
Total Number of Ratings	**17**

V. Performance Analysis

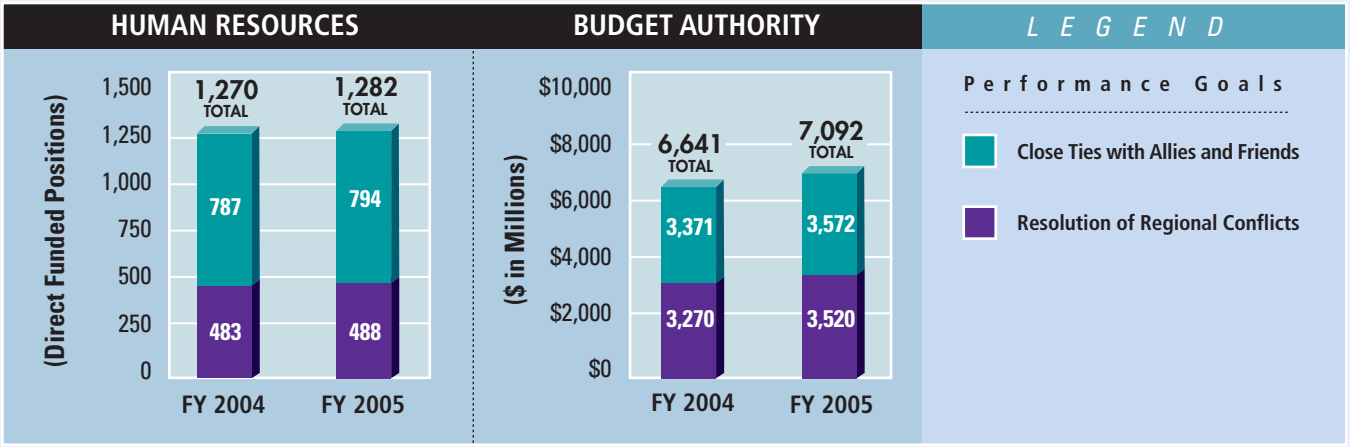
PERFORMANCE TRENDS. Three significant performance trends in Regional Stability are noteworthy: (1) the number of foreign military officers participating in International Military Education and Training (IMET) programs has steadily increased, surpassing the FY 2005 targets by 216 individuals; (2) the number of U.S.-trained African military units deployed to Peace Support/Humanitarian Response has increased by 53% since FY 2004; (3) the per-battalion cost of training African peacekeepers has decreased by 15% from FY 2004 to FY 2005.

OUTCOME-LEVEL RESULTS. The Department made demonstrable progress toward achieving desired outcomes in promoting strong and effective ties with transatlantic allies, training and equipping foreign military personnel, and working with partner countries to restrict conventional weapon transfers. All of the programs in these areas performed at or above target in FY 2005.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. While no indicator was rated significantly above target, one indicator was rated significantly below target. Indicator three, of initiative/program #7 (An Enhanced and Expanded Euro-Atlantic Partnership), monitors the progress on the implementation of the Adapted Conventional Forces in Europe (CFE) Treaty. This indicator required Russia to make progress toward fulfilling its remaining Istanbul commitments by withdrawing military forces from Moldova and Georgia. Once Russia did so, the U.S. would ratify the Adapted CFE Treaty. This indicator was rated significantly below target because Russia has yet to make the political decisions necessary to withdraw its forces from Moldova.

RESOURCES INVESTED. In FY 2005, the Department allocated an estimated 28.2% of its budget to this strategic goal. This percentage allocation equates to $7.092 billion, an increase of 6.8% from FY 2004.

VI. Resources Invested



VII. Performance Results

PERFORMANCE GOAL 1

CLOSE, STRONG, AND EFFECTIVE U.S. TIES WITH ALLIES, FRIENDS, PARTNERS, AND REGIONAL ORGANIZATIONS

INITIATIVE/PROGRAM (I/P) #1: TRANSATLANTIC RELATIONSHIP

Indicator #1: Status of Transatlantic Security Relationships: NATO-led and U.S.-led Coalition Operations

JUSTIFICATION (VALIDATION): NATO is the United States' foremost security relationship. Strong and effective ties with our European allies within NATO are essential to promote stability and protect U.S. interests in Europe and the world.

FY 2005 PERFORMANCE	**Target**	1. Full operating capability of the NATO Response Force (NRF). 2. Increase in European military capabilities through continued investment to fill remaining shortfalls. 3. Consideration of European Union (EU)-led mission in Bosnia, subject to Balkan policy consideration, and with appropriate NATO-EU agreement and interagency consensus. 4. NATO operations continue in Afghanistan and Iraq as needed.
	Results	1. Improvements made in NATO Response Force but not yet at full operating capability. 2. Increased European military capabilities through engagement in the Interim Security Assistance Force (ISAF) and NATO's Training Mission in Iraq (NTM-I). 3. NATO's Stabilization Force (SFOR) completed its mission in Bosnia & Herzegovina. The NATO-EU handover took place smoothly. A NATO headquarters in Sarajevo was established on schedule. 4. NATO completed Stage 2 (West) and initiated Stage 3 (South) of the Interim Security Assistance Force expansion. NATO is on track to establish the Training, Education and Doctrine Center at ar-Rustamiyah by the end of September. This center will significantly increase the size and scope of the training mission in Iraq.
	Rating	On Target
	Impact	EU takeover of main stabilization role in Bosnia. NATO offered Response Force assets for assistance after Hurricane Katrina. Advanced military goals in Iraq and Afghanistan.
PERFORMANCE DATA	**Data Source**	The data used for this indicator are based on embassy reporting and monitoring by the Department and information provided by NATO member countries.
	Data Quality (Verification)	The data are gathered through primary data collection and are fully reliable.
PAST PERFORMANCE	**2004**	1. An NRF unit approved to deploy to Afghanistan for election security support. As the Stabilization Force in Bosnia and Herzegovina concluded its mission in Bosnia, an EU follow-on force was approved to commence operations based on "Berlin Plus" arrangements agreed between NATO and the EU. 2. NATO inducted seven new members and continued to work with remaining aspirants through the Membership Action Plan. 3. Georgia, Azerbaijan, and Uzbekistan agreed to develop Individual Partnership Action Plans with NATO.
	2003	1. Agreement reached with Allies to reform NATO's command structure. European partners committed themselves to boosting European capabilities. NATO Response Force in process of development. 2. Seven new members invited to join Alliance. Ratifications by Allies on track to welcome new members by May 2004. 3. Progress made on NATO-Russia projects, including military–to-military cooperation. Retooled Partnership for Peace to better meet the needs of the Central Asia/Caucasus partners. NATO-Ukraine Action Plan launched in which Ukraine, with NATO's assistance, agreed to undertake necessary reforms.
	2002	1. Europeans made pledges at Prague to improve their capabilities. Seven new members invited to join the Alliance. Berlin Plus would have allowed the EU to borrow NATO assets and capabilities for European-led operations, but this was not agreed upon. 2. Allied heads of state and governments committed to enhance military capabilities by filling key shortfalls through the New Capabilities Initiative, which will encourage pooling and specialization, introduce the NATO Response Force (NRF) and reform NATO's Command Structure. U.S. export controls with key European allies streamlined to promote transatlantic defense industrial integration. 3. NATO-Russia Council and 2002 work plan established in May 2002.

I/P #2: INTERNATIONAL MILITARY EDUCATION AND TRAINING (PART PROGRAM)

Indicator #2: Number of Individuals Receiving Training Under IMET

JUSTIFICATION (VALIDATION): The number of foreign military personnel participating in International Military Education and Training (IMET) programs is an indication of increased foreign receptivity to the U.S. strategic approach and likely success in gaining foreign support on specific policy issues. The greater the number of IMET students, the greater the likelihood that foreign forces will be able to provide security in their respective region(s).

FY 2005 PERFORMANCE	**Target**	11,484 individuals
	Results	Approximately 11,700 individuals.
	Rating	**Above Target**
	Impact	The increase in IMET students has increased the likelihood that future leaders will be drawn from these students and will therefore possess an appreciation for the interests of the United States.
PERFORMANCE DATA	**Data Source**	Data are based on Political-Military Affairs bureau and regional bureau assessments of participation by foreign countries.
	Data Quality (Verification)	Primary source data collected from training centers by DoD. Data widely regarded as reliable and authoritative.
PAST PERFORMANCE	**2004**	11,235 individuals.
	2003	10,736 individuals.
	2002	10,417 individuals.

Reconstruction and Stabilization

The Department of State has engaged with the international community to build consensus around approaches to an integrated response to conflict and failing states. This consensus has spurred initiatives with bilateral partners on early warning and prevention, planning, and capacity development. The Department's engagement with international and regional organizations focuses on capacity building, and joint planning and implementation efforts. The Office of the Coordinator for Reconstruction and Stabilization will continue to engage international partners in developing interoperable deployment of civilian capabilities.

Ambassador Zalmay Khalilzad, second left, shakes hands with Provincial Reconstruction Team workers of Helmand province, about 350 miles south of Kabul, Afghanistan, March 2005. Ambassador Khalilzad now serves as U.S. Ambassador to Iraq.

AP/Wide World Photo

I/P #3: MILITARY ASSISTANCE FOR NEW NATO AND NATO ASPIRANT NATIONS (PART PROGRAM)

Indicator #3: Percentage of Aspirants Making Progress Achieving NATO Defined and Measured, Country-Specific Membership Action Plans

JUSTIFICATION (VALIDATION): Indicates political will to integrate defense resources with NATO.

FY 2005 PERFORMANCE	**Target**	1. All new allies contribute to each aspect of alliance activities, including mentoring of aspirants, and are integrated into revised command arrangements. 2. Three aspirant nations accelerate their reform efforts through the Membership Action Plan (MAP); intensify Adriatic Charter cooperation.
	Results	Albania, Macedonia, and Croatia made progress with MAP, with mentoring from new ally nations. All new allies have contributed to this consultation process.
	Rating	On Target
	Impact	Aspirant progress is on schedule, which has enhanced the reach and resources of the Alliance.
PERFORMANCE DATA	**Data Source**	NATO international staff consolidated and individual MAP progress reports; annual national plan submissions; bilateral meetings; NATO ministerials and summits.
	Data Quality (Verification)	This data are official, objective and accurate. Reporting from the various sources is crosschecked to ensure reliability and completeness.
PAST PERFORMANCE	**2004**	1. 100% of NATO aspirants made progress toward NATO-defined and measured, country-specific MAP. 2. Formal entry of new allies and their full integration into NATO. 3. MAP cycle continued for aspirants; Adriatic Charter cooperation took shape.
	2003	1. Accession Protocols signed by 19 Allies in March 2003; U.S. Senate ratification in May 2003. Invitees' reforms took place, in line with NATO requirements for membership. 2. Aspirants continued MAP process and, with the U.S., signed the Adriatic Charter, where all parties pledged to work together to move reform efforts towards NATO and EU membership.
	2002	1. 60% of NATO aspirants made progress toward achieving NATO-defined and measured, country-specific MAP. Prague Summit issued membership invitations to seven countries: Estonia, Bulgaria, Latvia, Lithuania, Romania, Slovakia, and Slovenia. 2. Three continuing NATO Aspirants (Croatia, Albania and Macedonia) continued to participate in NATO's MAP.

President Bush meets with President Alfred Moisiu of Albania, far left, President Stjepan Mesic of Croatia, far right, and President Branko Crvenkovski of Macedonia, second left, during the 2004 NATO summit in Istanbul, Turkey. *AP/Wide World Photo*

I/P #4: REGIONAL STABILITY IN EAST ASIA AND THE PACIFIC

Indicator #4: Status of Chinese Cooperation on Regional Stability

JUSTIFICATION (VALIDATION): China is capable of playing a significant role in reducing tension in the region and this indicator measures China's influence on stability in the East Asia and the Pacific region.

FY 2005 PERFORMANCE	**Target**	Full Chinese cooperation with U.S. and international community in reaching settlement of Korean peninsula, South China Sea and Burma issues.
	Results	China's active diplomacy continues to result in forward progress in Six-Party talks. China-ASEAN enhanced confidence-building measures on trade and maritime ties; and China, Association of Southeast Asian Nations (ASEAN) and UN promoted Burma political opening.
	Rating	On Target
	Impact	China hosted several rounds of Six-Party talks and played a major positive role in facilitating negotiations that led to an agreement in September 2005. China increased visits of high-level officials to Pyongyang to urge North Korea to follow through on implementation of its commitments. China publicly supports and remains a host for the talks process, but needs to exert the full range of its influence in talks with North Korea. China has not been willing to join in isolating the regime in Burma.
PERFORMANCE DATA	**Data Source**	Direct U.S. Government observation of China-North Korea interactions in the Six-Party talks, supplemented by information from the governments of Japan, South Korea, and Russia.
	Data Quality (Verification)	The quality of the data is largely dependent on the number and types of observations. Widespread interest in this area ensures a significant source of information available to verify results and conclusions.
PAST PERFORMANCE	**2004**	China played a constructive role in, and hosted, the Six-Party talks with North Korea, and has continued to improve ties and play a constructive role in South Asia. China generally was supportive of U.S. Middle East policies and provided modest assistance with reconstruction in Afghanistan and Iraq.
	2003	1. China discussed its bilateral border disputes with South Asian officials. 2. China played a crucial role in facilitating multilateral talks with North Korea on maintaining a nuclear weapons-free Korean peninsula.
	2002	1. China continued to urge Pakistan and India to avoid conflict and reduce tensions. There was a continuing impasse on Cross-Strait dialogue. 2. China encouraged North Korean openness and multilateral dialogue to end its nuclear weapons program. China's public statements at APEC ministerial were helpful in maintaining a nuclear weapons-free Korean Peninsula.

A Look to History: Regional Stability

After the creation of the United Nations on October 24, 1945, the organization faced its first major challenge to prevent widespread international conflict when North Korea invaded South Korea in June 1950. Realizing that time was critical, President Truman went to the UN Security Council rather than to Congress. The UN Security Council initiated military sanctions against North Korea and the United States led a "police action" to push North Korea's army back above the 38th parallel. General Douglas MacArthur led the U.N. forces in South Korea. Eventually fifteen other U.N. member countries joined the U.S. troops in fighting the conflict. After a long struggle the United Nations Command preserved the independence of South Korea.

Members of the United Nations negotiating team pose in Kaesong, Korea, on July 16, 1951 during peace talks with Communists in the Korean war. AP Photo

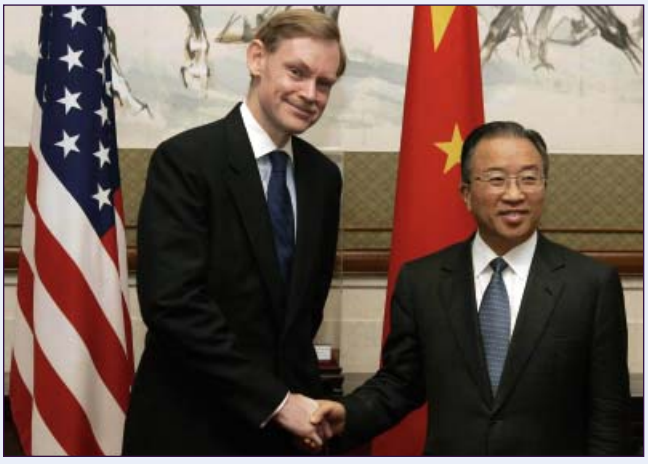
I/P #4: REGIONAL STABILITY IN EAST ASIA AND THE PACIFIC *(continued)*

Indicator #5: Strength of Treaty Relationships – Japan and Korea

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): Strengthened alliances will foster long-term stability in East Asia and the Pacific.

FY 2005 PERFORMANCE	**Target**	1. Japan: Establish a permanent night landing practice site. The Joint Committee adopts an agreement on environmental and accident site issues. Defense Policy Review Initiative develops joint strategic goals which are unveiled at "2+2" Ministerial. 2. Korea: Secure land and commence construction of new facilities to support Yongsan and other facilities relocations. Convene Security Policy Initiative meetings. Conclude the 2005-2006 Special Measures Agreement negotiations.
	Results	1. Japan: Discussions relating to the carrier air-wing have been incorporated into the ongoing Defense Policy Review Initiative talks addressing realignment and transformation. Signed agreement in April 2005 clarifying roles and responsibilities in the event of an accident. Agreed to common strategic objectives that were announced at February 2005 "2+2". 2. Korea: The Special Measures Agreement negotiations were achieved. The purchase of the land for the new facilities was completed. The Security Policy Initiative meeting schedule is on track.
	Rating	On Target
	Impact	1. Japan: Folding carrier air-wing considerations into the Defense Policy Review Initiative package allows for broad, strategic approach. Clarification provided by agreement will significantly aid coordination efforts in event of accident. With common strategic objectives defined, talks have advanced to address roles, missions, and capabilities and related force realignment issues. 2. Korea: A new 2005-06 Special Measures Agreement was concluded in April 2005. Land purchases for new construction to facilitate relocation of Yongsan Garrison and other U.S. facilities are on-schedule. The Security Policy Initiative was convened and four meetings were held in FY 2005.
PERFORMANCE DATA	**Data Source**	Department and embassy reports, DoD policy decisions and decision memoranda.
	Data Quality (Verification)	Reports from U.S. embassies, State Department and DoD are cross-checked to ensure accuracy and reliability.
PAST PERFORMANCE	**2004**	1. Japan: United States and Japan reach agreement on assurances for U.S. military members in Japanese custody. U.S. Forces complete removal of all Polycholorinated Biphenyl, a toxic chemical, in storage on U.S. bases. Bilateral talks on replacement of U.S.S. Kitty Hawk begin. U.S. and Japan discuss concrete proposals on the remaining elements for the Futenma replacement facility under the Defense Policy Review Initiative. 2. Korea: ROK National Assembly passed the Future of the Alliance agreement on the reconfiguration of U.S. Forces Korea including relocation from Yongsan and other facilities. The two governments agreed to continue high-level security consultation by establishing the US-ROK Security Policy Initiative.
	2003	Talks between the U.S. and South Korea on the Future of the Alliance produced a timetable and division of costs for the reconfiguration of U.S. Forces in Korea during 2004 – 2008.
	2002	Began U.S. and South Korea negotiations on the Future of the Alliance.



Deputy Secretary of State Robert Zoellick, left, shakes hands with Chinese Deputy Foreign Minister Dai Bingguo at the Diaoyutai state guesthouse in Beijing, August, 2005.

AP/Wide World Photo

NATO
(PART PROGRAM EFFICIENCY MEASURE)

Indicator #6: Number of Countries Reaching Sustainable State of Niche Capacities

JUSTIFICATION (VALIDATION): Indicates know-how to develop a niche specialty and the political will to sustain it. By providing resources to assist new allies and NATO aspirants to develop specialized capabilities, the U.S. Government is addressing needs identified and prioritized by NATO and the U.S. European Command while promoting the transformation of NATO to meet emerging threats. Fostering the development of niche capabilities helps launch new allies as vital elements of the common defense.

FY 2005 PERFORMANCE	**Target**	2/13 (Target revised. See Appendix for details.)
	Results	2/13.
	Rating	On Target
	Impact	NATO aspirant Bosnia deployed an Explosive Ordnance Disposal Team to Iraq.
PERFORMANCE DATA	**Data Source**	NATO planning documents. NATO-led and U.S.–led deployments.
	Data Quality (Verification)	NATO planning documents are vetted with member country representatives and scrutinized for accuracy before they are finalized.
PAST PERFORMANCE	**2004**	1/13; Czech-led NATO Chemical Biological, Radiological, and Nuclear (CBRN) unit deployed to Athens for Olympics. Poland built niche command expertise.
	2003	1/13; Poland took command of a multinational division in Iraq. Czech Republic commands NATO CBRN unit.
	2002	**Baseline:** 1/13; The Czech Republic's CBRN company recognized as a promising specialty asset within NATO.

NATO Secretary General Jaap de Hoop Scheffer, second from left, raises the alliance's flag with General James L. Jones, NATO's supreme commander for operations, at left during a ceremony outside the Baghdad headquarters of the NATO training mission for Iraqi military officers, September 2005.

AP/Wide World Photo

PERFORMANCE GOAL 2

EXISTING AND EMERGENT REGIONAL CONFLICTS ARE CONTAINED OR RESOLVED

I/P #5: CONFLICT MANAGEMENT AND MITIGATION

Indicator #1: Number of African Armed Conflicts Resolved and Peace Support Missions Concluded

JUSTIFICATION (VALIDATION): Regional stability in Africa is greatly enhanced when conflicts end and parties to the conflict embark on a post-conflict process of reconciliation and reconstruction. Two clear indications that parties engaged in armed conflict are on the path of peace are when peace agreements are signed and peacekeeping forces deploy to monitor the post-peace process. One clear indicator that they have completed the post conflict process and are on the path to longer-term stability is when peacekeeping forces leave the country/region.

FY 2005 PERFORMANCE

Target	Peacekeeping mission in Cote d'Ivoire withdrawn and Liberia preparing for final year of peacekeeping operations following elections.
Results	1. Cote d'Ivoire: As of September 2005, the elections planned for October 2005 were postponed and the demobilization of the northern or southern militias had not yet begun owing to the lack of cooperation from political leaders and parties. The Ivoirian rebels have rebuffed South African President Mbeki's mediation efforts while President Gbagbo has declined having Economic Community of West African States (ECOWAS) take a larger role. The 4,000 member UN Mission in Cote d'Ivoire will remain in place for the foreseeable future and efforts to begin demobilization and integration of the armed forces have been delayed. 2. Liberia: The first round of presidential elections was held in October 2005 and voter turnout was more than 75%. The second and decisive round was held on November 8, 2005, and resulted in the election of the first female head of state in Africa. There have been delays in commencing military and police reform as well as demobilization and reintegration of ex-combatants. Corruption has weakened the transitional government and slowed progress on post-conflict recovery. 3. Sierra Leone: The UN Mission in Sierra Leone will withdraw, leaving a small mission to help manage continued international community efforts to oversee post-conflict institution building and other recovery efforts. 4. Burundi: Great progress has been made in Burundi where a successful presidential transition has occurred, the integration of military and police forces proceeds apace and refugees are returning. The National Liberation Front, a small Hutu faction, remains outside the process but is not an immediate threat to the overall peace process. UN forces should start planning to begin withdrawal in FY 2006. 5. Ethiopia-Eritrea: Despite the Boundary Commission's decision in 2002, the demarcation work has not yet begun and the UN Mission remains in country, albeit with decreased numbers. Storm clouds remain on the horizon and intense diplomatic activity will be required to avoid a return to conflict.
Rating	Below Target
Impact	Failure to make progress on the Cote d'Ivoire and Liberia peace processes will hamper stability in the Mano River region, creating opportunities for destructive forces, delaying economic recovery and lengthening the period of UN peacekeeping deployments. A restart of the conflict between Ethiopia and Eritrea would not only create a significant humanitarian crisis but would also harm efforts to counter terrorist forces in the Horn region and support Ethiopian peacekeeping efforts.
Reason for Shortfall	The peace process in Cote d'Ivoire has not reached elections and the Disarmament, Demobilization and Reintegration process has not yet begun for factors beyond the control of U.S. diplomacy.
Steps to Improve	The U.S. maintains active contact with the UN, African Union (AU), ECOWAS, President Gbagbo, the Force Nouvelles and other key actors in the conflict. The U.S. supports a UN and AU lead on diplomacy but will also remain flexible to apply pressure on the parties bilaterally or in conjunction with other key stakeholders, including the AU and/or ECOWAS. The goal will be to get Presidential elections back on track along with plans for the DDR process to begin.

PERFORMANCE DATA

Data Source	Embassy, UN, NGO and press reporting.
Data Quality (Verification)	Information on UN activities and relations between national actors is excellent, while reporting on refugees, internally displaced persons (IDPs), and local conflicts varies from mediocre to good.

Continued on next page

I/P #5: CONFLICT MANAGEMENT AND MITIGATION *(continued)*

Indicator #1: *(continued)*

PAST PERFORMANCE

2004

1. Congo-Great Lakes: In recognition of the need to ameliorate conditions in the east and further buttress the ability of the transitional government to stabilize the eastern Democratic Republic of Congo (DRC), the UN Mission in the Congo has increased its force structure and mandate. Chaos in eastern DRC remained endemic, creating difficulties for the political process and raising the specter of a return to a state of generalized conflict.
2. Sudan: In Darfur, a civil war and a heavy-handed Sudanese Government response included acts of genocide and produced a humanitarian crisis that slowed progress toward consolidating the peace throughout the country. While the final comprehensive agreement for the Sudan was not yet signed, the parties were very close at the end of the fiscal year. The Verification and Monitoring Team, Civilian Protection Monitoring Team, and Joint Military Commission in the Nuba Mountains all played important roles in verifying agreements between the Government of Sudan and the Sudan Peoples Liberation Movement, and building confidence between the two sides. Humanitarian conditions improved somewhat in southern Sudan and were much improved in the Nubas.
3. Sierra Leone: While the UN Mission in Sierra Leone has not yet withdrawn as of the end of the fiscal year, its numbers are greatly reduced in light of strides forward in the process of post-conflict rebuilding and reconciliation. Insecurity in the countryside is reduced and heightened stability among its neighbors bodes well. The Sierra Leone Police and Republic of Sierra Leone Armed Forces continue efforts at reform and restructuring with a view toward withdrawing UNAMSIL by the end of 2005.
4. Ethiopia-Eritrea: Despite the Boundary Commission's decision in 2002, the demarcation work has not yet begun and the UN Mission is not yet complete. In September 2004, the UN Security Council agreed to extend the work of the UN Mission in Ethiopia-Eritrea and urged both parties to abide by the Algiers Agreement. Various diplomatic efforts to break down barriers between Ethiopia and Eritrea have had limited impact because of the unwillingness at senior levels on both sides to reconcile. However, with much external pressure, the two sides have avoided a return to conflict.

2003

Conflicts Resolved

- *Democratic Republic of Congo:* Large-scale conflict resolved with inauguration of a transitional Government of National Unity in July 2003.
- *Burundi:* Conflict partially resolved, fighting continues. Ceasefire reached with the largest rebel group, the Forces for the Defense of Democracy; implementation negotiations ongoing at year end; and prospects good for agreement in first quarter FY 2004.
- *Liberia:* The Liberian civil war deteriorated starting in May 2003. Peace talks began in Ghana in June 2003 and a comprehensive peace agreement was signed on August 18. The U.S. provided nearly $26 million in logistics support to enable the deployment of the ECOWAS peacekeeping forces.

Peace Support Missions Concluded

- *Angola:* One peace support mission withdrawn.

2002

Conflicts Resolved

- The war in Sierra Leone was effectively over and the peacekeeping mission was phased out. Peace-building activities continued using U.S. and other funding.

Peace Support Mission Concluded

- Program activities such as the West Africa Stabilization Program and the African Contingency Operations Training and Assistance Program (ACOTA) ensured that the ECOWAS troop contributors are better able to meet the demands of peacekeeping operations.

I/P #6: INDO-PAK RELATIONS/KASHMIR

Indicator #2: Status of Relations between Pakistan and India on Kashmir

JUSTIFICATION (VALIDATION): The Indo-Pakistani relationship is one of the most crucial for the U.S. and the world. Maintaining peace between these nuclear states is imperative.

FY 2005 PERFORMANCE	**Target**	Infiltration further declines. Terrorism inside Kashmir declines further. Terrorist groups not permitted to operate in Pakistan. India and Pakistan effectively implement existing nuclear and conventional Continental Ballistic Missiles (CBMs), and agree to implement new ones.
	Results	1. Infiltration down slightly. 2. Some progress observed on dismantling terrorist camps. 3. India and Pakistan engaged in second round of Composite Dialogue, with third round scheduled to begin in January 2006. 4. Among other confidence-building measures, Srinagar-Muzaffarad bus service begun April 7 provides people-to-people links and sign of tangible progress, although lack of follow-on bus lines and infrequent service attests to the slow pace. 5. Meetings between Kashmiri leaders and President Musharraf in May in Pakistan and Prime Minister Singh in September in New Delhi indicate the relaxing tension between the two countries.
	Rating	On Target
	Impact	The prospect of war between the two nuclear-armed powers has decreased; easing of India-Pakistan tension over Kashmir helped the U.S. strengthen its relations with both countries simultaneously.
PERFORMANCE DATA	**Data Source**	Indian and Pakistani Government officials and reporting from U.S. embassies.
	Data Quality (Verification)	The data used for this indicator are gathered through primary collection and are fully reliable. More accurate information does not exist.
PAST PERFORMANCE	**2004**	1. Infiltration continued. 2. No observable progress on disbanding terrorist groups. 3. India and Pakistan have been moving in the right direction regarding engaging in dialogue and implementing confidence-building measures.
	2003	1. Infiltration continued throughout the year. 2. Militant training camps and related infrastructures in Pakistan were not substantially disbanded, although some were deactivated for periods over the summer. Militant groups in Pakistan have been and remain proscribed. 3. Military forces on both sides returned to pre-crisis locations and readiness levels. 4. India and Pakistan renewed diplomatic contact. Indian PM Vajpayee launched a major new peace initiative in April, which Pakistani PM Jamali welcomed. India and Pakistan returned High Commissioners, restored some transportation links, and engaged in numerous people to people – including legislative – exchanges. However, official talks were not started.
	2002	1. Major terrorist attacks brought India and Pakistan close to war, but U.S. and U.K. diplomatic intervention helped ease tensions, and Pakistan took actions against Kashmiri jihadist militants. 2. India successfully held elections in Kashmir.

I/P #7: AN ENHANCED AND EXPANDED EURO-ATLANTIC PARTNERSHIP

Indicator #3: Progress on Implementation of Adapted Conventional Forces in Europe (CFE) Treaty

JUSTIFICATION (VALIDATION): The 1990 CFE Treaty has long been considered one of the cornerstones of European security. The 1999 Adapted CFE Treaty revised the CFE Treaty to meet the new security environment in post-Cold War Europe, while retaining the benefits of transparency, predictability, and U.S. force deployment flexibility. Entry into force of the Adapted CFE Treaty and its smooth implementation will contribute to a stable and secure Europe. A precondition for U.S. and NATO ratification of the Adapted Treaty, and thus its entry into force is Russian fulfillment of its Istanbul commitments relating to Russian withdrawal from Georgia and Moldova. The U.S. works closely with its NATO Allies in coordinating positions regarding CFE issues, reinforcing the U.S. role in European security.

FY 2005 PERFORMANCE	**Target**	Russia makes progress toward fulfillment of remaining Istanbul commitments, allowing for U.S. ratification and, after all other CFE states ratify, entry into force of the Adapted CFE Treaty.
	Results	On May 30, 2005, Russia and Georgia agreed on a timeline for Russia to withdraw from two of its bases in Georgia and identified an initial step toward resolving the status of the Russian presence at a third base. NATO allies agreed that while this constitutes important progress toward meeting the Istanbul commitments on Georgia, follow-up steps are needed. No progress to report this fiscal year regarding the Russian commitment to withdraw from Moldova.
	Rating	Significantly Below Target
	Impact	While the continuing inability to begin the process of achieving entry into force of the Adapted CFE Treaty does not materially affect U.S. security, it is a growing irritant in U.S. and NATO relations with Russia. Russia's failure to implement its Istanbul commitments raises questions about Russian motivations regarding Georgia and Moldova. Failure to achieve entry into force of the Adapted Treaty could undermine the confidence and stability gained by the 1990 CFE Treaty.
	Reason for Shortfall	Russia has yet to make the political decisions necessary to withdraw forces from Moldova.
	Steps to Improve	The U.S. and NATO will continue to press Russia to implement its Istanbul commitments. The 2006 CFE Review Conference will provide a special occasion for applying such pressure.
PERFORMANCE DATA	**Data Source**	OSCE, NATO, and U.S. Mission/Embassy reporting. OSCE and NATO statements. Statements by U.S., Russia, Georgia, Moldova, and other OSCE states.
	Data Quality (Verification)	This data are official, objective and accurate. Reporting from the various sources is crosschecked to ensure reliability and completeness.
PAST PERFORMANCE	**2004**	Russia did not fulfill all Istanbul Commitments. Russia still needed to reach agreement with Georgia on remaining issues regarding the Gudauta base and its future use, and the duration of Russian presence in Batumi and Alkhalkalai. Russia also needed to complete the withdrawal of its forces from Moldova. The U.S. and NATO continued to press Russia to fulfill these commitments, but there has been no progress to report in FY 2004. Russia and the new Georgian Government had been meeting, but progress on a Russian withdrawal from remaining bases fell victim to broader Russian-Georgian problems.
	2003	1. Major progress was made in calendar year 2003 on withdrawal of Russian forces from Moldova; some 20,000 tons of Russian munitions stored in depots in the Transdnister region was withdrawn by the end of the year. 2. Russia did not meet the Organization for Security and Cooperation in Europe's extended December 31 deadline to withdraw forces from Moldova. 3. Progress on withdrawal of Russian bases from Georgia stalled for most of 2003, despite limited progress on technical issues. 4. Russian equipment levels in the CFE Flank region remained below Adapted CFE Treaty Flank Limits.
	2002	1. Russia fulfilled its Istanbul commitment on the flank issue, reduced its flank equipment to Adapted Treaty levels, and discharged its Istanbul commitments for CFE equipment in Georgia and Moldova. 2. Russia needs to reach agreement with Georgia on remaining issues regarding Gudauta base and its future use, and the duration of Russian presence in Batumi and Alkhalkalai. Russia also needs to complete the removal and destruction of munitions and small arms in Moldova. 3. Conditions for U.S. ratification of Adapted CFE Treaty were not met.

I/P #8: PEACEKEEPING PARTICIPATION (PART PROGRAM)

Indicator #4: Percentage of Enhanced International Peacekeeping Capabilities (EIPC)-funded, Peace Support Operation (PSO)-Trained Countries That Pledge Military Units or Participate in the UN Peacekeeping Standby Arrangement System or Multinational Military Operations of High U.S. Foreign Policy Interest

NOTE: Indicator deleted. The EIPC program and the African Contingency Operation Training and Assistance program are now funded through the Global Peace Operations Initiative. The impact and outcome of relevant peacekeeping activities are monitored using indicators under I/P #5: Conflict Management and Mitigation and I/P #12: Security Assistance Programs in Sub-Saharan Africa.

I/P #9: IMPLEMENTATION OF THE ROAD MAP

Indicator #5: Progress Towards the Implementation of the Road Map, as Measured by the Existence of an Independent, Democratic Palestinian State Alongside Israel in Peace and Security

JUSTIFICATION (VALIDATION): The indicator corresponds to the vision articulated by the President in his June 24, 2002 speech of two states, Israel and Palestine, existing side by side in peace and security, with goals geared to roadmap obligations. Progress is measured according to the degree to which an independent, democratic Palestinian state exists alongside Israel in peace and security.

FY 2005 PERFORMANCE	**Target**	Implementation of Roadmap commitments. Improved Palestinian Authority performance on security. Private Israelis and Palestinians participate freely with full official support in joint meetings, exchange projects, and people-to-people activities and receive coverage in the Israeli and Palestinian media.
	Results	Israel's Government has concluded its withdrawal from Gaza, and the focus has now shifted to Palestinian efforts to establish order. Disengagement produced coordination on a number of levels between the two sides. The Palestinian Authority has begun to take steps to restructure and reform its security forces throughout the West Bank and Gaza, with the support of U.S. Security Coordinator General William Ward and assistance from the international community. Quartet Special Envoy James Wolfensohn continues work on his agenda of issues intended to restore the viability of the Palestinian economy. Restoration of pre-Intifada Arab links with Israel continues, as indicated by the return of the Egyptian and Jordanian ambassadors to Tel Aviv.
	Rating	On Target
	Impact	Gaza disengagement stands to accelerate progress on the Roadmap, but Palestinian Authority performance in establishing law and order in Gaza will be a large determinant of the pace of this effort.
PERFORMANCE DATA	**Data Source**	Quartet announcements. Embassy and the Bureau of Near Eastern Affairs reporting.
	Data Quality (Verification)	Data sources are credible and reliable.
PAST PERFORMANCE	**2004**	Neither the Government of Israel nor the Palestinian Authority undertook efforts to begin meeting roadmap obligations or Aqaba Summit (June 2003) commitments. Sporadic terrorist attacks and Israeli countermeasures — including targeted killings, home demolitions, mobility restrictions and the construction of the West Bank security barrier — continued, further undermining trust. The Government of Israel focused national policy on its unilateral disengagement plan, which aims to remove all Israeli settlers and most of its forces from the Gaza Strip and parts of the West Bank in 2005, a goal that could indirectly serve to relaunch the roadmap. The poverty rate in the West Bank and Gaza at the end of 2004, according to the World Bank, was 48%, exceeding the target. However, the World Bank also retroactively changed the 2002 poverty rate from the 60% that served as the original baseline to 51%; thus, little real progress was observed in this area from 2002 to 2004.
	2003	Roadmap was publicly released and used effectively as diplomatic tool to re-launch Israeli-Palestinian peace negotiations. Both sides progressed through provisions in Phase I of the roadmap, including, but not limited to: a) as comprehensive security performance moves forward, Israeli Defense Forces (IDF) withdraws progressively from areas occupied since September 28, 2000 and the two sides revert to pre-September 28, 2000 status quo; b) immediate dismantlement of settlement outposts erected since March 2001 and freezing of all settlement activity; and c) steps to improve the humanitarian situation in the West Bank/Gaza.
	2002	Periodic, often large-scale, Palestinian terrorist attacks targeted at Israel, often followed by harsh preventive, retaliatory, or deterrent Israeli military actions. Significant civilian casualties on both sides.

I/P #10: IRAQ AND GULF SECURITY

Indicator #6: Free, Democratic, and Whole Iraq at Peace with Itself and Its Neighbors

JUSTIFICATION (VALIDATION): A free and democratic Iraq would contribute to economic and political stability in the region.

FY 2005 PERFORMANCE	**Target**	Elections for constitutional convention held; constitution drafted and ratified; elections for new, permanent government held; rule of law and civil society take root; free media serves as responsible watchdog on governmental power; Iraq assumes primary responsibility for its own security, able to defend itself without being a threat to its neighbors.
	Results	Credible elections for Transitional National Assembly (TNA) and local governments were held on time; the change of government occurred in an orderly fashion and ahead of schedule; preparations are on track for constitutional referendum and December election; the rule of law and civil society are being established more firmly as time goes on; free media has been a responsible watchdog on governmental power; Iraq has progressively assumed increasing responsibility for own security.
	Rating	Below Target
	Impact	Promoting democracy and enhancing security in Iraq has contributed to increased security, economic and social development, and political reform in the region.
	Reason for Shortfall	Two of the political targets (constitution drafting and ratification) have been met, and the third (elections for a government under the constitution) is clearly on target to happen by December 15, 2005. With regard to rule of law, civil society, and media development, progress is also being made. It is only in the security field that the USG could be considered to be below target and that is largely because the target established in 2003 was unrealistic since it did not take into account the persistence of the insurgency and foreign terrorists. Iraq is making progress toward assuming full responsibility for its security, but this will not happen in 2005, and indeed any assessment of transition must be based on conditions, not timetables.
	Steps to Improve	Over the past two years, the USG has shifted resources toward addressing these fundamental security concerns, and has made significant strides in integrating its political, economic and security strategies to bring about the desired end state. Specific and recent progress includes a continued increase in the number of Iraqi units able to take the lead in combat operations against the insurgency. In addition, 88 Iraqi Army and special operations battalions are conducting operations against the enemy, with 36 of them assessed to be "in the lead" or fully independent. There are 28 Special Police Force battalions capable of combat operations and the Iraqis have the lead in roughly 87 square miles in Baghdad and over 450 square miles in other provinces.
PERFORMANCE DATA	**Data Source**	U.S. Mission post reports.
	Data Quality (Verification)	While subject to inherent limits of subjective and qualitative analysis, U.S. mission reporting is informed by broad and deep access to the Iraqi government, political figures, community leaders and others. Confidence in data quality is high.
PAST PERFORMANCE	**2004**	1. Iraqi Governing Council assumes additional responsibilities. 2. Transitional Administrative Law drafted and approved. 3. Iraqi Interim government assumes full sovereignty; continued political, legal and economic reform. National Conference held. 4. Iraqi Interim National Council selected and begins operating. 5. Democratic institutions, rule of law, civil society, free media started. 6. Accountability and anti-corruption efforts began to take hold. 7. UNSCR 1546 recognized the IIG and spelled out the UN's role in the transition to democratic rule. 8. Independent Electoral Commission of Iraq established and begins preparations for January 2005 elections, assisted by the UN.
	2003	1. Saddam Hussein's regime overthrown. The Department worked closely with the Department of Defense and the CPA to stabilize and rebuild Iraq. The Department continues to support the development of strategies to move Iraq towards democracy, rule of law, build free market economy, including non-oil sector; build Iraqi security forces, subordinate to constitutional authority, capable of relieving U.S. and Coalition forces. 2. The Department's engagement at the UN is consistent with the responsibilities outlined in UN Security Council Resolution (UNSCR) 1483. UNSCR 1500 reaffirms the UN's support for the Governing Council and fortifies the important role for the UN in Iraq by establishing a UN Assistance Mission to support the work of the UN Special Representative in Iraq. UN agencies have been making critical contributions in humanitarian assistance and economic reform in Iraq.
	2002	Saddam Hussein still in power; UN sanctions remain in effect.

I/P #10: IRAQ AND GULF SECURITY *(continued)*

Indicator #7: Extent of Expanded Economic Opportunity in Iraq

JUSTIFICATION (VALIDATION): This indicator measures efforts to create jobs and support trade, investment and enterprise growth throughout the country, which will help support stability and security.

FY 2005 PERFORMANCE	**Target**	1. Real gross domestic product growth of 16.7%. 2. Rebuild key infrastructure to foster economic growth. 3. Increase oil production to prewar level of 2.5 million barrels per day. 4. Increase electricity generation capacity to prewar level of 4,300 megawatts (MW). 5. Begin process of accession the World Trade Organization (WTO). 6. Finalize and sign Stand-By Arrangement (SBA) with the International Monetary Fund (IMF).
	Results	1. Gross domestic product growth for 2005 is projected to be 3.7%. The business registration process is streamlined, and over 28,000 businesses have registered. 2. Microfinance programs have made 19,000 loans totaling $31 million. 3. The year-to-date averages for 2005 are 2.12 million barrels per day of oil production. 4. Iraq now has approximately 5,000 MW of generation capacity. 5. The Government of Iraq has submitted its Foreign Trade Memorandum to the WTO, and plans on selecting a Working Party Chair. 6. Negotiations with the IMF on an SBA are under-way and on track to be concluded by the end of 2005.
	Rating	Below Target
	Impact	More reliable energy supplies, improved employment opportunities, and enhanced trade prospects have contributed to stability in Iraq.
	Reason for Shortfall	The continued insurgency has created a security situation in which it is difficult to implement projects that will increase economic growth, including oil and electricity infrastructure projects.
	Steps to Improve	Implement infrastructure security plan.
PERFORMANCE DATA	**Data Source**	Field mission reports; the USAID Iraq Database.
	Data Quality (Verification)	Volatile environment with limited movement making measurement difficult.
PAST PERFORMANCE	**2004**	Developed 10 laws and/or regulations relating to private sector development. Implemented financial management information system at Ministry of Finance; implementation in progress at six other Ministries.
	2003	With Ministry of Finance, introduced new Iraqi national currency, the Dinar.
	2002	N/A.

I/P #11: PEACEKEEPING OPERATIONS – OSCE (PART PROGRAM)

Indicator #8: Implementation of New Police Training Programs in Former Soviet States

NOTE: Indicator deleted. See Appendix for details.

Indicator #9: Withdrawal of Russian Forces from Moldova and Georgia; OSCE Voluntary Fund Status

NOTE: Indicator deleted. FY 2005 target was incorporated into indicator #3 – Progress on Implementation of Adapted Conventional Forces in Europe Treaty – under I/P #7: An Enhanced and Expanded Euro-Atlantic Partnership. See Appendix for details.

I/P #12: SECURITY ASSISTANCE PROGRAMS IN SUB-SAHARAN AFRICA (PART PROGRAM)

Indicator #10: Implementation of Sudan Peace Process

JUSTIFICATION (VALIDATION): A peaceful Sudan with an inclusive government based on the rule of law could be a hedge against regional instability and an important partner in the global war on terrorism. Ending conflict will also alleviate one of the world's worst humanitarian situations and propel regional economic prospects.

FY 2005 PERFORMANCE	**Target**	A sustained international aid and development program is established to support the implementation of the peace agreement leading up to elections. Refugees and IDPs returning home.
	Results	The Comprehensive Peace Agreement was concluded in January 2005. The donors conference in April succeeded in obtaining pledges to support the Comprehensive Peace Agreement above request. The UN Mission in Sudan is deploying. Despite the untimely death of former Vice President John Garang in late July, the process continues to move forward under new leadership. Violence in Darfur and disruption of humanitarian assistance continue, despite some improvements. In spite of some difficulty, Darfur peace talks in Abuja continue.
	Rating	On Target
	Impact	Failure to implement the Comprehensive Peace Agreement and bring a political settlement to Darfur will likely result in a return to wholesale civil conflict, causing humanitarian suffering and providing an opportunity for harmful elements to once again operate with great strength in Sudan.
PERFORMANCE DATA	**Data Source**	Government of Sudan announcements. Embassy Khartoum reporting.
	Data Quality (Verification)	Information on UN activities and relations between national actors is excellent, while reporting on refugee and IDP returns and local conflict varies from mediocre to good. Large areas of the country are nearly impossible to regularly access.
PAST PERFORMANCE	**2004**	Power and wealth sharing agreements signed. Comprehensive agreement being negotiated. Crisis in Darfur eclipses Government of Sudan - Sudan People's Liberation Movement (SPLM) peacemaking efforts. The Government of Sudan is not yet able to rein in Jinjaweed militia as humanitarian crisis worsens. African Union deploys ceasefire monitors with U.S. assistance.
	2003	Both the Government of Sudan and the SPLM/Army began a peace process, resolving two of the most contentious issues: the role of religion and the right of self-determination. Nuba Mountains ceasefire agreement concluded, international monitoring operations begun, and humanitarian support provided. Civilian Protection Monitoring Team preparing to stand up. Zones of Tranquility and Slavery Commission work conducted.
	2002	N/A.

The U.S. State Department's senior representative for Sudan, Charles Snyder, left, and U.S. Ambassador to Ethiopia, Aurelia Brazeal, center, listen to NATO Secretary General Jaap de Hoop Scheffer speak in the African Union Headquarters in Addis Ababa, Ethiopia on logistical support to the African Union's peacekeeping force in Sudan's Darfur region.

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I/P #12: SECURITY ASSISTANCE PROGRAMS IN SUB-SAHARAN AFRICA *(continued)*

Indicator #11: Number of U.S.-Trained African Units Deployed to Peace Support/Humanitarian Response Operations

JUSTIFICATION (VALIDATION): A U.S.-trained African unit or one trained by U.S.-trained trainers will perform better than one not provided such training or its equivalent. Also, African Peacekeeping Operation requirements are expected to remain high and therefore improved African capability will lessen calls for the use of U.S. forces.

FY 2005 PERFORMANCE	**Target**	Of all African battalions (or their equivalent) deployed in Peacekeeping Operations globally, approximately 70 percent will have significant staff and unit training experience under U.S. or U.S.-trained trainers.
	Results	Currently, there are approximately 23 African battalion or battalion equivalents deployed in African peacekeeping operations (UN or regional): ● Rwanda: 3 battalions AMIS ● Senegal: 1 battalion AMIS, 2 battalions in UNOCI and MONUC, 1 battalion in UNMIL ● Ghana: 2 battalions in MONUC and UNOCI, 1 battalion in UNAMSIL, 1 in UNIFIL ● Ethiopia: 3 battalions in Liberia and 1 battalion in Burundi ● Kenya: 1 battalion in Burundi, 1 Company in Ethiopia-Eritrea ● Benin: 1 Battalion in UNOCI ● Mozambique: 1 Company in Burundi In 2005, 14 of 23 battalions (61%) had significant staff and unit training experience under U.S. or U.S.-trained trainers.
	Rating	On Target
	Impact	African peacekeeping requirements are at their highest levels ever. Failure to properly train and logistically support African peacekeeping units and staffs at the strategic, operational and tactical levels will hurt stabilization efforts of the UN and African regional organizations and result in greater calls for the use of extremely-stretched U.S. forces.
PERFORMANCE DATA	**Data Source**	United Nations peacekeeping office. Bureau of African Affairs reports.
	Data Quality (Verification)	Information on UN activities is excellent and posted monthly on the UN web site. Reporting on participation of ACOTA-trained elements in African peacekeeping operations is usually good from the field.
PAST PERFORMANCE	**2004**	Of all African battalions (or their equivalent) deployed in Peacekeeping Operations globally, approximately 65% had significant staff and unit training experience under U.S. or U.S.-trained trainers.
	2003	Seven (7) African contingents trained by the U.S. or U.S.-trained trainers engaged in peace support missions. An additional five contingents planned for Peace Support Operations participation in Liberia and Burundi. Economic Community of West African States (ECOWAS) forces, with significant U.S. support and training, deployed to Liberia.
	2002	Five (5) U.S.-trained battalion-sized units successfully participating in peacekeeping or contingency operations.

I/P #13: RESTRICT ADVANCED CONVENTIONAL WEAPONS (ACW) TRANSFERS

Indicator #12: Effectiveness of Wassenaar Arrangement (WA) Control Lists

JUSTIFICATION (VALIDATION): This indicator addresses a key element of our policy: restricting advanced conventional weapons transfers by increasing the effectiveness of Wassenaar-based controls.

FY 2005 PERFORMANCE	**Target**	1. More extensive reporting of conventional arms transfers by member states. 2. Expand catch-all (i.e., controls by end-user in addition to controlling the item or technology). 3. Expand denial consultations. (i.e., consultation before approving an export of an item or technology already denied for export by another member state). 4. Chinese cooperation on Man-Portable Air Defense Systems (MANPADS) (to safeguard and restrict production, storage, transfer, and brokering of Man Portable air Defense Systems, such as Stinger or Igla).
	Results	1. More extensive reporting on conventional arms transfers is now taking place in Wassenaar. 2. The Wassenaar statement of understanding on a conventional arms-related catch-all is in place in the European Union, is being established in the U.S. and Japan; and other participating states will report progress at meetings in November and December. 3. U.S. efforts to establish a dual-use denial consultation provision continue to be blocked by Russia, bilateral consultations have failed to produce a break-through. 4. China joined other APEC economies in a leaders statement on significant new controls. A first bilateral meeting on implementation details took place in August.
	Rating	On Target
	Impact	1. More extensive reporting produces greater transparency of export licensing decisions, and provides incentive for more restrictive decisions. 2. Because there are few cases where one Wassenaar participating state effectively undercuts the denial of another for items on the Very Sensitive and Sensitive Lists (less than one per year) the consequences of this stalemate are not serious. 3. Implementation of the catch-all will protect against "back-door" evasion of arms embargoes. 4. China, along with all other APEC economies, has taken important steps towards stronger control on the export of MANPADS and related technology.
PERFORMANCE DATA	**Data Source**	Classified intelligence, and information from international organizations, NGOs, and academia.
	Data Quality (Verification)	Member reports are internally vetted and publicly distributed. Active NGOs and independent academics scrutinize and verify the data.
PAST PERFORMANCE	**2004**	1. Arms transfers on the Wassenaar Arrangement Information System: Fewer member states were tardy in reporting. Important member states blocked consensus on dual-use denial consultations and required reporting of approvals for items on the Very Sensitive List. 2. Only 112 states participated in the UN Register in FY 2004, China did not. 3. Separate control list for items for terrorism: Member states do not agree whether a separate list is needed, or if there are other ways to achieve this.
	2003	1. Within WA control lists, certain categories of weapons are being expanded, some widely available (and thus uncontrollable); dual-use items were dropped, and MANPADS has made considerable progress with energetic cooperation from Russia, the UK, and other countries. 2. Over the past ten years, the value of shipments of conventional weapons to state sponsors of terrorism has fallen by nine-tenths, and illicit shipments to other destinations have also fallen. Tools include bilateral demarches and intelligence liaison, strengthening of norms in the Wassenaar Arrangement and other international fora, sanctions, law enforcement, and (potentially) direct interdiction. Results have been better than expected, especially since Iraq is no longer importing conventional weapons.
	2002	1. No new categories were added to WA control lists, but progress was made in this multi-year effort. 2. Within the WA, Russia alone continued to oppose mandatory reporting for small arms and light weapons, MANPADS, and warships down to 150 tons.

PEACEKEEPING OPERATIONS FUNDING OF OSCE ACTIVITIES (PART PROGRAM EFFICIENCY MEASURE)		
Indicator #13: Per Unit Cost of U.S. Government-Funded OSCE Election Observation		
JUSTIFICATION (VALIDATION): This is a measure of the efficient use of U.S. Government resources to objectively monitor elections overseas.		
FY 2005 PERFORMANCE	**Target**	15% below baseline.
	Results	5% above baseline.
	Rating	Below Target
	Impact	Election observer costs exceeded baseline despite cost cutting measures instituted by the U.S. Mission to the OSCE, which served to control costs in FY 2003 and FY 2004.
	Reason for Shortfall	Airfare increases combined with oil price increases and exchange rate losses.
	Steps to Improve	Reviewing to find a more realistic efficiency measure.
PERFORMANCE DATA	**Data Source**	Bureau of Political-Military Affairs (PM).
	Data Quality (Verification)	Data are reliable, of high quality, and verified by PM.
PAST PERFORMANCE	**2004**	10% below baseline.
	2003	5% below baseline.
	2002	Baseline: $6,500 per long-term observer; $3,700 per short-term observer.

Coalition Building and Maintenance

Our Iraq and Afghanistan coalition partners have been steadfast and courageous but face increasing sustainability challenges. In addition to the United States, more than 30 nations, plus NATO, have over 23,000 troops in Iraq and approximately 40 countries have 12,000 troops in Afghanistan. The Department of State leads the Interagency Coalition engagement effort. Coalition management varies from strategic dialogue with our Coalition partners to providing financial support and facilitating acquisition of critical equipment to enable partner nations to deploy. Coalition management also involves facilitating protection forces for the UN. Coalition issues are one of the pillars of the President's "National Strategy for Securing Iraq."

President George W. Bush, right, shakes hands with British Prime Minister Tony Blair during the G-8 summit in Auchterarder, Scotland, July 2005.

AP/Wide World Photo

SECURITY ASSISTANCE TO SUB-SAHARAN AFRICA (PART PROGRAM EFFICIENCY MEASURE)

Indicator #14: Rate of Program Country Sustainment Cost to Train and Equip One Battalion of U.S.-Trained or U.S. Trainer-Trained African Peacekeeping Troops

JUSTIFICATION (VALIDATION): Ensuring that African militaries begin to train their own peacekeeping troops is vital if the Department is to break the cycle of one time training events. Such a cycle is more expensive and fails to transmit long-term capacity. Measuring the decrease in costs to train one unit for peacekeeping over time is the best methodology.

FY 2005 PERFORMANCE	Target	$15M to produce 15 battalions.
	Results	Cost to train 22 battalions in FY 2005 was $20 million.
	Rating	On Target
	Impact	Efficiency in producing African battalions will increase the number, variety and capacity of deploying African elements, thus improving the nature of conflict response capacity on the continent and ameliorating conflict.
PERFORMANCE DATA	Data Source	The data for these figures are produced by our Africa Contingency Operations Training and Assistance Program (ACOTA).
	Data Quality (Verification)	Information is derived from well-documented budget and ACOTA training data.
PAST PERFORMANCE	2004	$15M to produce 14 battalions.
	2003	$8M to produce 6 battalions.
	2002	$15M to produce 4 battalions.

African Contingency Operations

The Department trains and equips selected African militaries to carry out peace support and humanitarian relief operations through the African Contingency Operations Training and Assistance program. Its comprehensive approach encourages regional peace support operations for which African countries and security institutions take the primary responsibility for peacekeeping in the region. Greater regional stability created by an enhanced African peace support capacity serves U.S. interests in promoting African democracy and economic growth.

Rwandan soldiers board a U.S. military plan at Kigali International airport for Darfur in June 2005, as part of a plan to help prevent further conflict in the troubled Sudanese region. AP/Wide World Photo

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 2: COUNTERTERRORISM

Prevent attacks against the United States, our allies, and our friends, and strengthen alliances and international arrangements to defeat global terrorism

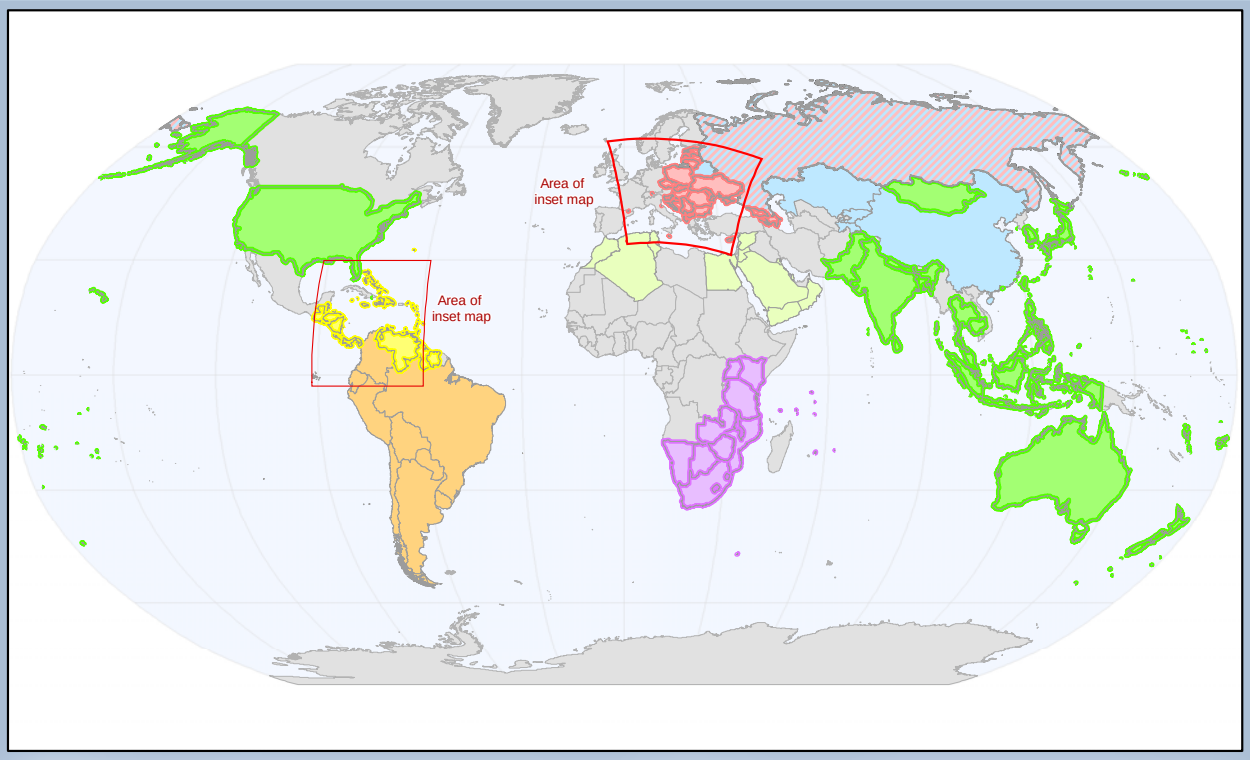
I. Public Benefit

The tragic events of 9/11 demonstrated the gravity of the threat international terrorists pose to the United States and its citizens at home and abroad. With a presence in some 60 countries, Al-Qaeda continues to be of great concern, although U.S. actions have significantly weakened the terrorist network. The Department is the lead on foreign policies and programs to combat global terrorism. The Global War on Terrorism remains a top priority. Across the globe, the Secretary, the USAID Administrator, other senior officials, Ambassadors, and USAID mission directors have pressed their counterparts for expanded cooperation and intensified efforts against terrorists. This has included support for protection of the homeland beyond America's borders; programs such as the Container Security Initiative, Immigration Security Initiative, and Customs-Trade Partnership Against Terrorism; inspections of foreign ports; sharing of terrorist watchlist information; and other counterterrorism efforts. In collaboration with our partners in other agencies, international organizations, and in other countries, the Department remains committed to combating terrorist networks wherever they exist so that Americans are secure from terrorist threats. To date, the Department has mobilized 180 countries and territories in the war on terrorism to identify, disrupt and destroy international terrorist organizations. Over 3,000 terrorist suspects have been arrested and over $138 million in terrorists' assets have been blocked by forty foreign governments. In an effort to deny weapons to terrorists, more than 14,000 Man-Portable Air Defense Systems have been destroyed in fourteen countries since 2003, with firm commitments for the destruction of almost 10,000 more. Key to the ability to mobilize effective action by our foreign partners is training to those who want to help but lack the means. Since 9/11, these programs, including anti-terrorist assistance, terrorist interdiction, and anti-terrorist finance have significantly improved our partners' counterterrorism capabilities.

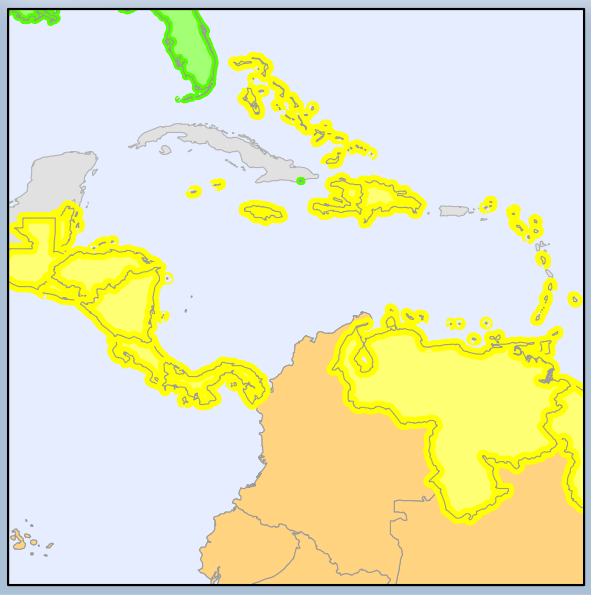
Friends and relatives of the victims of the September 11 attacks, hold up signs before the September 11th Commemoration Ceremony at the World Trade Center in New York, September 2005.

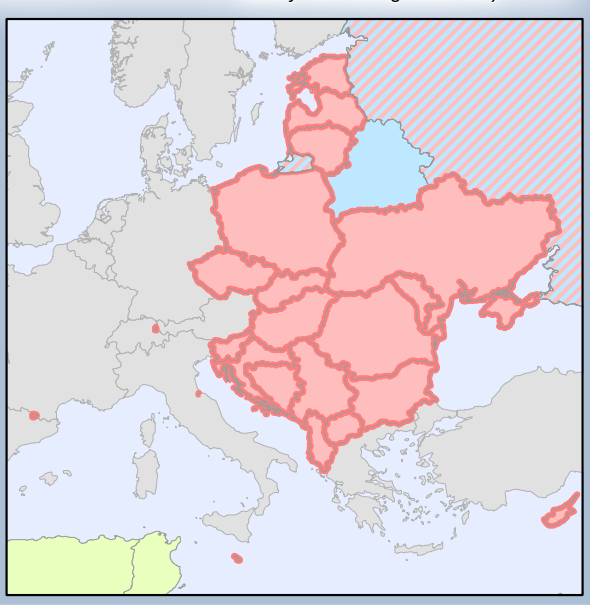
AP/Wide World Photo

Regional Anti-Money Laundering Organizations



- APG (Asia/Pacific Group on Money Laundering)
- CFATF (Caribbean Financial Action Task Force)
- EAG (Eurasian Group)
- EAG and MONEYVAL
- ESAAMLG (Eastern and Southern Africa Anti-Money Laundering Group)
- GAFISUD (Financial Action Task Force on Money Laundering in South America)
- MENAFATF (Middle East and North Africa Financial Action Task Force)
- MONEYVAL (Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures)

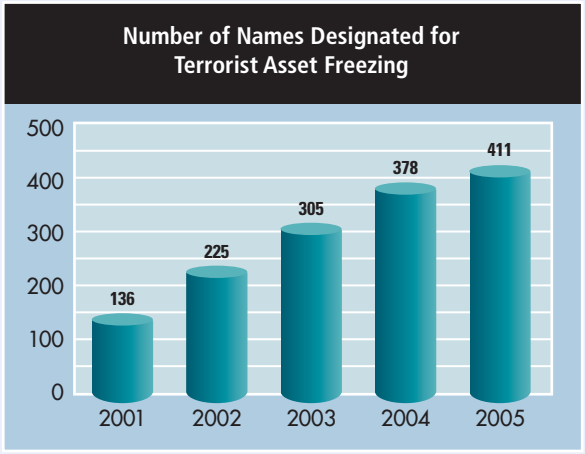




Boundary representation is not necessarily authoritative.

Source: U.S. Department of State, Office of the Coordinator for Counterterrorism.

II. Selected Performance Trends



III. Strategic Context

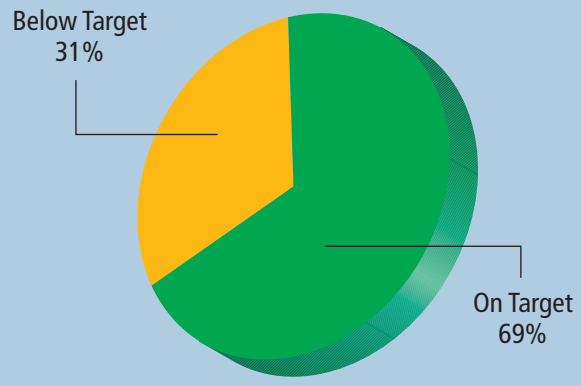
This strategic goal is supported by four performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Counterterrorism	Active Anti-Terrorist Coalitions	Diplomatic Engagement	D&CP, NADR	L, S/CT	UN
		Anti-Terrorism Assistance	D&CP, NADR	S/CT, DS	N/A
		Meeting International Standards	D&CP	S/CT	N/A
	Freezing Terrorist Financing	Combating Terrorist Financing	D&CP	EB, S/CT, INL	Treasury, DOJ
	Prevention and Response to Terrorism	Foreign Emergency Support Team (FEST)	D&CP	S/CT	DoD, DOE, FBI, CIA, DHS
		Terrorist Financing Initiative	D&CP, NADR	S/CT, EB	Treasury
		Frontline States in Global War on Terrorism	D&CP, NADR	SA, S/CT	NSC, DoD, FBI, CIA, Treasury and DoJ
	Diminished Terrorism Conditions	Accomplishment of this performance goal is the responsibility of USAID, and is therefore not reported in the Department of State's FY 2005 Performance Plan.			

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Counterterrorism strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION	
Significantly Above Target	0
Above Target	0
On Target	11
Below Target	5
Significantly Below Target	0
Total Number of Ratings	**16**

V. Performance Analysis

PERFORMANCE TRENDS. Two significant performance trends in the area of Counterterrorism are noteworthy: (1) the number of groups designated as Foreign Terrorist Organizations (FTOs) has steadily increased since FY 2001; (2) the number of Terrorist Interdiction Program Installations has increased, from 18 in FY 2004 to 23 in FY 2005.

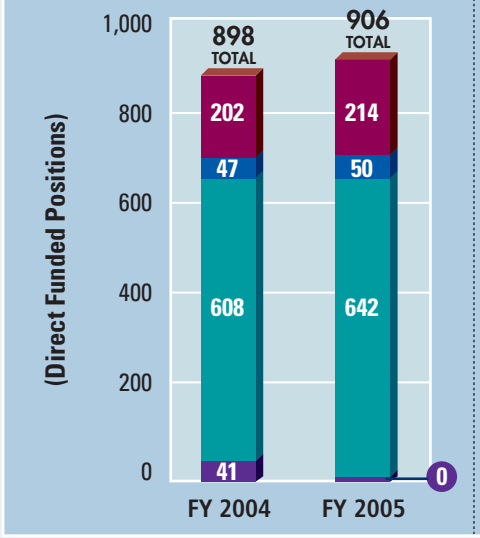
OUTCOME-LEVEL RESULTS. The Department made demonstrable progress toward achieving high-level outcomes in such areas as training partner countries to monitor and combat terrorist financing activities and identifying terrorist groups and subjecting such groups to UN sanctions. Programs in these areas performed at or above target in FY 2005.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. While no single indicator was rated significantly above target, a component of one indicator was rated significantly below target. Indicator four, of initiative/program five (Combating Terrorist Financing), evaluates the number and effectiveness of training and assistance programs in combating terrorist financing. This indicator rated part three, the number of countries that have fully implemented technical assistance and training plans, significantly below target. This was due to the fact that only one country out of seven has fully implemented such plans. Overall, the initiative/program was rated Below Target.

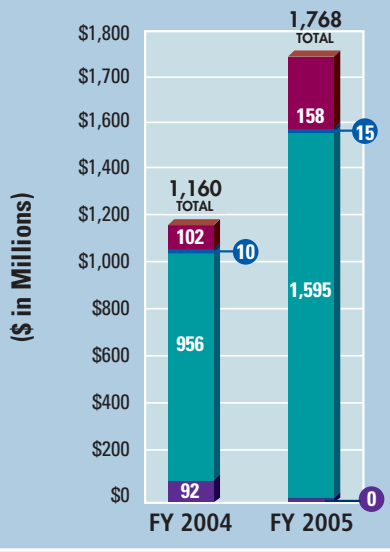
RESOURCES INVESTED. In FY 2005, financial allocations to Counterterrorism were estimated to be 7% of the entire State Department budget, or 1.768 billion. Budget allocations to this strategic goal increased approximately 52% from FY 2004 to FY 2005.

VI. Resources Invested

HUMAN RESOURCES



BUDGET AUTHORITY



LEGEND

Performance Goals

- Active Anti-Terrorist Coalitions
- Frozen Terrorist Financing
- Prevention and Response to Terrorism
- Stable Conditions in Fragile/Failing States
  (USAID resources not shown in Department of State PAR)

The World Trade Center site in New York is shown on the fourth anniversary of the attacks, September 2005

AP/Wide World Photo

VII. Performance Results

PERFORMANCE GOAL 1

COALITION PARTNERS IDENTIFY, DETER, APPREHEND, AND PROSECUTE TERRORISTS

INITIATIVE/PROGRAM (I/P) #1: DIPLOMATIC ENGAGEMENT		
Indicator #1: Number of Completed Bilateral and Multilateral Counterterrorism Meetings and Conferences		
JUSTIFICATION (VALIDATION): Bilateral and multilateral counterterrorism negotiations and conferences allow increased cooperation in all areas of the Global War on Terrorism to include diplomatic, financial, law enforcement, military, and intelligence.		
FY 2005 PERFORMANCE	**Target**	27.
	Results	27 – Four (4) counterterrorism regional workshops, twenty (20) bilateral meetings, and three (3) multilateral counterterrorism conferences were held in FY 2005. In addition to normal diplomatic engagement activities (including meetings of the nine formal bilateral joint working groups and G-8 donor coordination meetings), funds were used to support key bilateral and multilateral counterterrorism efforts, including among other things: a conference with officials from the States participating in the Trans-Sahel Counterterrorism Initiative; judicial reform and training conferences in Indonesia; shared sponsorship of a Counterterrorism finance conference for OSCE members; a conference for Caribbean Basin nations on border control and transportation security; seed money to leverage other donor support for U.S.-proposed OSCE, CICTE and G-8 counterterrorism initiatives.
	Rating	On Target
	Impact	Building the commitment and operational skill of foreign governments through American engagement is essential to the ultimate success of U.S. diplomatic, military, law enforcement, intelligence and financial engagement abroad. Only our foreign partners possess the local knowledge, language skills, cultural awareness and resources to defeat terrorism on their soil. We must remain actively engaged bilaterally and with multilateral – particularly regional – organizations to advance our counterterrorism goals.
PERFORMANCE DATA	**Data Source**	U.S. Embassy reporting, intelligence/law enforcement reporting, after-action reports, country assessments, international organization assessments (e.g., G-8 Counterterrorism Action Group; Organization for Security and Cooperation Europe); and institution assessments (e.g., the Asian Development Bank).
	Data Quality (Verification)	Data are extrapolated from the bilateral and multilateral conference agendas and question and answer sessions conducted at the conclusion of each meeting, which is updated as necessary and reviewed and verified for accuracy on a quarterly basis.
PAST PERFORMANCE	**2004**	27- Four (4) counterterrorism regional workshops, twenty (20) bilateral meetings, and three (3) multilateral counterterrorism conferences were completed in FY 2004.
	2003	25 - Three (3) multilateral counterterrorism conferences and twenty-two (22) bilateral conference/workshops were completed in FY 2003.
	2002	13.

I/P #2: ANTI-TERRORISM ASSISTANCE (PART PROGRAM)

Indicator #2: Number of ATA Courses Provided to Priority States and the Number of Program Reviews that Are Conducted No Later Than 18 Months After the Training

JUSTIFICATION (VALIDATION): Participation in training courses is the primary means by which knowledge and skills necessary to increase the capability of law enforcement to participate in the Global War on Terrorism is passed. Program reviews record the achievements and progress of the participant country in sustaining the necessary knowledge and skills and building their capacity.

FY 2005 PERFORMANCE	Target	Provide a total of 220 training courses and consultations to priority countries. A total of eighteen program reviews conducted and reviewed.
	Results	Provided a total of 236 training courses and consultations to 73 countries. Nineteen program reviews were conducted and reviewed.
	Rating	On Target
	Impact	Anti-terrorism assistance training completed in FY 2005 built sustainable antiterrorism law enforcement capabilities in partner countries sufficient to deter, detect, and counter terrorist threats through training and enabling equipment grants.
PERFORMANCE DATA	Data Source	Data is extrapolated from the course and event schedule database, which is updated as necessary and verified for accuracy on a bi-weekly basis.
	Data Quality (Verification)	Anti-Terrorism Assistance (ATA) verifies and validates the data quality through a rigorous, multi-level review of program performance results. The data collected has been determined to be reliable, informative and reflective of program results in the country receiving the training.
PAST PERFORMANCE	2004	1. 210 ATA courses provided to sixty states. 2. Sixteen program reviews conducted.
	2003	1. 238 ATA courses provided to fifty states. (also included 23 "mini-courses"). 2. Fourteen program reviews conducted.
	2002	1. 160 ATA courses provided to forty-one states. 2. Sixteen program reviews conducted.

A Look to History: Counterterrorism

After the terrorist attack on Israeli athletes at the 1972 Munich Olympics, the Department of State, headed by Secretary of State William P. Rogers, took action to coordinate the intelligence and enforcement agencies of the Executive Branch. State considered effective means to prevent terrorism both domestically and abroad and aimed to take the lead in establishing procedures to ensure that the United States responded to terrorist acts swiftly and effectively. On September 25, 1972, President Nixon established the Cabinet Committee to Combat Terrorism and designated Secretary Rogers as the Chairman. To carry out its new responsibilities, the Department of State created the position of Special Assistant to the Secretary and Coordinator of the Office for Combatting Terrorism. The Special Coordinator position was first held by Armin Meyer, former Ambassador to Lebanon, Iran, and Japan.

President Richard Nixon and Secretary of State William P. Rogers at the White House Rose Garden, April 12, 1971. AP Photo

I/P #2: ANTI-TERRORISM ASSISTANCE (PART PROGRAM) *(continued)*

Indicator #3: Number of Countries in which a Quantifiable Needs Assessment and Program Review Rating System for Measuring Counterterrorism Capacity is Implemented

JUSTIFICATION (VALIDATION): This indicator measures client countries' capacity to engage in the Global War on Terrorism and sustain antiterrorism competencies through the development of a quantifiable needs assessment process, a comprehensive country assistance plan based upon specific requirements, and a program review process that measures effectiveness.

FY 2005 PERFORMANCE	**Target**	1. Quantifiable needs assessment and program review rating system is applied to 12 countries. 2. Country Assistance Plans are developed with 12 countries. 3. CAP objectives are achieved as scheduled in 24 countries. 4. Progress is measured in 24 countries.
	Results	Needs assessment programs and country assistance plans were completed in the twelve identified priority countries for the year. In addition, country assistance plan progress assessments were evaluated in the twenty-four identified priority countries for the year.
	Rating	On Target
	Impact	Initial FY 2005 findings determined that the anti-terrorism assistance training programs teaches effective ways to counter terrorist threats in the countries participating in the basic training program.
PERFORMANCE DATA	**Data Source**	U.S. Embassy reporting, intelligence/law enforcement reporting, after-action reports and country program assessments.
	Data Quality (Verification)	Anti-Terrorism Assistance verifies and validates the data quality through a rigorous, multi-level review of program performance results. The data collected has been determined to be reliable, informative and reflective of program results in the country receiving the training.
PAST PERFORMANCE	**2004**	1. Quantifiable needs assessment and program review rating system is applied to 12 countries. 2. Country Assistance Plans are developed with 12 countries. 3. Country Assistance Plan objectives are achieved as scheduled in 12 countries. 4. Progress is measured in 12 countries.
	2003	N/A.
	2002	N/A.

I/P #3: TERRORIST INTERDICTION PROGRAM (PART PROGRAM)

Indicator #4: Number of Terrorist Interdiction Program (TIP) Installations at Immigration Points and Number of Immigration Officers Trained to use TIP.

NOTE: Indicator deleted. See Appendix for details

I/P #4: MEETING INTERNATIONAL STANDARDS

Indicator #5: Compliance with United Nations Security Council Resolution 1373

JUSTIFICATION (VALIDATION): Repeated reporting by countries indicates progress in meeting UN Security Council requirements.

FY 2005 PERFORMANCE	**Target**	Member States continue to submit follow-up reports as requested by the Counterterrorism Committee (CTC).
	Results	169 of 191 UN members have submitted follow-up reports as requested by the CTC. Although enhancements to the CTC staff of the Counter-Terrorism Executive Directorate (CTED) were authorized in March 2004, they did not become fully operational until September 2005. Since the 2005 target was largely predicated on increased CTC staff capacity, the CTC has not achieved as much as expected. It did, however, stage one international conference for international, regional, and sub-regional organizations to exchange counterterrorism standards and best practices (in Almaty in January 2005), has conducted four field missions (to Morocco, Albania, Kenya and Thailand) and has planned two more field missions to be completed before the end of the calendar year.
	Rating	Below Target
	Impact	Through the efforts of the CTC and CTED, member states and regional organizations have become more aware of the requirements of UNSCR 1373 and have been given assistance to meet those requirements. The successful Morocco visit created a template for future field missions, which can be held more regularly now that the full CTED staff is on board.
	Reason for Shortfall	The CTED was not fully staffed as early as expected.
	Steps to Improve	The CTED is now fully staffed.
PERFORMANCE DATA	**Data Source**	UN CTC reports and reporting from U.S. Embassies. UN CTC reports are available on the Committee website.
	Data Quality (Verification)	UNCTC reports and reporting from U.S. Embassies. The UN CTC receives and reviews all reports submitted by UN member states detailing efforts to implement UNSCR 1373. The U.S. Government conducts interagency review of reports. Follow-up questions from CTC experts identify weaknesses in responses to these reports. The Department obtains copies of CTC letters to member states.
PAST PERFORMANCE	**2004**	Total of five hundred and seven reports received from UN member states, including one hundred and ninety-one initial reports, one hundred and sixty second reports, on hundred and sixteen third reports, and forty fourth reports. Seventy-one states were delinquent in submission of a follow-up report requested by the CTC.
	2003	191 (all member states of the United Nations).
	2002	174.

U.S. Ambassador Francis Ricciardone, left, is welcomed by Sulu Governor Benjamin Loong upon arrival to Jolo island in southern Philippines.

AP/Wide World Photo

ANTI-TERRORISM ASSISTANCE (PART PROGRAM EFFICIENCY MEASURE)

Indicator #6: Average Length of Time a Country Spends in Basic Training Programs Before Achieving Sustainment of Basic Anti-terrorism Capacities

JUSTIFICATION (VALIDATION): Anti-Terrorism Assistance (ATA) not only provides quality training to priority counterterrorism countries, it also enables each country to achieve sustainment by providing them with the capability to incorporate anti-terrorism curriculum into their own training methods over a set course of time, thereby optimizing U.S. Government cost efficiency for each nation's participation in the ATA program.

FY 2005 PERFORMANCE	Target	9 years.
	Results	9 years. Progress review assessments completed on the priority countries identified confirmed that basic anti-terrorism capacity was achieved within the target time frame.
	Rating	On Target
	Impact	Anti-terrorism assistance training completed in FY 2005 built sustainable antiterrorism law enforcement capabilities in partner countries sufficient to deter, detect, and counterterrorist threats through training and enabling equipment grants.
PERFORMANCE DATA	Data Source	Embassy reporting, intelligence/law enforcement reporting, after-action reports by the Bureau of Diplomatic Security/ATA program implementers and regional bureau area offices and individual country assessments.
	Data Quality (Verification)	Anti-Terrorism Assistance verifies and validates the data quality through a rigorous, multi-level review of program performance results. The data collected has been determined to be reliable, informative and reflective of program results in the country receiving the training.
PAST PERFORMANCE	2004	9 years.
	2003	9 years.
	2002	N/A.

Coordinator for Counterterrorism Henry Crumpton speaks at a news conference in Putrajaya, Malaysia, October, 2005.

AP/Wide World Photo

TERRORIST INTERDICTION PROGRAM (PART PROGRAM EFFICIENCY MEASURE)

Indicator #7: Number of TIP PISCES Phased Installations Completed per Yearly Appropriation (in millions)

JUSTIFICATION (VALIDATION): This indicator provides a key annual measurement of progress toward the program's long-term goal. Since annual progress will be directly affected by the annual program appropriation, this indicator also provides a clear and continuing means to evaluate progress and an overall indication of program efficiency.

FY 2005 PERFORMANCE	**Target**	6-7 phased installations with an appropriation of $5M.
	Results	5 phased installations completed in FY 2005.
	Rating	Below Target
	Impact	There will be little or no impact on achieving the Department's long-term goals for this program. The gap between target and results will be closed during the first quarter of FY 2006, without impact on the new fiscal year's results.
	Reason for Shortfall	The FY 2005 results were below target primarily because two countries in which installations were projected for the 4th quarter had not completed the critical infrastructure improvements needed to support system installation. The program is fully resourced and prepared to install the watchlisting system as soon as the countries' governments have completed their requisite work.
	Steps to Improve	None. This program is heavily dependent on the cooperation and timely participation of host nation governments. Achievement of short-term goals is likewise frequently dependent on timely decision-making, allocation of resources and completion of work projects on the part of the host government.
PERFORMANCE DATA	**Data Source**	Source of performance data is the joint program office of which Department, through the Office of the Coordinator for Counterterrorism (S/CT), is an active member and participant. S/CT program personnel attend weekly planning and scheduling meetings during which progress on each country project is assessed, and decisions are made on action required to address any problems.
	Data Quality (Verification)	In view of S/CT's active and inclusive participation in program management, the Department considers the performance data provided by the joint program office to be both reliable and complete.
PAST PERFORMANCE	**2004**	7 phased installations completed with an appropriation of $5M.
	2003	6 phased installations completed with an appropriation of $5M.
	2002	N/A.

Captured paramilitaries stand behind a table of seized weapons and ammunition while two Colombian soldiers stand guard at a military base in Yopal, in eastern Colombia, January 2005.

AP/Wide World Photo

FOREIGN MILITARY FINANCING IN THE WESTERN HEMISPHERE (PART PROGRAM EFFICIENCY MEASURE)

Indicator #8: Level of terrorist activity and security in Colombia

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): This indicator reflects Colombia's progress in securing crucial areas. The objective is to remove control of the country from the hands of terrorists and return it to the Government of Colombia (GOC).

FY 2005 PERFORMANCE	**Target**	1. Cano Limon Pipeline non-operational due to terrorist attacks less than 30 days. 2. 57 Carabinero Units (rural police) deployed.
	Results	1. Interim reports show that there has been an increase in attacks against the pipeline suggesting that the pipeline will be non-operational for slightly more than 30 days. 2. 50 Carabinero Units (rural police) deployed to date.
	Rating	**Below Target**
	Impact	1. The ability of the Colombian security forces to prevent terrorist attacks on the pipeline indicates the increasing control the GOC has in this key department. 2. The deployment of rural police units is vital to extending GOC control to new areas.
	Reason for Shortfall	1. Terrorist attacks shifted to more remote areas where it is more difficult to protect and repair the Pipeline. In addition, the terrorists attacked the electrical system that powers the pipeline. 2. Training for Carabineros in 2005 included replacements for existing units, which slightly reduced our ability to train new units.
	Steps to Improve	1. Helicopters dedicated to pipeline protection arrived in May and June 2005. 2. Training schedule adjusted for Carabinero units.
PERFORMANCE DATA	**Data Source**	U.S. Government reporting.
	Data Quality (Verification)	FY 2005 reporting contains interim data only. Complete FY 2005 data will not be available until CY 2006.
PAST PERFORMANCE	**2004**	1. Cano Limon Pipeline non-operational due to terrorist attacks for 50 days. 2. All Colombian Municipalities had a police presence. 3. 39 Carabinero Units (rural police) deployed.
	2003	1. Cano Limon Pipeline was non-operational due to terrorist attacks for 85 days. 2. 19 Colombian Municipalities were without a police presence. 3. 21 Carabinero Units (Rural Police) deployed.
	2002	N/A.

PERFORMANCE GOAL 2

U.S. AND FOREIGN GOVERNMENTS ACTIVELY COMBAT TERRORIST FINANCING

I/P #5: COMBATING TERRORIST FINANCING

Indicator #1: Yearly Number of Names Designated Under E.O. 13224 for Terrorist Asset Freezing

JUSTIFICATION (VALIDATION): Public designations of global terrorists freeze the designated organizations' and individuals' assets that fund operations; stigmatize and isolate designated terrorists and their organizations internationally; provide the basis for prosecutions of supporters in the U.S.; and deter donations or contributions to and economic transactions with named organizations and terrorist individuals.

FY 2005 PERFORMANCE	**Target**	Designation of additional terrorist-related individuals and entities as appropriate.
	Results	Thirty-three individuals or entities were newly designated under EO 13224 or had their existing designations amended.
	Rating	On Target
	Impact	Further disruption of financing available to terrorists and terrorist groups.
PERFORMANCE DATA	**Data Source**	Data derived from U.S. Government 13224 designation process. Complete designations can be found on the Office of Foreign Asset Control website.
	Data Quality (Verification)	Confidence in data quality is high because data are derived from the 13224 designation process, which is publicly scrutinized.
PAST PERFORMANCE	**2004**	Seventy-three terrorist-related individuals and entities were added to the E.O. 13224 list.
	2003	Eighty additional terrorist-related individuals and entities were named.
	2002	Eighty-nine names were designated.

Indicator #2: Number of Countries Submitting Names to the UN 1267 Sanctions Committee's Consolidated List

JUSTIFICATION (VALIDATION): Identifying individuals and entities associated with the Taliban, Usama bin Laden or al Qaeda and making them subject to UN sanctions (assets freeze, movement restrictions, arms embargo) sharply restricts their ability to assist in or finance terrorist activities.

FY 2005 PERFORMANCE	**Target**	Submission of additional names by foreign governments as appropriate.
	Results	Fifty UN members have sponsored or co-sponsored UN 1267 listings.
	Rating	On Target
	Impact	Receiving proposed listings from a range of Member States is an indicator that States are seriously engaged in making the sanctions regime work effectively.
PERFORMANCE DATA	**Data Source**	Data derived from the United Nations 1267 Sanctions Committee process and provided by the U.S. Mission to the United Nations. Complete designations can be found on the Treasury/Office of Foreign Asset Control website.
	Data Quality (Verification)	Content of UN reports is widely regarded as accurate and reliable. Content is also available to the public.
PAST PERFORMANCE	**2004**	Fifty (50) individuals and entities submitted to the UN for listing by five states other than the U.S., either individually or in cooperation with other states; nine co-designations by the U.S. and Saudi Arabia.
	2003	Forty-three foreign countries submitted al Qaeda names to the 1267 Sanctions Committee between October 2002 and September 2003.
	2002	Sixty-eight foreign countries submitted al Qaeda-related names to the 1267 Sanctions Committee.

I/P #5: COMBATING TERRORIST FINANCING *(continued)*

Indicator #3: Yearly Number of Names Added to the UN 1267 Sanctions Committee's Consolidated List

JUSTIFICATION (VALIDATION): Named individuals and entities are subject to UN sanctions, including assets freeze, travel ban, and arms embargo, which all UN member states are obligated to enforce.

FY 2005 PERFORMANCE	**Target**	Designation of additional terrorist-related individuals and entities as appropriate.
	Results	84 individuals and entities were added to the UN 1267 sanctions list or had their existing listings amended.
	Rating	On Target
	Impact	Named individuals and entities are subject to UN sanctions, including assets freeze, travel ban, and arms embargo, which all UN member states are obligated to enforce.
PERFORMANCE DATA	**Data Source**	Data derived from the United Nations 1267 Sanctions Committee process. Complete listing of those subject to UN 1267 Sanctions can be found on the Committee's website.
	Data Quality (Verification)	Content of UN reports is widely regarded as accurate and reliable. Contents of resolutions publicly available.
PAST PERFORMANCE	**2004**	Sixty-two al Qaeda-related individuals and entities were added to the UN 1267 list.
	2003	Sixty-four names (14 entities and 50 individuals) were added between October 2002 and September 2003.
	2002	One hundred and fifty-nine al Qaeda names were added to the 1267 Committee's List.

OAS Counterterrorism Efforts

The Organization of American States (OAS) is at the forefront of regional efforts to enhance counterterrorism cooperation and capacity-building. The OAS Inter-American Committee Against Terrorism (CICTE, Spanish-language acronym) has delivered over $3 million to ongoing training programs on airport and port security, border security, technical assistance, cybersecurity, financial controls, biometrics sharing, policy engagement and needs assessments. CICTE worked with the International Maritime Organization to initiate 12 border management assessments for Caribbean nations and provided 10 fellowships for aviation security officials to facilitate their participation in Airport Crisis Management Training. CICTE continues to highlight to member states the connection between terrorism and transnational illicit activities and the importance of rapid information sharing.

U.S. Homeland Security Undersecretary Asa Hutchinson, center, speaks during a press conference with Ambassador John Maisto, right, and William P. Pope, then Acting Coordinator for Counterterrorism, in Port-of- Spain, Trinidad, during the Fifth Regular Session of The Inter-American Committee Against Terrorism, February 2005. AP/Wide World Photo

I/P #5: COMBATING TERRORIST FINANCING *(continued)*

Indicator #4: Number and Effectiveness of U.S. Training and Assistance Programs and Assessments Delivered to Priority States to Help Combat the Financing of Terrorists

JUSTIFICATION (VALIDATION): Counterterrorism finance capacity building is one mechanism for the U.S. to engage its allies to provide early warning, detection and interdiction of terrorist financing.

FY 2005 PERFORMANCE	**Target**	1. Six countries assessed by Financial Systems Assessment Teams (FSATs) and six training and technical assistance plans developed. 2. Eight countries at least partially implement technical assistance and training plans (training received in at least three of the five functional areas). 3. Seven countries fully implement technical assistance and training plans (training received in at least all five of the functional areas).
	Results	1. One country assessed by an FSAT and 1 training and technical assistance plan developed. 2. Ten countries have at least partially implemented technical assistance and training plans (training received in at least 3 of the 5 functional areas). 3. One country has fully implemented technical assistance and training plans (training received in at least all 5 of the functional areas).
	Rating	1. **Below Target** 2. **Above Target** 3. **Significantly Below Target**
	Impact	1. This will not have a major affect on the Department's eventually achieving this goal. Training and technical assistance programs have been delivered or offered to some of the countries that were not assessed. 2. This has enhanced the Department's success and bodes well for the program overall. The success of the programs has resulted in more requests for assistance from priority and non-priority countries alike. 3. This will not have an adverse impact on the Department's eventual success. Training and technical assistance programs are adjusted to ensure maximum effect and to address immediate needs of recipient countries.
	Reason for Shortfall	1. Due to the dynamic nature of the threat and increased demand for training and technical assistance, we added additional countries to our list. However, it took longer to amend the priority country list than expected, and funding did not become available for assessments until September 2005. 2. N/A. 3. Lack of funding and lack of participation by some countries to attend or schedule necessary training. Some countries needed to focus on other weakness before receiving training in other areas. In some cases, lack of political will constrained our ability to conduct initial training or provide follow on training.
	Steps to Improve	1. Get funding earlier and obligate it quicker. 2. N/A. 3. Remain flexible in approach to training and technical assistance to ensure maximum effect. Continue working closely with post to coordinate host nation participation.
PERFORMANCE DATA	**Data Source**	Embassy reporting, intelligence/law enforcement reporting, after-action reports, country assessments and international institution assessments.
	Data Quality (Verification)	The data quality is verified through a rigorous, multi-level review of program performance results. The data collected has been determined to be reliable, informative and reflective of program results in the country receiving the training.
PAST PERFORMANCE	**2004**	1. Four countries assessed by FSATs and six training and technical assistance plans developed. 2. Four countries fully implement technical assistance and training plans (training received in at least all five of the functional areas). 3. Six countries at least partially implemented technical assistance and training plans (training received in at least three of the five functional areas). 4. Six new countries were added to the priority assistance list.
	2003	Fifteen assessments completed. Fifteen of the targeted nineteen states received training and technical assistance.
	2002	1. Ten of the nineteen counterterrorism finance priority assistance countries were assessed by U.S. interagency FSAT and ten training and technical assistance plans developed. 2. Some form of training and technical assistance delivered to fifteen of the nineteen countries (training in one of the five functional areas: legal framework, financial/regulatory, financial intelligence unit, prosecutorial/judicial, financial investigations).

I/P #5: COMBATING TERRORIST FINANCING *(continued)*

Indicator #5: Number of Groups Designated as Foreign Terrorist Organizations (FTOs) Pursuant to U.S. Law and Timeliness of Review of Such Groups

JUSTIFICATION (VALIDATION): Public designations of global terrorists freeze the designated organizations' and individuals' assets that fund operations; stigmatize and isolate designated terrorists and their organizations internationally; provide the basis for prosecutions of supporters in the U.S.; and deter donations or contributions to and economic transactions with named organizations and terrorist individuals.

FY 2005 PERFORMANCE	**Target**	Complete all FTO reviews; no new addition pending for more than 4 months.
	Results	1. All FTO reviews completed. 2. Three new FTOs were designated, bringing the total to 39. 3. Three FTOs had their existing designations amended to reflect name changes.
	Rating	On Target
	Impact	The terrorist threat to the U.S. was reduced because additional terrorist groups were subjected to travel restrictions, financial sanctions, and criminal penalties for material supporters.
PERFORMANCE DATA	**Data Source**	Public designations of FTOs are published in the Federal Registry.
	Data Quality (Verification)	Confidence in the data is high because the list of foreign terrorist organizations is published and widely reviewed.
PAST PERFORMANCE	**2004**	1. Completed all FTO reviews. 2. Re-designations completed on time; no new additions pending.
	2003	1. Three more new FTOs were designated, bringing the total to thirty-six. One FTO designation was amended to reflect its name change. 2. All 27 FTO designations due to expire during FY 2003 were reviewed and re-designated on time.
	2002	1. Two more organizations designated as FTOs, bringing the total to thirty-three. 2. Five groups were under review for possible FTO designation.

Combating Bioterrorism

Under the U.S. G-8 Presidency, the U.S. created the G-8 Bioterrorism Experts Group to foster greater cooperation and collaboration on increasing international biosurveillance, improving protections for the global food supply system, and enhancing emergency response and mitigation capabilities. In one year of activities, G-8 partners have been sharing emergency response plans and forensic epidemiology strategies. With consistent U.S. engagement and support – along with partner nations in the Global Health Security Action Group, the World Health Organization (WHO) has established a Global Smallpox Vaccine Reserve to facilitate greater international access to vaccines in case of a deliberate release of smallpox anywhere in the world. The U.S. has committed to providing 20 million doses of vaccine for the WHO reserve, stored in the U.S. stockpile.

The G-8 leaders stand together for a group photo at the conclusion of the G-8 Summit in Gleneagles, Scotland, July 2005.
AP/Wide World Photo

PERFORMANCE GOAL 3

COORDINATED INTERNATIONAL PREVENTION AND RESPONSE TO TERRORISM, INCLUDING BIOTERRORISM

I/P #6: FOREIGN EMERGENCY SUPPORT TEAM

Indicator #1: The Department's Ability to Respond to Terrorist Incidents and Exercise Its Lead Agency Responsibilities with the National Security Council-mandated Foreign Emergency Support Team (FEST)

JUSTIFICATION (VALIDATION): Four hour no-notice deployment exercises ensure the President and Secretary of State can quickly deploy U.S. response assets to an international terrorist incident if required. FEST exercises enhance readiness and provide a unique opportunity to develop and validate new operations-related counterterrorism policies and procedures.

FY 2005 PERFORMANCE	**Target**	1. Integrate and participate in two of the Combatant Commanders' full-scale, National- and International-Level counterterrorism exercises. (2-4 exercises scheduled by DoD each year). 2. Integrate and participate in the Chairman of the Joint Chiefs of Staff-sponsored, no-notice counterterrorism exercise. 3. Integrate and participate in the National Level Top Officials (TOPOFF) Exercise co-chaired by DHS and DoS.
	Results	In March 2005, the FEST deployed to our embassy in Tegucigalpa, Honduras to participate in the U.S. Southern Command's full scale counterterrorism exercise. The scenario dealt with a U.S. and Honduran hostage situation and rehearsed all the aspects of resolving such a situation with combined U.S. and Honduran civilian, diplomatic and military resources. The scenario was designed to help all the players seek lessons learned in light of real world situations in their region. As part of the Department of Homeland Security's National Exercise Program, the Department developed the international exercise plan that incorporated the United Kingdom and Canada and our embassies in London and Ottawa in TOPOFF 3, the largest U.S. Government counterterrorism exercise ever held.
	Rating	On Target
	Impact	The U.S. Government must be ready to respond to international terrorist-related incidents anywhere in the world. The Department's FEST is the only interagency, on-call, short-notice team poised to respond to terrorist incidents worldwide.
PERFORMANCE DATA	**Data Source**	Embassy reporting, intelligence/law enforcement reporting, after-action reports, country assessments, and Department of Defense reports.
	Data Quality (Verification)	Data are extrapolated from the FEST combat commander and Top Officials Exercise agendas and after action reports conducted at the conclusion of each exercise or meeting, which is updated as necessary and reviewed and verified for accuracy on a quarterly basis.
PAST PERFORMANCE	**2004**	In FY 2004, the Foreign Emergency Support Team participated in an abbreviated version of the Chairman Joint Chiefs of Staff no-notice counterterrorism exercise, and in the European Command's Level III counterterrorism exercise with Embassy Athens in preparation for the 2004 Summer Olympic Games. The team deployed to Athens, Greece and managed a Crisis Control Center during the month long Summer Olympic Games.
	2003	FEST participated in Chairman of Joint Chiefs of Staff no-notice counter-terrorist exercise. The Department participated in TOPOFF II. FEST participated in U.S. Pacific Command's counter-terrorist exercise.
	2002	1. No exercises scheduled because of Operation Enduring Freedom. 2. Co-chaired the Counterterrorism Security Group Exercise Sub-Group and developed the next 18 month, national- and international-level exercise schedule. 3. Finalized Exercise Sub-Group's Operating Charter.

I/P #7: TERRORIST FINANCING ASSISTANCE INITIATIVE

Indicator #2: Implementation of Counterterrorism Financing Regimes in the 19 Countries Most Involved in al Qaeda Financing

JUSTIFICATION (VALIDATION): Denying terrorists access to financial resources is one way of deterring them from carrying out their plans. Providing training and technical assistance to countries most vulnerable to terrorist financing helps make the U.S. homeland safer from terrorist attacks.

FY 2005 PERFORMANCE	**Target**	1. Develop comprehensive anti-money laundering regimes (AML) in five terrorist financing priority countries designated in FY 2002. 2. Provide training to all 2003 designated terrorist financing priority countries.
	Results	1. The five countries will implement comprehensive anti-money laundering regimes by the end of the calendar year. 2. Seventeen of 19 terrorist financing priority countries have received some training and technical assistance. 3. These countries received training in at least three out of the five areas that comprise a counterterrorism finance regime. Two countries have not received training and technical assistance, which is not due to our inability to provide the assistance, but due to legal limitations imposed by the countries in question. When these limitations are resolved, the two remaining countries will be trained.
	Rating	On Target
	Impact	Training to these five countries will help achieve the Department's progress towards its goal of combating terrorist financing abroad and receiving assistance from our allies overseas.
PERFORMANCE DATA	**Data Source**	Reporting from embassies and training providers.
	Data Quality (Verification)	Data quality is verified through a rigorous, multi-level review of program performance results. The data collected has been determined to be reliable, informative and reflective of program results in the country receiving the training.
PAST PERFORMANCE	**2004**	Six countries implemented measures to combat terrorist financing.
	2003	The U.S. Government conducted in-country assessments of 6 of the 19 priority countries most heavily involved in funding al Qaeda and conducted a tabletop assessment of 1 priority country. The U.S. Government provided technical assistance to 15 of the 19 priority countries, with 3 of these countries receiving technical assistance in at least 3 of the 5 functional areas.
	2002	**Baseline:** U.S. Government assessed institutional/legal deficiencies on nine of the nineteen priority countries most heavily involved in funding al Qaeda. The U.S. Government provided technical assistance to two of these countries.

Canadian Prime Minister Paul Martin, right, and U.S. Ambassador to Canada David Wilkins reach out to shake hands after unveiling a memorial plaque at the U.S. Embassy in Ottawa, Canada to commemorate the fourth anniversary of the September 11th terrorist attacks.

AP/Wide World Photo

I/P #8: U.S.-EU COOPERATION ON BORDER SECURITY

Indicator #3: Regional and Bilateral Counterterrorism Cooperation

NOTE: Indicator deleted. See Appendix for details.

I/P #9: FRONTLINE STATES IN THE GLOBAL WAR ON TERRORISM

Indicator #4: Capacity of the Afghan National Army to Defend the Legitimately Appointed Afghan Government and its Territory from External and Internal Threats

JUSTIFICATION (VALIDATION): The training and deployment of, and expansion of influence by, the Afghan National Army (ANA) indicates progress towards establishing sustainable security in Afghanistan, without which the Global War on Terror will not succeed.

FY 2005 PERFORMANCE	**Target**	1. ANA presence, influence and capability continue to grow in Kabul. 2. Border command, Ministry of Defense and General Staff continue to develop capability for managing ongoing operations. 15-25 trainers assigned to each battalion to develop U.S. training and operational standards. Additional trainers assigned to help develop an ANA training base. 3. Begin fielding/development of small supporting air corps. 4. Continue fielding of border units. 5. Begin integration of regional militias into ANA structure, through demobilization and accession into ANA. 6. Ministry of Defense and General Staff begin to manage their own policy, planning, budget and operations. 7. Central Corps units conduct operational deployments to remaining provinces, as well as routine operational deployments in provinces named in FY 2004 target. 8. Barracks, headquarters, ranges and unit facilities constructed for 12 new infantry battalions and 6 new CS and CSS battalions. 18 new battalions operational and mobile.
	Results	1. ANA influence fully established in Kabul and throughout the country. 2. Four battalions being trained concurrently and 39 (24 combat, 15 support/logistics) battalions are operational. 3. Force strength is over 26,000. 4. More than 62,000 militia were disarmed and demobilized, ending the formal 'DD' process in June 2005. The Reintegration ('R') phase is scheduled for completion in 2006. 5. Ministry of Defense and General Staff are engaged in policy, planning and budget operations. 6. Central Corps units being deployed on an as-needed basis to the provinces, with some units operating alongside U.S. forces in counter-insurgency operations in the South and East. 7. Four ANA regional centers are operational.
	Rating	On Target
	Impact	On track to reach initial operating capability in May 2008 and final operating capability in September 2009.
PERFORMANCE DATA	**Data Source**	Embassy reporting, intelligence/law enforcement reporting, Department of Defense Combatant Command after-action reports and country assessments.
	Data Quality (Verification)	Reliability and completeness of performance data is ensured through primary data collection and extensive cross-referencing among numerous sources (Department of Defense, Law Enforcement, State/Embassy Reports).

Continued on next page

I/P #9: FRONTLINE STATES IN THE GLOBAL WAR ON TERRORISM *(continued)*

Indicator #4: *(continued)*

PAST PERFORMANCE	**2004**	1. Coalition training of ANA continued successfully and on target. Phase I of ANA training was completed. The ANA Central Corps stood at over 100% strength at end of FY 2004 and core facilities were complete. 2. Fielded equipment for the ANA, although infrastructure cost increases reduced equipment buys. 3. Ministry of Defense reform occurred on track. A reformed Ministry of Defense and General Staff was functioning with new multi-ethnic tier I and II leadership; Tier III staff had been selected and was being trained. 4. Deployment of ANA was successful. Eight battalions (kandaks) were deployed in 15 provinces for Operation Enduring Freedom and internal stability operations, contributing to OEF operations to quell factional fighting in the north and west, and quell insurgents in the south and east.
	2003	1. The coalition continued to train ANA battalions, graduating the 11th Battalion on 1 October. Afghan non-commissioned officers are gradually taking over aspects of the training. Two brigades were activated in March, and these units, augmented by the addition of a third brigade, were organized as the Central Corps on 1 September. Elements of the ANA began operations in February, and in July six companies, numbering approximately 1000 soldiers, participated in the ANA's first major operation (Operation Warrior Sweep) in southeastern Afghanistan. By October, ANA strength reached approximately 6,000 men in 11 battalions. 2. The ANA continues to face challenges in recruiting, desertions, and maintaining a balance among the competing ethnic groups. Warlord support remains questionable, although militias are gradually turning in their weapons to the central government.
	2002	1. U.S.-led Operation Enduring Freedom drove the Taliban from power and began to destroy the country's terrorist networks. 2. The Bonn agreement requested international assistance to build an Afghan National Army to achieve internal security, extend the central government's authority and prevent the regrouping of Taliban, al Qaeda or other potential terrorist organizations or operations. 3. Initial planning to create the ANA began in December 2001 followed by a February 2002 assessment; U.S. Special Forces soldiers began training in early May 2002. 4. Three kanaks (battalions) completed basic training at the Kabul Military Training Center and one began training. However, none were fully equipped nor completed the full training due to lack of weapons, munitions and demined training sites. Other challenges included lack of warlord support, recruiting difficulties, and insufficient funding. No Border Guard battalions were trained. 5. France, UK and Romania made the only international pledges and donations of cash, training and military equipment.

Afghanistan National Army

Expanding and building the capacity of the Afghanistan National Army is critical to winning the global war on terror. The army is Afghanistan's main vehicle to defend itself from internal and external threats. In 2005, Afghanistan's army fully established influence in Kabul and throughout the country. Force strength is over 26,000. Five battalions are being trained concurrently and 40 (combat, support and logistics) battalions are operational. More than 62,000 militia were disarmed and demobilized. The Reintegration phase is scheduled for completion in 2006. Over 45,000 Afghan national, highway, and border police have been trained to date, and the program is on track to reach its 50,000 target by December 2005.

Soldiers of the 31st Battalion of the Afghan National Army lift their trainer on their shoulders to celebrate at their graduation ceremony in the Kabul Army Training Center, February 2005. AP/Wide World Photo

I/P #9: FRONTLINE STATES IN THE GLOBAL WAR ON TERRORISM *(continued)*

Indicator #5: Pakistan's Law Enforcement/Border Control and Counter-Terror Efforts in Support of Operation Enduring Freedom

JUSTIFICATION (VALIDATION): Department law enforcement and border security programs are aimed at fighting narcotics production and trafficking, securing Pakistan's western border, and improving police performance. The pursuit of these three objectives strengthens Pakistan's security along its frontier with Afghanistan, denies terrorists and other criminals sanctuary in adjoining border areas, improves law enforcement technical capacities and inter-agency cooperation, encourages and supports law enforcement reform, and contains opium poppy cultivation while curbing drug trafficking throughout Pakistan.

FY 2005 PERFORMANCE		
	Target	1. A law enforcement/intelligence national database has been created, linking Terrorist Interdiction Program, fingerprint and national I.D. databases, as well as all relevant Government of Pakistan entities. 2. All paper fingerprint cards converted into electronic system. 3. Foreign intelligence agency training sustained at all national academies. 4. High profile counterterrorism arrest or disruption by U.S. trained units. 5. Helicopter, fixed-wing aircraft, and land patrols are expanded along the entire border region between Afghanistan and Pakistan, with a resulting 25% additional increase in interdictions of contraband, criminals and terrorists. 6. National criminal database and Automated Fingerprint Identification System expanding to district levels. 7. Border security coordination cell established in Peshawar. 8. Government of Pakistan establishes effective control over the tribal areas, measured by arrests of extremists and drug traffickers. 9. Total of 410 km of road completed, opening up 60% of previously inaccessible areas where road building taking place. 10. U.S. citizens and businesses largely freed from the terrorist threat, as indicated by the number of terrorist incidents directed against American targets. Effective border security Intel/coordination cells operating in northwestern provinces and Balochistan. Government of Pakistan replicating border security training on its own. 11. Arrests of criminals/terrorists on western border increase by at least an additional 25 percent. 12. Community policing programs are initiated; a police reorganization plan has been developed; system of internal controls to reduce police corruption is being instituted; a common (enhanced) standard of criminal investigation training has been established. 13. Pakistan law enforcement becomes more effective, as demonstrated by increased arrest rates, and wins greater public acceptance, as demonstrated by fewer acts of mass demonstrations nationwide and conviction rates.
	Results	1. Automated Fingerprint Identification System development is completed and system was delivered in September. 2. Paper fingerprint cards are currently being converted to electronic system and to 10 print cards. 3. Foreign intelligence agency training continues at national academies. 4. Several high profile counterterrorism arrests have been made in 2005. 5. Helicopter, fixed-wing aircraft, and land patrols are only along the southern half of border region between Afghanistan and Pakistan. Received no funding for expanded Air Wing. 6. National criminal database and Automated Fingerprint Identification System system introduced to national levels and not district levels yet. 7. Details of border security coordination cell concept were rejected within the Government of Pakistan. Post is currently looking into options. 8. Government of Pakistan continues to make progress in establishing better control over the tribal areas, measured by arrests of extremists and drug traffickers. 9. Construction of border security roads has been hampered by security. Efforts are underway to solve security issues. 10. Arrests of criminals/terrorists on western border continues. 11. Community policing programs are being initiated; a police reorganization plan has been developed; a common (enhanced) standard of criminal investigation training is still being established.
	Rating	Below Target

Continued on next page

I/P #9: FRONTLINE STATES IN THE GLOBAL WAR ON TERRORISM *(continued)*

Indicator #5: *(continued)*

FY 2005 PERFORMANCE *(continued)*	**Impact**	Slower than expected progress on border security program, namely border security road building, slow the Government of Pakistan's ability to project control over its western border with Afghanistan and eliminate safe havens for criminals, traffickers and terrorists.
	Reason for Shortfall	Overall security concerns have hampered the progress of several projects, especially the border roads projects. Several 2005 targets are still pending final assessment. In addition, the recent catastrophic earthquake in Pakistan will likely cause 2006 targets to slip.
	Steps to Improve	Push the Government of Pakistan to gain further government control of the tribal areas.
PERFORMANCE DATA	**Data Source**	Department of State Air Wing Islamabad Quarterly Report February – July 2005.
	Data Quality (Verification)	Based on our understanding of the Air Wing Islamabad Quarterly Report of February – July 2005, we believe that the data provided is reliable. However, not all results for 2005 are in at this time some changes may occur before the end of the year. Data was collected through July 2005 with some supplemental information coming in August and September 2005.
PAST PERFORMANCE	**2004**	1. 214 km of roads completed, enabling law enforcement to access 30% of previously inaccessible areas. 2. Training and equipment delivered to levies and khassadars to facilitate government-sponsored reforms and improve law enforcement capabilities. 3. Effective use of air and ground assets and training, expansion of Air Wing to Peshawar, and fortification of ports of entry on the western border results in 25% increase in the seizure of contraband and arrests of terrorists and criminals.
	2003	1. Pakistan agencies continue their cooperation in hunting al Qaeda and other terrorists. The Ministry of Interior Air Wing achieved operational status and was given operational control at the end of 2003. All helicopter pilots are fully trained and certified for day, night and night vision goggle missions. Six helicopter mechanics are at an intermediate level of competence. The Air Wing also has a certified quality control inspector, logistics technician, and avionics technician for rotary wing operations and a team of six qualified aerial gunners, including instructors. Three C-208 surveillance aircraft were delivered in September. 2. Special Investigative Group and conducted crisis response training for police in several provinces. The group has been involved in several investigations this year and significantly increases Pakistan's counterterrorism capability. 3. Pakistan security forces have made several terrorist arrests in 2003, including Khalid Shaikh Mohammad, the reported number 3 in al-Qaida and a mastermind of the 9/11 attacks. 4. In October, Pakistan armed forces conducted a major raid of a terrorist stronghold in the country's northwest province of Waziristan. Numerous terrorists were killed or captured. Among those killed was Hasan Mahsum, a leader of the Eastern Turkistan Islamic Movement, a designated terrorist organization. 5. The Department has completed two out of three phases of installing an automated fingerprint identification system in Pakistan. It is currently converting up to 30,000 manual fingerprints into the system.
	2002	1. As partner, Pakistan intelligence and law enforcement agencies coordinate to hunt al Qaeda and other terrorists within Pakistan, including those along its border with Afghanistan. 2. Pakistani Ministry of Interior Air Wing established with operating location in Quetta; five helicopters delivered. 3. Procurement of commodities (vehicles, communications equipment) and fixed wing aircraft delivered and deployed. 4. Aircraft training and technical assistance team deployed in Quetta, with pilot training already begun. 5. U.S. training program for Pakistani border security personnel underway. 6. Joint U.S.-Pakistan Counter-terrorism Working Group meeting held in May 2002, which established counterparts and areas of responsibility for both nations. 7. Pakistan adopted an important and extensive police reform law aimed at significantly improving law enforcement institutions in Pakistan. 8. The Government of Pakistan captured September 11 plotter Ramzi bin-al-Shibh. Pakistan ranks third in the world for the amount of terrorist finances seized. Daniel Pearl kidnapper/murderer apprehended and church bombing suspects detained. Over 500 international terrorists turned over to U.S. custody.

PERFORMANCE GOAL 4

DIMINISHED POLITICAL AND ECONOMIC CONDITIONS THAT PERMIT TERRORISM TO FLOURISH

The U.S. Agency for International Development is reporting results for this goal.

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 3: HOMELAND SECURITY

Secure the homeland by strengthening arrangements that govern the flows of people, goods, and services between the United States and the rest of the world

I. Public Benefit

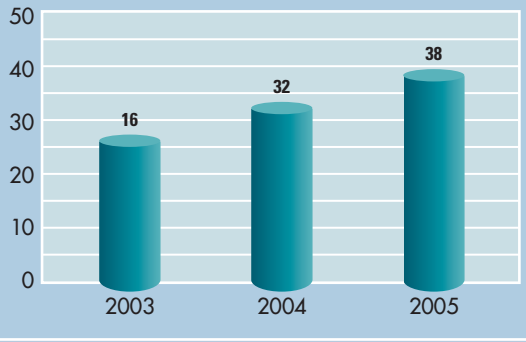
The events of 9/11 proved how susceptible the United States and its allies are to those who would do us harm. The Department, together with the Department of Homeland Security (DHS) and other U.S. Government agencies, is addressing U.S. vulnerabilities to terrorist attacks and other transnational threats to the United States. The Department is protecting our homeland by strengthening the visa process as a tool to identify potential terrorists and others who should not receive visas and prevent those people from entering the United States. Strengthening U.S. physical and cyber borders against people who threaten U.S. security requires the security of the global networks of commerce, travel, and communications that enable the vital free flow of bona fide travelers and goods. At the same time, the Department is combating the ability of terrorists to travel, finance their activities, plan and conduct attacks, and attract and train new recruits.

Children show their biometric, machine-readable visa cards in El Paso, Texas.

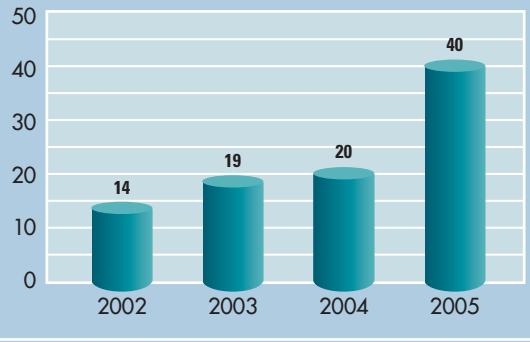
Credit: AP/Wide World Photo

II. Selected Performance Trends

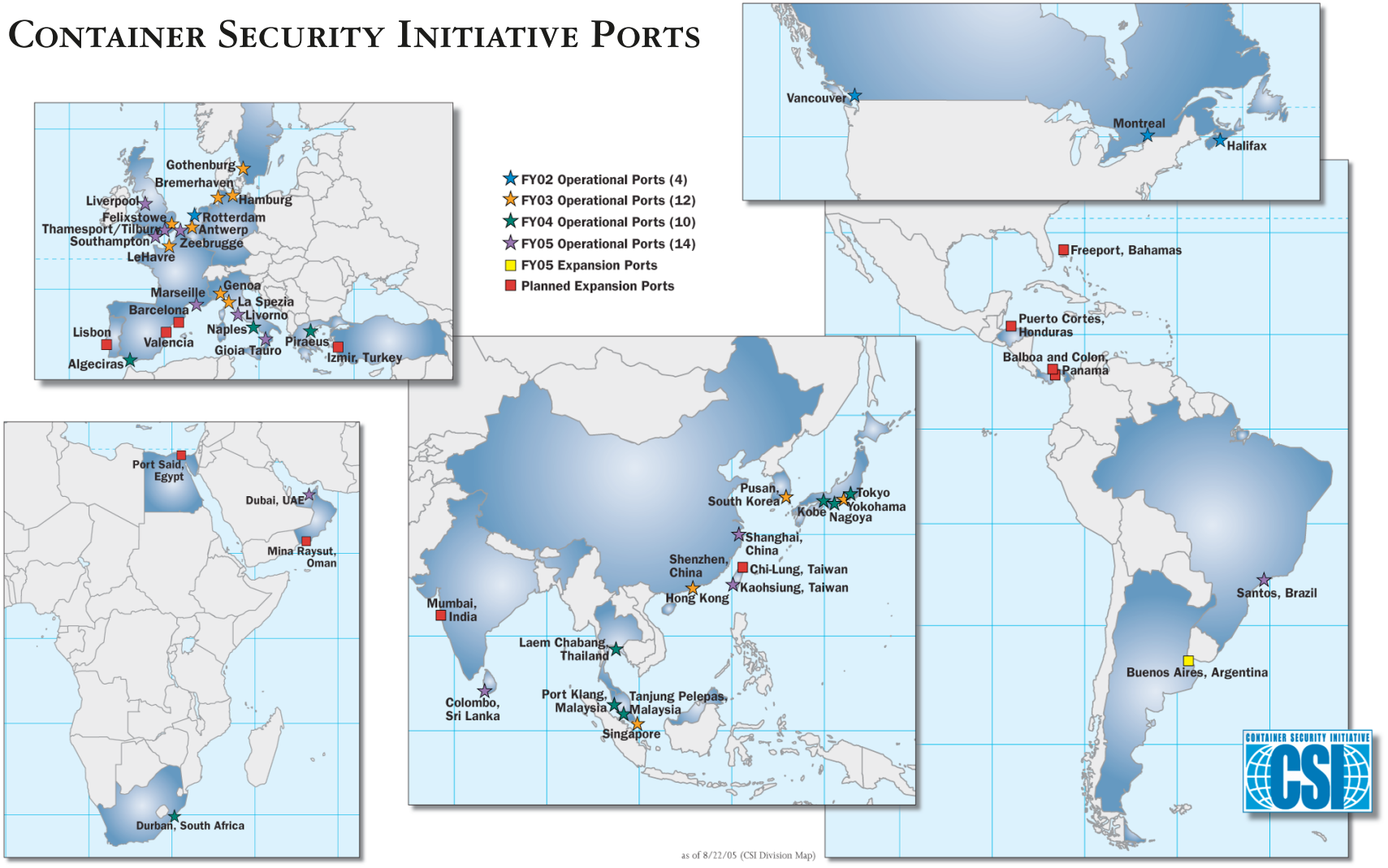
Number of Posts Assessed to Ensure Proper Visa Practices



Number of Ports in the Container Security Initiative



Container Security Initiative Ports



U.S. Customs and Border Protection

III. Strategic Context

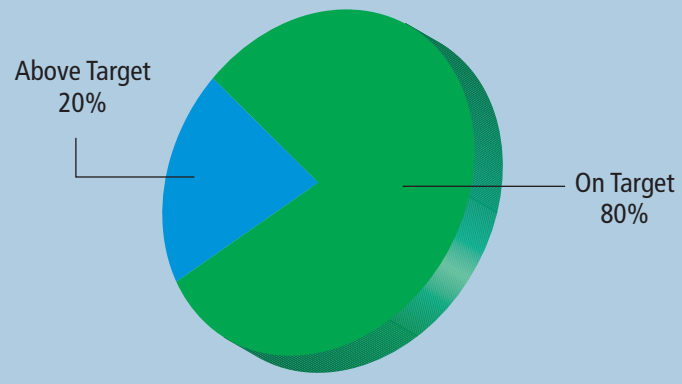
This strategic goal is supported by three performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Homeland Security	Proper Visa Adjudication	Visa and Consular Services	D&CP	CA	DHS, DOJ, DOL, FBI, CIA, NARA, DOD, SSA
		U.S.-EU Cooperation on Border Security	D&CP	CA, EB, EUR	DHS
	Border Agreements	U.S. Canada Smart Border Action Plan U.S.-Mexico Boarder Partnership	D&CP	WHA	DHS
		Container Security Initiative	D&CP	EB	DHS
	Infrastructure Network Protection	Cyber Security	D&CP	PM, EB	DHS
		Protect Transportation Infrastructure	D&CP	CA, EB	DHS, ICAO
		Maritime Security	D&CP	CA, EB	DHS, IMO

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Homeland Security strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION

Significantly Above Target	0
Above Target	2
On Target	8
Below Target	0
Significantly Below Target	0
Total Number of Ratings	**10**

V. Performance Analysis

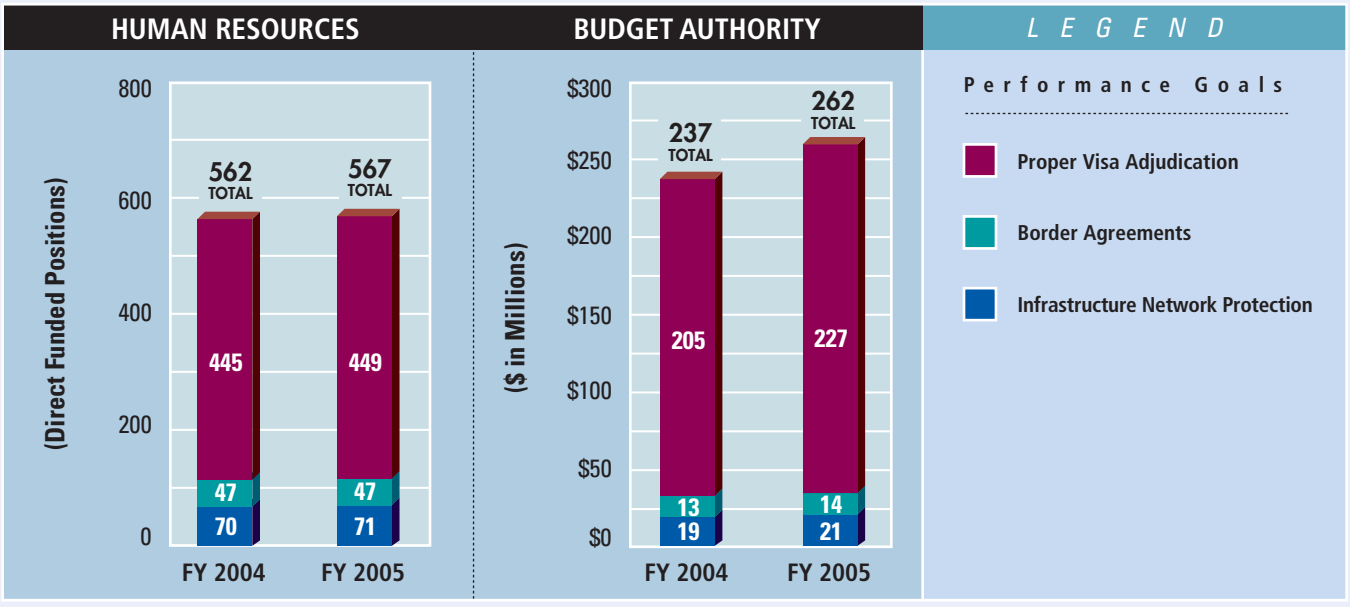
PERFORMANCE TRENDS. Two performance trends in the area of Homeland Security are significant: (1) the Department continues to protect our homeland by strengthening the visa process – for example, the number of posts assessed by Consular Management Assistance Teams to ensure proper visa practices has steadily increased from 32 in FY 2004 to 38 in FY 2005; (2) the Department of State and the Department of Homeland Security are working to secure shipping ports - for instance, the number of ports in the Container Security Initiative doubled from FY 2004 to FY 2005.

OUTCOME-LEVEL RESULTS. The Department made demonstrable progress toward achieving high-level outcomes in such areas as implementing a comprehensive border security agreement with neighboring countries and expanding data sharing capabilities with federal agencies involved in homeland security efforts. Both of these programs performed at or above target in FY 2005.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. There were no results significantly above or below target, although the Department continues to face challenges in: (1) addressing U.S. vulnerabilities to terrorist attacks and other transnational threats; (2) strengthening physical and cyber borders; and (3) combating the ability of terrorists to travel, finance their activities, and perform attacks.

RESOURCES INVESTED. In FY 2005, the Department allocated approximately 1% of the entire budget to homeland security operations. This equates to $262 million, as well as an increase of $25 million from FY 2004.

VI. Resources Invested



VII. Performance Results

PERFORMANCE GOAL 1

DENIAL OF VISAS TO FOREIGN CITIZENS WHO WOULD ABUSE OR THREATEN THE UNITED STATES, WHILE FACILITATING ENTRY OF LEGITIMATE APPLICANTS

INITIATIVE/PROGRAM (I/P) #1: VISA AND CONSULAR SERVICES (PART PROGRAM)

Indicator #1: Number of Other Agencies With Access to the Consular Consolidated Database

JUSTIFICATION (VALIDATION): Sharing of all relevant data with and among agencies involved in the visa process or other homeland security efforts is a priority for the Department and a U.S. Government goal. Signed Memoranda of Understanding are matters of record and show progress toward optimal interagency cooperation on homeland security issues.

FY 2005 PERFORMANCE	Target	Expand data sharing with other agencies and internationally.
	Results	As of September 2005, the Department continued to partner with DHS in discussions with Canada, Mexico, Visa Waiver Program (VWP) countries and others about sharing terrorist and visa lookout data. The Terrorist Threat Information Center (TTIC) is now the National Counter Terrorism Center (NCTC). Department initiated new discussions with Japan, Spain, Italy and Germany and concluded agreements with Canada and the U.K.
	Rating	On Target
	Impact	The effort to share terrorist and visa lookout data internationally has strengthened border security.
PERFORMANCE DATA	Data Source	Signed copies of Memoranda of Understanding and minutes of annual review meetings.
	Data Quality (Verification)	Bureau of Consular Affairs collects and checks data for accuracy.
PAST PERFORMANCE	2004	The Department signed Memorandum of Understanding on information sharing with three other U.S. Government agencies.
	2003	Two other agencies with access to database
	2002	One other agency with access to the database

Homeland Security Secretary Michael Chertoff, second left, tours New York's Grand Central Terminal with New York City Mayor Michael Bloomberg, left, U.S. Sen. Charles Schumer, D-N.Y, and U.S. Sen. Hillary Rodham Clinton, D-N.Y. AP/Wide World Photo

I/P #1: VISA AND CONSULAR SERVICES *(continued)*

Indicator #2: Development of a Biometrics Collection Program for U.S. Visas

JUSTIFICATION (VALIDATION): Testing systems to determine whether they work as intended and using the systems to capture and share biometric data and produce visas incorporating the agreed upon technology standards will indicate whether the program has been a success.

FY 2005 PERFORMANCE	**Target**	All posts collect biometrics from visa applicants by October 2004.
	Results	As of September 30, 2005, all visa-issuing posts continued to collect fingerprints under the Biometric Visa Program and had cleared fingerprints of over 8.1 million visa applicants against the DHS IDENT (Automated Biometric Identification System) fingerprint system, with over 11,000 matches on the IDENT watchlist, resulting in visa refusals in almost all cases.
	Rating	**On Target**
	Impact	The Biometric Visa Program is having a major impact in preventing ineligible applicants from obtaining visas and in ensuring the integrity of the U.S. visa by allowing biometric identity verification of visa bearers at U.S. ports of entry.
PERFORMANCE DATA	**Data Source**	Implementation confirmed through Consular Consolidated Database (CCD). All IDENT check responses are stored in the CCD. Program evaluation available from the Government Accountability Office (GAO): *State Department Rollout of Biometric Visas on Schedule, but Guidance is Lagging (GAO-04-1001).*
	Data Quality (Verification)	Data are exchanged from the CCD to IDENT over a direct line to ensure quality is maintained in transmission. IDENT fingerprint matching achieves higher than 99% accuracy.
PAST PERFORMANCE	**2004**	Implementation of biometric collection program at all posts completed 10/7/04, ahead of the statutory 10/26/04 deadline.
	2003	1. Developed recommendations on biometric standards for visas. 2. Used facial recognition technology to disqualify over 20,000 from the annual Diversity Visa lottery for filing duplicate entries. To evaluate facial recognition full potential for combating visa and passport fraud, launched a facial recognition pilot for nonimmigrant visas (NIV). Began worldwide deployment of biometric NIV software, with Brussels as the first pilot post, going live with fingerprint collection on September 22, 2003. Fingerprint capture equipment and new software for NIV production was also deployed at Frankfurt, Guatemala City, and San Salvador. 3. Began worldwide deployment of biometric NIV software, with four posts going live with fingerprint collection in September 2003.
	2002	1. Biometric Border Crossing Card (BCC) program continued. 2. Production of BCCs at U.S. Embassy in Mexico supplemented BCC production by DHS in periods of great demand. 3. Use of facial recognition technology expanded.

Combating Visa Fraud

In November 2004, the Department established a fraud prevention unit at the Kentucky Consular Center to counter fraud in the Diversity Visa lottery program and with petition-based visas, such as temporary workers. The consular center provided background to support six formal fraud investigations and has returned 166 non-immigrant visa petitions to the Department of Homeland Security for revocation based on fraud indicators. The consular center continues to employ facial recognition technology as a tool against visa fraud, especially in the lottery program. In 2005, more than 7.5% of winning entries were disqualified as duplicate entries using facial recognition. Over 100,000 more duplicate entries were eliminated using facial recognition and "matching technologies" before the winners were selected.

A visa applicant demonstrates how biometric data is collected. AP/Wide World Photo

I/P #2: U.S.-EU COOPERATION ON BORDER SECURITY

Indicator #3: Passenger Manifest Requirements

JUSTIFICATION (VALIDATION): Advanced electronic data receipt enhances the targeting and screening of travelers who may threaten the U.S. and aid in facilitating the travel of persons with legitimate reasons to travel to the U.S.

FY 2005 PERFORMANCE	**Target**	1. Opinions by the public and political leadership in Europe and Eurasia soften on U.S. Government use of Passenger Name Record (PNR). 2. Ensure access to PNR data for border and passenger screening on a global basis.
	Results	1. Both political and public opinion on U.S. Government use of PNR has been softened. 2. All air carriers submit PNR data on passengers traveling to the U.S.
	Rating	On Target
	Impact	There has been a positive impact on secure travel between the United States and other countries.
PERFORMANCE DATA	**Data Source**	Opinion data: Media and Department reporting; lack of formal objections by governments. Compliance data: Department of Homeland Security (DHS).
	Data Quality (Verification)	1. Opinion data believed to be accurate; could vary by country and time period. 2. Compliance data believed to be 100% accurate.
PAST PERFORMANCE	**2004**	1. Programs to assist foreign carriers and public authorities to comply with U.S.-VISIT (Entry-Exit) requirements to track visitors to the United States were conducted in FY 2004 by the Department of Homeland Security and associated agencies. The Department is no longer involved with these programs. 2. U.S.-VISIT entry-exit procedures were established at all 115 airport entry points by DHS; land border implementation will begin on a trial basis in early FY 2005. 3. Passenger Name Record (PNR) access agreement reached with the EU. The European Union formally agreed in May 2004 to allow the transfer of PNR data from European flights to DHS.
	2003	Reached a provisional agreement with EU, allowing European carriers to provide PNR data beginning in March 2003. The Department of Homeland Security offered a number of proposals to meet EU privacy requirements; negotiations have yielded some concessions from the Europeans, but differences remain.
	2002	1. The Department assisted foreign carriers, particularly air carriers to meet the high performance requirements of 97 percent accuracy. 2. Advance Passenger Information System program expanded to cruise vessels.

A Chinese police guard checks the documents of visa seekers outside the U.S. embassy in Beijing, March, 2005.

AP/Wide World Photo

BORDER SECURITY (PART PROGRAM EFFICIENCY MEASURE)

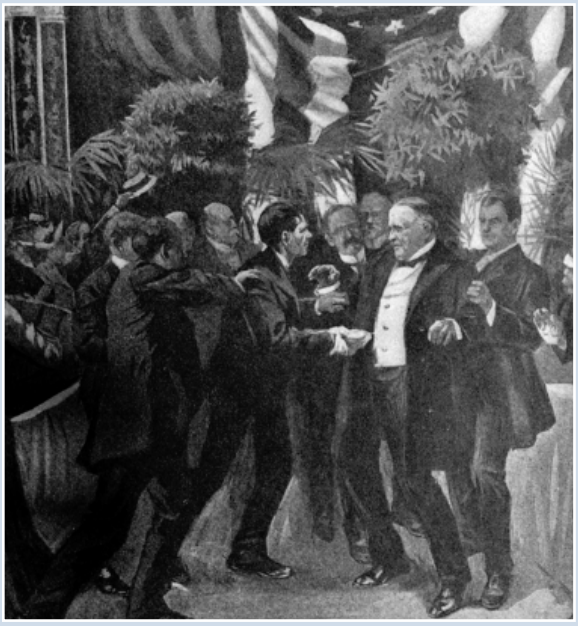
Indicator #4: Number of Posts Assessed by Consular Management Assistance Teams (CMAT) to Ensure Proper Visa Practices

JUSTIFICATION (VALIDATION): Through operational reviews of consular operations, CMATs assess the integrity of management controls, effective resource utilization, space allocation, and the extent to which Department-mandated standard operating procedures have been understood and implemented. They provide guidance to foster effective management controls and greater standardization. CMATs visit posts upon request or based on Bureau of Consular Affairs assessment of need.

FY 2005 PERFORMANCE	**Target**	30 assessments.
	Results	CMATs visited 38 posts during FY 2005.
	Rating	**Above Target**
	Impact	CMATs recognize and reinforce good practices, as well as identify areas for improvement. They are an important management tool for the Bureau of Consular Affairs, offering feedback on overseas consular operations, and providing a vehicle to respond quickly as a troubleshooter for emergent situations.
PERFORMANCE DATA	**Data Source**	Summary reports were cabled to posts visited.
	Data Quality (Verification)	Reports are coordinated in the Executive Office of the Bureau of Consular Affairs and reviewed by the Assistant Secretary for Consular Affairs.
PAST PERFORMANCE	**2004**	CMATs visited 32 posts.
	2003	CMATs visited 16 posts.
	2002	Program did not exist.

A Look to History: Homeland Security

Concerns about the entry of hostile aliens into the United States first became a major issue in 1901 with the assassination of President William McKinley by Polish-born anarchist Leon Czolgosz. On March 3, 1903, Congress enacted "An Act to Regulate the Immigration of Aliens into the United States," and in 1917, a subsequent law was the first to envision any State Department involvement in enforcing immigration laws. The law authorized the Secretary of Labor to negotiate through the State Department the assignment of Immigration Service inspectors to foreign passenger ships.



Artist sketch of President McKinley visiting the Pan-American Exposition in Buffalo, NY on September 6, 1901. Leon Czolgosz is shown approaching President McKinley with a gun in his right hand. He fired two shots at McKinley point blank. AP Photo

PERFORMANCE GOAL 2

IMPLEMENTED INTERNATIONAL AGREEMENTS STOP THE ENTRY OF MATERIALS THAT COULD HARM THE UNITED STATES, WHILE ENSURING THE TRANSFER OF BONA FIDE MATERIALS

I/P #3: U.S.-CANADA SMART BORDER ACTION PLAN/U.S.-MEXICO BORDER PARTNERSHIP

Indicator #1: Status of the Border Security Initiatives

JUSTIFICATION (VALIDATION): This indicator measures progress in implementing a key border security agreement with the countries bordering the continental United States.

FY 2005 PERFORMANCE	**Target**	1. Full implementation of Border Accord and successful implementation of any new initiatives developed in FY 2004. Continued U.S.-Canada cooperation on security efforts. No incidents of terrorist exploitation of Canadian territory to attack the U.S. or its interests. Launch and implementation of Security and Prosperity Partnership for North America (SPP) begins; 25% of goals reached. 2. SPP formally launched. Short-term SPP counterterrorism initiatives accomplished, including all tasks within a 22-point action plan. Government of Mexico (GOM) develops its own watchlist and shares information with the U.S. Government for inclusion in Consular CLASS lookout system. Leads on aliens of interest routinely passed by GOM to the U.S. Government. No incident of terrorist exploitation of Mexican territory to attack U.S. or its interests.
	Results	1. Border security program with Canada launched March 2005. Work plan approved at Ministerial in June 2005. 2. Remaining items of Action Plan with Mexico completed and institutionalized. Short-term objectives within SPP on track to be established by June 2005 and completed by December 2005.
	Rating	On Target
	Impact	The implementation of the SPP, which incorporates the aims of existing bilateral agreements, will further shared security and economic aims in Canada and Mexico. The 30-point U.S.-Canada Border Accord is designed to improve security in travel, communications, and infrastructure while enhancing the vital economic, cultural, and personal relationships. The U.S.-Mexico Border Partnership addresses 22 action items on border security, border safety, and infrastructure for cross-border travel and commerce.
PERFORMANCE DATA	**Data Source**	1. Status reports from DHS and consultations with the Government of Canada. 2. U.S.-Mexico annual reports on Partnership; INL reporting; status reports from DHS; consultations with the Government of Mexico.
	Data Quality (Verification)	Data are reliable. Complete information on Mexico border initiatives is not available until the following calendar year.
PAST PERFORMANCE	**2004**	1. NEXUS lanes added at three border crossings; FAST lanes at one. Discussions continued but were not finalized by fiscal year-end. 2. Consultant study initiated; Secure Electronic Network of Travelers' Rapid Inspection lanes under development; technology installation and public outreach underway; protocols on sharing of information on aliens of interest near completion and technical review expected this fiscal year. SPP was not launched in FY 2004.
	2003	1. Continued implementation of additional portions of the U.S.-Canada Border Accord in coordination with newly created Department of Homeland Security. Finalize a "safe third" asylum agreement (Point #5), a pre-clearance agreement (Point #7), and continued visa policy coordination (Point #6). U.S.-Canada joint committee on Critical Infrastructure Protection established (Point #21). No incidents of terrorist exploitation of Canadian territory to attack the U.S. or its interests. 2. Border Partnership signed by Mexican and U.S. Governments. Initial implementation meetings held in Mexico City and Washington. $25 million obligated for law enforcement assistance projects under some of the 22 points.
	2002	The 30-point Canadian plan and the 22-point Mexican plan were launched.

I/P #4: CONTAINER SECURITY INITIATIVE

Indicator #2: Full Implementation and Expansion of Container Security Initiative (CSI)

JUSTIFICATION (VALIDATION): Security screening of containers at foreign ports before ships depart for the U.S. decreases both the appeal to terrorists and the vulnerability of the vital maritime transportation sector and, in the event of an incident, allows more expeditious resumption of maritime commerce.

FY 2005 PERFORMANCE	**Target**	Additional partner countries deploy teams to the U.S. under the reciprocity aspects of CSI. CSI best practices (as embodied in the World Customs Organization Framework) adopted at non-CSI ports.
	Results	1. Discussions are underway with other countries who are interested in sending personnel to the National Targeting Center. World Customs Organization adopts the "Framework of Standards to Secure and Facilitate Global Trade" which is based on the principles underlying CSI. Four Customs Administrations agree to participate. Some agreements are still in the process of being finalized. As a result, projection will likely be reached/exceeded prior to the end of the calendar year. In addition, Customs and Border Protection and the Department of Energy are reviewing the probability of signing agreements with some countries that will include both CSI and the Megaports initiative. 2. CSI is now operational in 40 ports and screens more than two-thirds of U.S.-bound containerized cargo. 3. New Declarations of Principles: 4. 4. New Operational Ports: 14.
	Rating	On Target
	Impact	The result is that now over seventy percent of U.S. bound cargo is prescreened for terrorism prior to being laden for shipment to U.S.
PERFORMANCE DATA	**Data Source**	Bureau of Customs and Border Protection, Department of Homeland Security.
	Data Quality (Verification)	Security screening of containers at foreign ports before ships depart for the U.S. decreases both the appeal to terrorists and the vulnerability of the vital maritime transportation sector and, in the event of an incident, allows more expeditious resumption of maritime commerce.
PAST PERFORMANCE	**2004**	An agreement has been reached with the EU on CSI and related issues. Pilot project deployed to ports in Malaysia and South Africa. Working to facilitate expansion of CSI to Greece and other Customs Administrations as appropriate. Ten ports become operational with 20 of the world's largest ports participating. Taiwan signed declaration of principles in August 2004.
	2003	Nineteen of the largest 20 ports agreed to participate in the CSI program. CSI was expanded to include additional ports worldwide. CSI "pilot phase" deployments underway at sixteen ports.
	2002	**Baseline:** Launch of the CSI. Nine countries included, encompassing fourteen of the twenty largest large ports.

Secretary Rice, right, with Cypriot Foreign Minister Georgios Lacovou, after signing a proliferation security initiative on ship boarding at the State Department, July 2005, in Washington.
AP/Wide World Photo

I/P #4: CONTAINER SECURITY INITIATIVE *(continued)*

Indicator #3: Cargo Manifest Requirements

JUSTIFICATION (VALIDATION): Electronic cargo information improves the Bureau of Customs and Border Protection targeting and screening capabilities for cargo and allows more effective targeting of high-risk shipments.

FY 2005 PERFORMANCE	**Target**	1. Implement advance manifest data standards. 2. 85% of all container traffic to be covered by CSI.
	Results	1. Full implementation will be achieved by the end of the calendar year. 2. Currently 74% of all container traffic is prescreened via CSI.
	Rating	On Target
	Impact	The result is that now over seventy percent of U.S. bound cargo is prescreened for terrorism prior to being laden for shipment to U.S.
PERFORMANCE DATA	**Data Source**	Bureau of Customs and Border Protection, Department of Homeland Security.
	Data Quality (Verification)	Electronic cargo information improves the Bureau of Customs and Border Protection targeting and screening capabilities for cargo and allows more effective targeting of high-risk shipments.
PAST PERFORMANCE	**2004**	1. The Department of Homeland Security (DHS) published the final Trade Act regulations in the Federal Register on December 5, 2003. The rules require advance transmission of the electronic cargo information to DHS for both arriving and departing cargo and provide for various effective dates depending upon the mode of transportation. 2. Phased implementation began January 5, 2004. Requirements for transmission of data on inbound cargo (other than vessel) include: ● Air: Four hours (wheels up from NAFTA and Central and South America above the equator). The required full compliance date was December 13, 2004. ● Rail: Two hours. The required full compliance date was October 10, 2004. ● Truck: One hour non-Free and Secure Trade 30 minutes for FAST. The effective date of implementation for the final rule was January 5, 2004.
	2003	1. All vessel cargo manifest information provided to the Bureau of Customs and Border Protection either in electronic or paper format at least 24 hours prior to loading unless exempted. 2. Regulations finalized for electronic submission of data for all modes of transport.
	2002	Bureau of Customs and Border Protection (then the U.S. Customs Service) expanded electronic manifesting to Canadian and Mexican borders to speed clearance.

A truck passes through a radiation portal monitor at the Port of Los Angeles, July, 2005.

AP/Wide World Photo

PERFORMANCE GOAL 3

PROTECTION OF CRITICAL PHYSICAL AND CYBER INFRASTRUCTURE NETWORKS THROUGH AGREEMENTS AND ENHANCED COOPERATION

I/P #5: CYBER SECURITY

Indicator #1: Number of Countries With Critical Infrastructure Protection (CIP) Action Plans

NOTE: Indicator deleted. See Appendix for details.

Indicator #2: Critical Infrastructure Protection (CIP) Principles Implemented by Bilateral Partners

JUSTIFICATION (VERIFICATION): This indicator is a measure of national awareness of and participation in CIP. Awareness of the problem is a critical first step to undertaking cooperative international activities. Target numbers are based on five CIP principles (appointment of a national CIP coordinator, establishment of a mechanism for information exchanges, adoption of appropriate CIP legislation, a campaign for CIP awareness, and creation of a culture of security.) The priority of effort is to move beyond awareness raising and identify specific initiatives for implementation. At present we have 11 bilateral partners.

FY 2005 PERFORMANCE	**Target**	40.
	Results	45 countries, including 19 from the Sao Paulo conference, 13 from the Berlin conference, and 12 from the Asia-Pacific Economic Cooperation group.
	Rating	**Above Target**
	Impact	Adherence to international CIP principles puts governments in a better position to deter and respond to threats to globally connected critical infrastructures such as ports, telecommunications systems, energy grids and computer networks. Ensuring the viability of these systems will help reduce the impact of catastrophic events such as a terrorist attack or natural disaster, which may result in saved lives, speedy recovery, and political stability.
PERFORMANCE DATA	**Data Source**	Bureau of Political-Military Affairs compiles data on the adoption and implementation of CIP principles among bilateral partners.
	Data Quality (Verification)	First-hand data collection. Highly reliable.
PAST PERFORMANCE	**2004**	Canada and Mexico implement physical and cyber infrastructure protection plans coordinated with U.S. plans.
	2003	N/A.
	2002	N/A.

I/P #6: PROTECT TRANSPORTATION INFRASTRUCTURE

Indicator #3: More Robust The International Civil Aviation Organization (ICAO) Security Standards and an Effective Audit Program

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): These reports are the baselines for agency accountability in ensuring that airports around the world comply with the international security standards established by ICAO, a critical defense against terrorist attacks on civil aviation.

FY 2005 PERFORMANCE	**Target**	1. Virtually all countries require manifests before boarding, have machine-readable passports with biometrics. 2. Audits are completed in another 40 countries. 3. Countries with poor security audits have received remedial assistance.
	Results	1. All countries must issue machine-readable passports by April 1, 2010; non-MRPs issued after November 25, 2005, must expire on or before November 24, 2015. Biometrics specifications have not yet become a standard. 2. ICAO has conducted 96 audits to date and have 11 more scheduled by year's end, resulting in a total of 107 countries being audited. ICAO's goal was to audit 40 countries each year with a goal of having audited 100 countries by the end of 2005. 3. Remedial assistance is offered to countries with compliance issues.
	Rating	1. **Below Target** 2. **Above Target** 3. **On Target**
	Impact	International aviation is more secure because airports and governments know they are going to be audited in advance and make improvements in the run-up to the audit so that the audit results will be better. Those whose audits reveal deficiencies benefit from ICAO follow-up visits.
	Reason for Shortfall	Biometric passports are a specification, not an ICAO standard.
	Steps to Improve	Continue to improve technology and cost factors.
PERFORMANCE DATA	**Data Source**	International Civil Aviation Organization.
	Data Quality (Verification)	Although the security audit results are confidential, the reliability of the data is accepted due to the quality of the audit teams, their training and ICAO's overall track record for technical expertise and reliability.
PAST PERFORMANCE	**2004**	ICAO completed 40 audits.
	2003	1. ICAO selected facial recognition as the globally interoperable biometric for passports and other Machine Readable Travel Documents and high-capacity, contactless integrated circuit chips to store identification information. 2. ICAO has completed 60 audits.
	2002	ICAO accepted U.S. suggestions for development of a security audit program, hardened cockpit doors, adding biometric indicators to travel documents, and upgrading recommended security practices to become required standards.

I/P #7: MARITIME SECURITY

Indicator #4: Implementation of International Security Standards for Shipping and Ports

JUSTIFICATION (VALIDATION): "Monitoring Compliance" is diplomatic language for the process of actually assessing (inspecting) foreign ports or vessels for their compliance with international security standards for shipping and ports. If ports are not in compliance, there are potential consequences and repercussions. As a result of Coast Guard inspections, several countries that reported compliance to the International Maritime Organization (IMO) have in fact been found to have deficiencies in their ports and may face potential trade consequences as a result. This will be an ongoing process without an end state because the Coast Guard will continue to assess ports as mandated by the Maritime Transportation Security Act of 2002 barring a legislative change. Coast Guard also assesses vessel and flag state compliance with international standards.

FY 2005 PERFORMANCE	**Target**	Countries representing 90% of all shipping calling on U.S. ports implement IMO standards. *Target Revised. Please see Appendix for details.*
	Results	All major shipping registries serving the U.S. now conform to international standards. In port state control checks, since the beginning of FY 2005, the Coast Guard only detained 26 ships, denied entry to one, and expelled two for deficiencies in their security arrangements.
	Rating	On Target
	Impact	Coast Guard has visited several ports to monitor their compliance with the international code and the Department has worked with the Coast Guard to advise and assist those countries which have been found to have deficiencies.
PERFORMANCE DATA	**Data Source**	USCG.
	Data Quality (Verification)	Monitoring port and vessel compliance with the international code is an important aspect of improving maritime security and preventing terrorist attacks.
PAST PERFORMANCE	**2004**	USCG began inspections July 2004. Interagency working group chaired by the Department of Homeland Security and the Department of Defense in process of developing a National Strategy for Maritime Security to enhance maritime security.
	2003	IMO adopted standards for ship and port facility security. United States passes the Maritime Transport Security Act.
	2002	IMO adopts standards for ship and port facility security. United States passes the Maritime Transport Security Act.

The Security and Prosperity Partnership

The U.S., Canada, and Mexico launched an ambitious program to enhance continental security and promote economic welfare through the Security and Prosperity Partnership (SPP), announced March, 2005. The security component of SPP covers issues such as traveler and cargo security, border infrastructure, law enforcement cooperation, and information sharing. More than 190 specific action items focus on harmonizing visa policies, designing secure travel documents, protecting our food supplies, developing interoperable communications systems for emergency response, and streamlining legitimate travel and trade across borders.

An officer peers into the trunk of a vehicle at the border crossing station in Highgate, Vermont along the U.S.-Canadian border.

AP/Wide World Photo

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 4: WEAPONS OF MASS DESTRUCTION

Reduce the threat of weapons of mass destruction to the United States, our allies, and our friends

I. Public Benefit

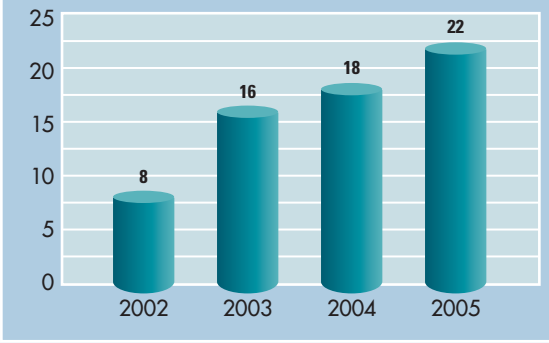
Weapons of mass destruction (WMD) including nuclear, chemical, biological and radiological weapons and their delivery systems threaten our territory and citizens, our armed forces, our national interests, and our allies and friends overseas – especially if such weapons ever find their way into the hands of terrorists. The Department combats this threat by working with other countries to fight WMD and missile proliferation, to defend against WMD attack, and to deny them to terrorist groups and outlaw states. The Department's efforts protect the safety and security of the United States and its friends and allies by lowering the risk of conflict; minimizing the destruction caused by an attack or conflict; denying outlaw state and terrorist groups access to such indiscriminate weapons and the expertise necessary to develop them; and preventing potentially devastating WMD-related accidents.

The Department is committed to reducing the WMD and missile threat through agreements and commitments to reduce current nuclear weapons stockpiles; cooperative efforts to develop missile defenses as appropriate; strengthening compliance with and implementation of arms control, nonproliferation and disarmament treaties, agreements and commitments; and active measures such as the Proliferation Security Initiative to improve and enforce export controls and prohibit illicit WMD trafficking. The Department leads the U.S. Government in: (1) shaping and executing international strategies to ensure such weapons do not fall into the hands of terrorists; (2) eliminating eliminate threats remaining from the Cold War's WMD legacy; (3) enhancing controls on biological agents and toxins, especially in the area of national controls; and (4) redirecting Iraq's former WMD scientists and helping Libya eliminate its WMD programs. To ensure the U.S. Government's WMD strategies are both robust and effective, the Department integrates verification into arms control, nonproliferation, and disarmament negotiations, treaties, agreements, and commitments and works to ensure that compliance is rigorous and enforced. WMD and missile proliferation, especially in troubled regions, exacerbates regional instability and carries negative political, economic and social consequences, most especially the danger that terrorists might acquire WMD and delivery systems.

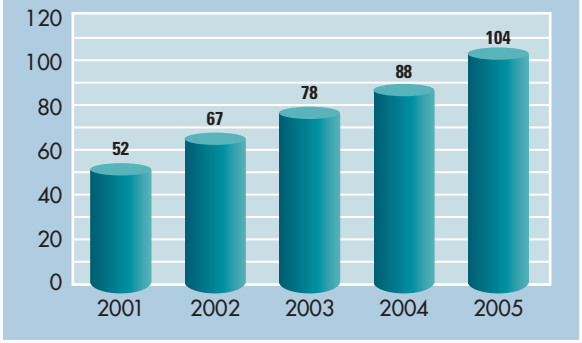
South Korean Foreign Minister Ban Ki-moon, left, shakes hands with Christopher Hill, the U.S. assistant secretary of state for East Asian and Pacific Affairs, during their meeting to discuss six-way talks aimed at curbing North Korea's nuclear program, at the foreign ministry in Seoul, April 2005. AP/Wide World Photo

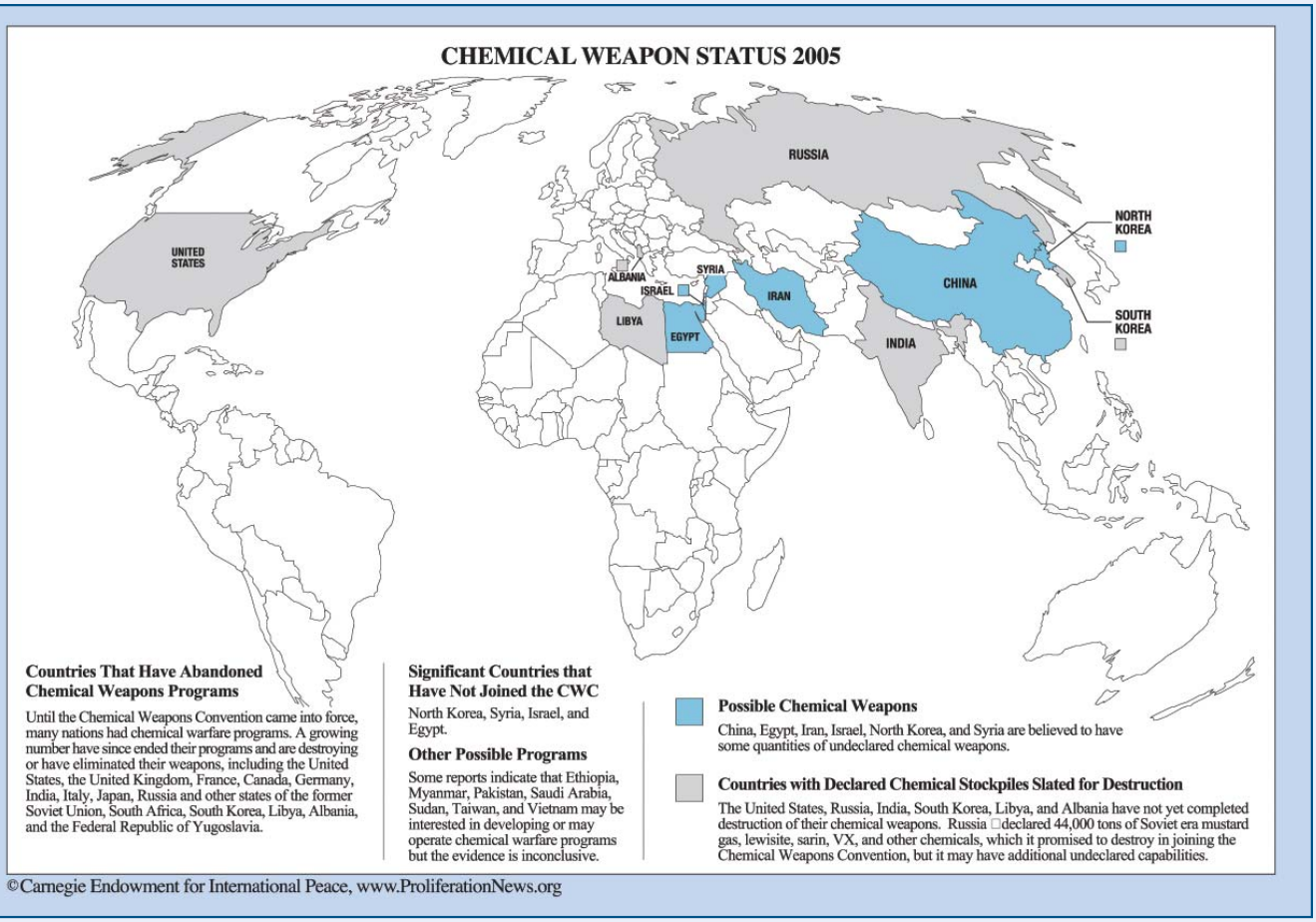
II. Selected Performance Trends

WMD Institutes Graduated to Commercially Sustainable Ventures



Number of Countries That Have Signed the IAEA Additional Protocol





III. Strategic Context

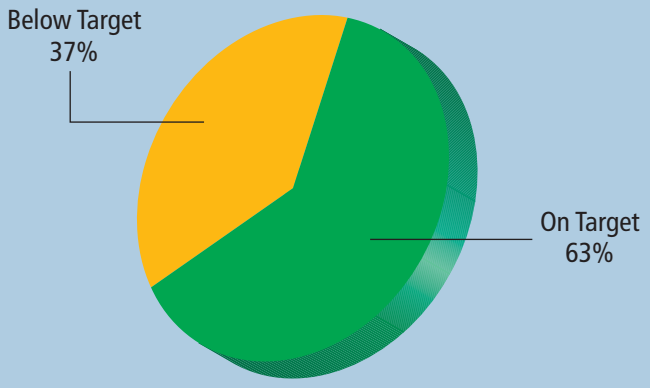
This strategic goal is supported by three performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Weapons of Mass Destruction	Unilateral and Bilateral Measures	Curb Access	D&CP, NADR EXBS, Science Center, Bio-Chem Redirect, Iraq Redirection Program, Sanctions, Export licensing, and NDF Programs	ISN	DoC, DoD, DoE, HHS, EPA, FBI, IC, NRC, NSC, USDA, CRDF, Australia Group, EU, G-8, IAEA, ICOC, MTCR, NATO, NPT, NSG, UNSC, Zangger Committee, ISTC, STCU
		Cooperation on Missile Defense	D&CP	ISN	DoD, IC, NSC, NATO
		Cooperation with Russia on New Strategic Framework	D&CP	ISN, VCI	DoD, IC, NSC, NATO
	Multilateral Agreements and Nuclear Cooperation	Strengthen Global Norms	D&CP, NADR, IAEA, Voluntary Contributions, CPPNM, NPT	ISN	DoC, DoD, DoE, HHS, EPA, FBI, IC, NRC, NSC, USDA, CRDF, Australia Group, EU, G-8, IAEA, ICOC, MTCR, NATO, NPT, NSG, UNSC, Zangger Committee, ISTC, STCU
		Chemical Weapons Convention	D&CP, CIO Account for assessments and inspections, NPT	ISN, VCI	DoD, DoC, DoJ, DoE, IC, NSC, OPCW
		Biological Weapons Convention	D&CP, NPT	ISN, VCI	DoD, DoE, DoC, DHHS, IC, NSC, WHO, FAO
		Promote Safe Nuclear Cooperation	D&CP, NPT	ISN, VCI	DoE, EPA, NRC, NSC, OVP, Treasury, USAID
	Verification and Compliance	Arms Control	D&CP	VCI, ISN	DoD, DOE, IC, DoC, JCS, DHS, FBI, NSC, OVP, DoJ, USDA, OPCW, EU, G-8, IAEA, NPT
		Compliance Diplomacy	D&CP	VCI, ISN	DoD, DOE, IC, DoC, JCS, DHS, FBI, NSC, OVP, DoJ, USDA, OPCW, EU, G-8, IAEA, NPT
		President's Annual Noncompliance Report	D&CP	VCI	DoD, DOE, IC, DoC, JCS, DHS, FBI, NSC, OVP, DoJ, USDA, OPCW, EU, G-8, IAEA, NPT
		All Source Intelligence Collection; Technology R&D	D&CP	VCI	IC, DoD, DOE, DHS, OSTP, TSWG, DTRA, National Labs, NSC, OVP
		Communication for Arms Control	D&CP	VCI, ISN	DoD, DoE, DoC, NSC, IC

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Weapons of Mass Destruction strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION	
Significantly Above Target	0
Above Target	0
On Target	10
Below Target	6
Significantly Below Target	0
Total Number of Ratings	**16**

V. Performance Analysis

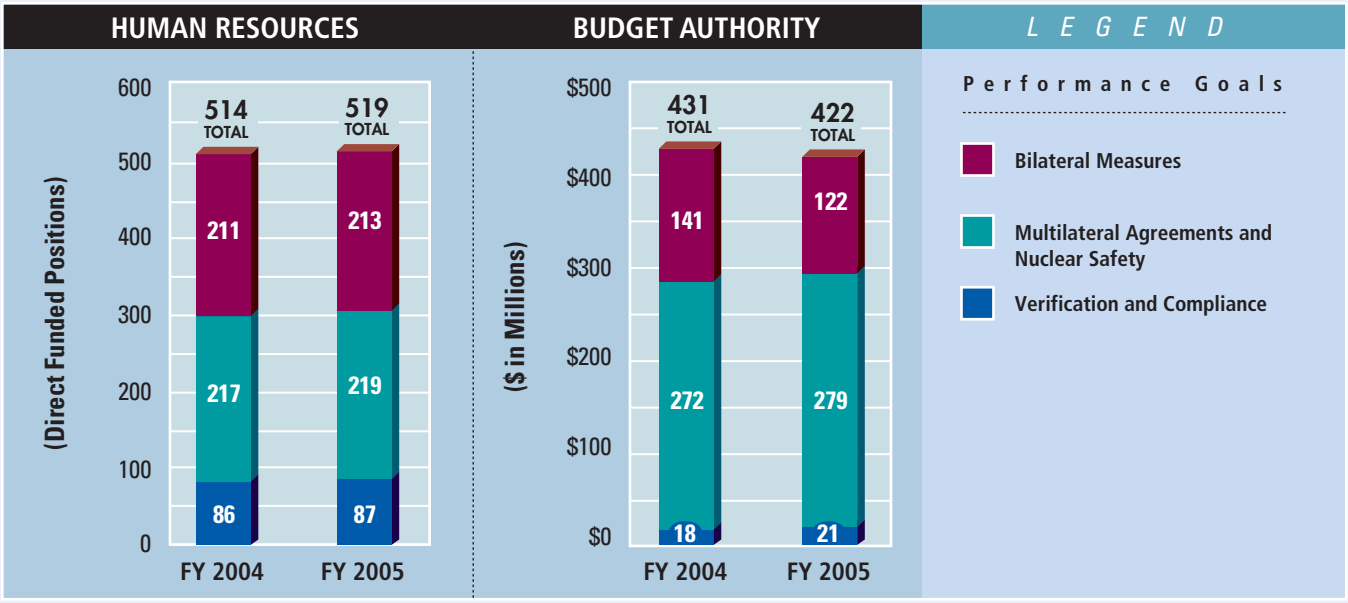
Performance Trends. Two significant performance trends in the area of Weapons of Mass Destruction are noteworthy: (1) the number of States-Parties in the Chemical Weapons Convention increased from 164 in FY 2004 to 174 in FY 2005; (2) the number of countries that have signed the IAEA Additional Protocol has steadily increased from 52 in FY 2001 to 104 in FY 2005.

Outcome-level Results. The Department made demonstrable progress toward achieving high-level outcomes in such areas as working with allies to develop cooperation on missile defense and promoting safe and secure nuclear cooperation. Both of the programs in these areas performed at or above target in FY 2005.

Results Significantly Above or Below Target. There were no results significantly above or below target, although the Department continues to face challenges in strengthening the implementation of arms control, nonproliferation and disarmament treaties, ensuring international agreements reduce current nuclear weapon stockpiles and improving export controls which prohibit illicit WMD trafficking. The Department must continue to work in close partnership with other U.S. Government agencies, international organizations, and host governments to confront these challenges.

Resources Invested. The Department allocated an estimated 1.7% of the FY 2005 budget to Strategic Goal 4, Weapons of Mass Destruction. This equates to $422 million, as well as an increase of 7.9% from FY 2004.

VI. Resources Invested



A Look to History: Weapons of Mass Destruction

During World War I, chemical weapons in the form of poisonous gas were used effectively by both sides to alter the outcome of battles, and caused significant casualties. In 1968, a United Nations resolution established the Non-Proliferation Treaty, which was signed by the United States, the United Kingdom, the Soviet Union, and 59 other countries. The treaty was designed to prevent the development and spread of nuclear weapons, promote the peaceful use of nuclear energy through full cooperation, and express a determination to make further progress in comprehensive arms control and nuclear disarmament measures.

The American expedition forces use new respirator gas masks during World War I. AP Photo

VII. Performance Results

PERFORMANCE GOAL 1

BILATERAL MEASURES, INCLUDING THE PROMOTION OF NEW TECHNOLOGIES, COMBAT THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION AND REDUCE STOCKPILES

INITIATIVE/ PROGRAM (I/P) #1: CURB ACCESS

Indicator #1: Access to Weapons of Mass Destruction (WMD) Impeded; States Conform to International Non-Proliferation Norms of Behavior

JUSTIFICATION (VALIDATION): Tracking this indicator provides a reliable and quality assessment of our progress toward impeding access to WMD by focusing on the cases of Russia, China, North Korea, Eurasia, and an expanding set of countries worldwide that merit this attention.

FY 2005 PERFORMANCE		
	Target	**Iran:** Ceases cooperation on Bushehr reactor. Wide international consensus that Iran should not possess enrichment or reprocessing facilities until trust rebuilt. Iran begins to dismantle infrastructure; international inspectors verify dismantlement of infrastructure. Permanent, effective inspection protocols put in place (e.g., Iran formally brings International Atomic Energy Agency (IAEA) Additional Protocol into force). Iran denied WMD/missiles and related technology, materials, equipment and expertise from other countries (Widens Iran discussion from just Iran/Russia relationship). **China:** China has made some progress in the enforcement of its 1997 nuclear and 2000 missiles commitments, as well as the implementation and enforcement of its export control regulations, but many significant shortcomings remain. Diplomatic engagement in Six-Party talks continued, but no resolution. **Libya:** Implementing commitments made to U.S./UK on WMD/missiles. Meeting new obligations under the Chemical Weapons Convention (CWC) and the Nuclear Proliferation Treaty (NPT) Additional Protocol. **North Korea:** Agreement to verifiably and irreversibly dismantle its nuclear program stands. Action begins to implement dismantlement of uranium, plutonium, and nuclear programs. International inspectors verify dismantlement and program history. Agrees to halt missile exports (including related equipment and technology) and discuss constraints to its missile program; agrees to eliminate or freeze its Missile Technology Control Regime-class missile programs, and extends its missile flight test moratorium. **Export Control – Global:** Additional countries' export control systems meet international standards. Specifically, the majority of countries in Europe/Eurasia meet internationally recognized export control standards; at least five more key transshipment countries achieve significant progress in meeting standards for effective enforcement; 10% more blocked transfers or interdiction by these states. Initiate export control cooperation with selected countries in South America. **South Asia:** Improved implementation of export controls consistent with recognized standards. **Iraq:** Signs and fully implements the IAEA Additional Protocol.
	Results	**Iran:** The IAEA Board of Governors has adopted a resolution finding Iran in noncompliance with its safeguards obligations, and confirming that Iran must be reported to the UNSC. The U.S, EU3/EU, Russia, China, Japan, and others have all made clear that only the full cessation by Iran of its nuclear fuel cycle-related activities can bring about a peaceful, diplomatic solution to this issue; the EU3 is offering negotiations contingent on Iran re-suspending sensitive nuclear fuel cycle activities. IAEA investigations in Iran continue. IAEA Director General El Baradei did not issue a written report on Iran in advance of the February 2005 IAEA Board meeting, but did provide a written report to the Board in September 2005. Russia has signed a spent-fuel takeback agreement with Iran and has agreed to ship fresh nuclear fuel to the Bushehr-1 reactor, but those shipments are not expected to commence until 2006. **China:** China has made some progress in the enforcement of its 1997 nuclear and 2000 missiles commitments, as well as the implementation and enforcement of its export control regulations, but many significant shortcomings remain. Diplomatic engagement in Six-Party talks continued, but no resolution. **Libya:** Confidence remains high that Libya is committed to not possessing a nuclear weapons program and export control cooperation has begun with Libyan attendance at export control legal/regulatory and enforcement workshops in September. **DPRK:** In March 2005 North Korea said that it was no longer bound by the moratorium. No talks were held to address North Korean missile proliferation or North Koreas missile program.

Continued on next page

I/P #1: CURB ACCESS *(continued)*

Indicator #1: *(continued)*

FY 2005 PERFORMANCE *(continued)*

Results *(continued)*

Export Control: In FY 2005, the Export Control and Related Border Security (EXBS) program accomplished many of its goals by helping additional countries meet international standards in export controls, engaging important states like Libya, Malaysia, Vietnam, India, Iraq, and Pakistan, and providing training and equipment that contributed to several interdictions of unlicensed strategic trade.

- Graduated three countries and are on track to graduate two more this year.
- Assessments of countries' export control systems.
- Increased level of cooperation with transshipment countries, including Thailand, Taiwan, Singapore, Oman, Jordan, and the UAE.
- Initiated cooperation with Libya.
- We continue to assist the Iraqi Transnational Government in developing an export control system.
- Israel adhered unilaterally to the Australia Group Guidelines.
- Macedonia passed a comprehensive export control law.
- Three countries subscribed to the Hague Code of Conduct Against Ballistic Missile Proliferation.

South Asia: India has committed to adopt strong and effective export controls, including adherence to the Nuclear Suppliers Group Guidelines and the Missile Technology Control Regime Guidelines and Annex and it passed a new export control law.

Iraq:

- We are in discussions with the Iraqi Transitional Government.
- The Iraqi Transitional Government requested assistance in removing the remaining nuclear materials at Tuwaitha.
- Iraqis attended an export control conference in London in November 2004 and are planning to attend to two additional export control conferences this summer.
- On October 13, 2004, Prime Minister Allawi named Dr. Mousa Jaffar al-Atia as Chairman of the Iraqi Radioactive Source Regulatory Authority.
- The IAEA and the U.S. jointly provided a radioactive workshop in Amman Jordon December 5-9, 2004, and conducted a follow-on workshop in Washington DC on March 22-25, 2005.

Rating: Below Target

Impact: Performance on this indicator allows us to determine the degree to which U.S. nonproliferation policies are helping to halt the spread of WMD and their delivery systems. Failing to meet fully our targets increases the possibility that countries or terrorists could acquire WMD or their delivery systems.

Reason for Shortfall: **China:** China's mixed record of enforcement of its export controls stems, in part, from a lack of resources and training devoted to detecting proliferation-related shipments.

DPRK: Since 2003, the U.S. Government has focused on addressing North Korea's nuclear weapons program. This shift in focus did not permit discussions to take place to address North Korea's missile programs and proliferation.

Steps to Improve: **China:** We will continue to work with the Chinese on a candid, constructive, and cooperative discussion on issues related to the proliferation of WMD and their delivery systems. The United States will continue to work closely with other like-minded countries to address North Korea's missile efforts.

PERFORMANCE DATA

Data Source	Diplomatic cables and first hand accounts of activities from posts, export control advisors, and independent assessments of EXBS countries' export control system development.
Data Quality (Verification)	We believe that our (export control) assessment methodology is reliable as long as it is implemented as directed.

Continued on next page

I/P #1: CURB ACCESS *(continued)*

Indicator #1: *(continued)*

PAST PERFORMANCE	**2004**	1. Russia: Maintained international consensus on need to pressure Iran to intensify its cooperation with the IAEA and met its promises regarding enrichment and reprocessing suspension. However, although the Russian Government has taken some steps to control exports, Russian entities continued to engage in nuclear and missile cooperation with Iran. 2. Although Beijing has taken steps to educate firms and individuals on the new missile-related export regulations, some Chinese entities continued to engage in transfer activities, particularly with Pakistan and Iran. 3. North Korea continued its flight test moratorium, and U.S. efforts to discourage countries from buying North Korea missiles and to impede technology transfers have promoted a discernable reduction in North Korean missile-related export activity. 4. The Export Control and Related Border Security Assistance (EXBS) Program graduated the Czech Republic, Hungary, and Poland at the end of FY 2003. Lithuania, Latvia, and Estonia graduated from the EXBS program in FY 2004. Since CY 2002, the focus of the EXBS program has expanded well beyond the Newly Independent States (NIS), now known as Former Soviet Union (FSU) countries. The expanding proliferation threat has necessitated the growth of the EXBS program into a global enterprise, which encompasses new countries of concern, including those in the Middle East, the Balkans, South and Southeast Asia, and Africa.
	2003	1. Russia: Maintained its cooperation with Iran's Bushehr light-water reactor program, but expressed increasing concern as IAEA established Iranian safeguards violations, and pressed Iran to abandon its nuclear fuel cycle pursuits. International consensus against fuel-cycle-related nuclear transfers to Iran remains in place. 2. China: Continued to cooperate. Attention, however, has been given to other priorities that have arisen. 3. North Korea: Not contributed to nuclear programs in other countries, but ballistic missile exports contribute to destabilizing already volatile regions of the Middle East/North Africa and South Asia. 4. NIS countries: GAN (Russia's nuclear regulatory agency) accepted assistance from the G-7 to determine what regulatory provisions need to be adopted to ensure that Russia's nuclear safety regime will be consistent with the convention on nuclear safety. Russia became a member of the Nuclear Safety and Security Group (NSSG). The Ukrainians increased staff to meet increasing responsibilities. New Safe Confinement conceptual design completed and obtained regulatory approval. 5. Stabilization contractor selected and mobilized. 6. G8 Initiative: Accepted assistance from the G-8 to determine what regulatory provisions need to be adopted to ensure that Russia's nuclear safety regime will be consistent with the Convention on Nuclear Safety. ● Russia became a member of the Nuclear Safety and Security group. ● Ukrainians increased staff to meet its increasing responsibilities. ● New Safe Confinement conceptual design is completed and obtains regulatory approval. ● Stabilization contractor is selected and mobilized.
	2002	1. Russia: Exported technology; increased attention to Iran's WMD and missile programs. 2. China: Implemented its 1997 nuclear commitment but not its 2000 missile commitment. 3. North Korea: Accepted U.S. offer for talks, but continued to export missile-related items. 4. NIS Countries: European countries developed export controls; some NIS countries moved towards controls.

Secretary Rice shakes hands with South Korean President Roh Moo-hyun during their meeting at the presidential house in Seoul, July, 2005.

AP/Wide World Photo

I/P #1: CURB ACCESS *(continued)*

Indicator #2: Progress Toward Implementing Fissile Material Projects

JUSTIFICATION (VALIDATION): This indicator measures the most important elements of nuclear and radioactive material disposal thereby helping to prevent misuse.

FY 2005 PERFORMANCE	**Target**	1. Begin implementing Plutonium disposition multilateral framework and international financing plan. 2. Conclude agreements with IAEA on monitoring and inspection regime. 3. Continue implementing the Plutonium Production Reactor Agreement (PPRA). 4. Begin implementing reduced plutonium production. 5. Implement Mayak Fissile Material Storage Facility (FMSF) transparency arrangements. 6. Obtain pledges of ninety-five percent of global partnership target, and twenty percent of actual spending commitments.
	Results	1. Plutonium disposition: Major progress made in resolving the liability issue and positive movement on multilateral financing. 2. Major progress made on Monitoring and Inspection. But two significant issues remain to be resolved in order to conclude agreements.
	Rating	Below Target
	Impact	Potential delay in beginning the disposition of weapon-grade plutonium.
	Reason for Shortfall	External factors (Russia's program review) have delayed reaching the targets and other disposition activities.
	Steps to Improve	Seek to define an adjusted path forward if Russia's review permits.
PERFORMANCE DATA	**Data Source**	Plutonium Disposition – State cables, meeting reports, documents being negotiated.
	Data Quality (Verification)	This indicator reliably measures progress toward the Department's overall goal "to redirect WMD expertise, material and equipment." The target represents significant cooperation to reduce the threat of nuclear proliferation by focusing on key elements of U.S. policy – in the areas of security and elimination of fissile material.
PAST PERFORMANCE	**2004**	1. Substantial progress on redefining acceptable approaches for the plutonium disposition multilateral framework and financing plan, for resolving the overarching liability issues, and for minimizing program delays pending complete fulfillment of the targets. 2. Mayak FMSF transparency negotiations continued. 3. PPRA implementation fully underway, several prospective international participants identified.
	2003	1. Russia decided to use the same design for mixed oxide fuel fabrication facility as in the U.S.; negotiations of a multilateral framework to support Russian plutonium disposition started and continued. 2. PPRA Amendment and replacement implementing agreement signed; access arrangements for U.S. personnel overseeing projects to construct/refurbish fossil fuel plants to replace production reactors signed; initial contracts signed and implementation underway. PPRA monitoring of shutdown reactors and weapon-grade plutonium in storage continued smoothly. 3. Negotiations continued on Mayak FMSF.
	2002	1. Progress made on Russian plutonium stockpile implementation and transparency issues. 2. Preparations for negotiations of U.S.-Russian plutonium-disposition multilateral framework are on track. 3. PPRA amendment and fossil fuel implementing agreement concluded, awaiting Russian Government approval to sign.

I/P #1: CURB ACCESS *(continued)*

Indicator #3: Number of Institutes and Scientists Graduated Into Commercially Sustainable Ventures

JUSTIFICATION (VALIDATION): This indicator is a consistent measure of our performance, especially in programs the Department controls because the graduation of each institute removes it and the associated scientists from funding dependency.

FY 2005 PERFORMANCE

Target	1. Gain access to at least two new previously inaccessible biological weapons and/or chemical weapons institutes in Russia/Eurasia via the Bio-Chem Redirect Program, and at least four new high-priority former WMD institute in member countries Azerbaijan and Tajikistan. 2. Increase level of U.S. private industry funding of joint science center projects to 15% of total project funding. 3. Graduate 2-3 institutes or groups of scientists from Nonproliferation/Science Center Program assistance. Identify candidates among chemical and biological institutes for graduation in FY 2006. 4. Begin two new conversion and commercialization projects at priority biological weapon production facilities. Fund two new projects on accelerated drug and vaccine research. 5. Initiate effort in Iraq to engage, redirect, retrain and/or re-employ former WMD scientists and engineers. Establish initial group of transition and training activities; develop database of available scientists/engineers; coordinate activities with other reconstructions efforts.
Results	1. First-ever access obtained to formerly closed Pavlodar Chemical Plant in Kazakhstan in November 2004. First ever U.S. Government access to an additional eight bio-chem institutes in Azerbaijan. First ever Science and Technology Center in Ukraine project funding granted to an additional high-priority institute in Ukraine. Engagement of five high-priority institutes the Kyrgyz Republic. 2. Through the Iraqi International Center for Science and Industry, engaged former WMD experts in the pursuit of technology solutions in forensics and law enforcement, which will draw Russian, Canadian and U.S. Department of Energy funds and expertise. 3. Three bio institutes and one chemical institute graduated in 2005, one year ahead of schedule for the Bio-Chem Redirect program. That brings the cumulative total of WMD institutes graduated to commercially sustainable ventures to 22. 4. Funded over $2 million in new research in six countries through the Iraqi Center; nearly $3 million in four countries through the Science and Technology Center in Ukraine. Convening the Governing Board meetings of those organizations in Kazakhstan and Georgia, respectively, raised increased support from other donors for meeting nonproliferation objectives in those states. Worked with Department of Energy patents office to approve licensing by a U.S. firm of a chemical process safety computer software developed by ex-Soviet chemical weapons researchers. Russian inventors of a novel HIV vaccine began realizing royalty income under a commercial arrangement brokered by Bio Industry Initiative staff; the platform for vaccine delivery holds promise for broader application and revenue to the inventors, former biological weapons scientists. 5. The Iraqi International Center for Science and Industry currently provides monthly stipends to around 120 Iraqi scientists and senior technicians with WMD expertise. Twenty-three such scientists were recently "graduated" to permanent positions with the Ministry of Environment. The Iraqi Center is funding participation of Iraqi scientists in various workshops and international conferences, and reviewing approximately 100 project proposals submitted by participating Iraqis for funding consideration.
Rating	On Target
Impact	This indicator measures the success in re-directing WMD expertise toward legitimate non-lethal enterprises. This is expertise that might otherwise be available for exploitation by terrorists and rogue nations.

PERFORMANCE DATA

Data Source	The data comes from graduation records of the various institutes.
Data Quality (Verification)	The data and methodology are widely regarded as accurate and available to the public for verification.

PAST PERFORMANCE

2004	Cumulative total of 18 WMD institutes graduated to commercially sustainable ventures. Focused on approximately 165 former Soviet institutes of proliferation concern of the 430 involved as lead or supporting institutes in U.S. funded research and on several hundred Iraqi and Libyan scientists and technicians.
2003	Refined model/metrics for graduation of institutes and began collection of financial data from institutes. Cumulative total of 16 institutes graduated to commercial ventures.
2002	1. Engaged cumulative total of 50,000 scientists, of whom about 26,000 were former WMD scientists. 2. Eight new U.S. industry partners recruited and eight institutes graduated to commercial ventures. 3. Three new technological applications brought to market, including Neurok TechSoft (linear differential equation solver), a laser-based fluorocarbon detector, and new computer animation technology.

I/P #2: COOPERATION WITH ALLIES/FRIENDS ON MISSILE DEFENSE

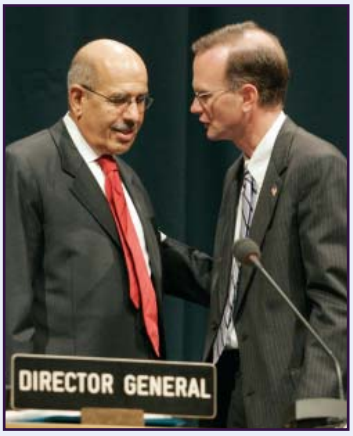
Indicator #4: Status of Cooperation With Allies on Missile Defense

JUSTIFICATION (VALIDATION): U.S. missile defense deployment plans depend in part on Allied cooperation. Also, the U.S. seeks a cooperative approach with allies and friends to address the increased ballistic missile threat, including through missile defense.

FY 2005 PERFORMANCE	**Target**	1. All key allies and friends endorse the deployment of the limited U.S. missile defense system. 2. More allies/friends work with U.S. on missile defense-related projects, or some allies/friends undertake their own missile defense-related projects without the U.S.
	Results	Work continued on a bilateral basis with over a dozen countries, as well as work within the NATO Alliance. The Alliance Military Committee formally accepted a military requirement to provide NATO-wide Theater Missile Defense capabilities, and committed funding to the development of command and control capabilities for the system. Japan proposed to strengthen U.S.-Japan efforts as well as their own missile defense projects to enhance ballistic missile defense capabilities and relaxed its own "three principles" export control in regard to missile defense cooperation. We continued discussions with India on how India plans to incorporate missile defense into its strategic concepts and doctrine.
	Rating	On Target
	Impact	Cooperation in the field of missile defense responds to existing and emerging threats to the U.S., its allies, and friends by reducing the incentives for the acquisition of ballistic missiles, strengthening bilateral and multilateral relationships, enhancing deterrence, providing defensive capabilities in case deterrence fails, and reinforcing stability.
PERFORMANCE DATA	**Data Source**	Data used to measure performance will be based on announcements and actual contracts.
	Data Quality (Verification)	This data are official, objective and accurate. Reporting from U.S. Government/Allies is crosschecked to ensure reliability and completeness.
PAST PERFORMANCE	**2004**	The U.S and Canada agreed to permit the North American Aerospace Defense Command to support the Missile Defense Mission. Denmark agreed to upgrade the early warning radar at Thule, Greenland. Australia announced participation in the U.S. missile defense program and signed a memorandum of understanding on cooperation. We began discussions with India its interest in missile defense. A NATO Staff Requirement for Active Layered Theater Ballistic Missile Defense was established. With regard to NATO-Russian cooperation, Phase I of the TMD interoperability study was undertaken successfully, and included an effective NATO-Russia theater ballistic missile defense exercise at Colorado Springs involving participation by ten states.
	2003	U.S. gained NATO agreement to specific missile defense deployment goals/options for protecting Alliance deployed military forces, as well as Alliance territory and population centers. Allies explored options for territorial missile defense at NATO Summit in November 2002.
	2002	Intensive consultations held with Allies concerning the U.S. Nuclear Posture Review, U.S. withdrawal from the Anti-Ballistic Missile Treaty, and the Moscow Treaty. Allies and friends welcomed the Moscow Treaty and accepted U.S. withdrawal from the Treaty. Diplomatic efforts continued with Allies and friends to gain their active support for, and participation in, U.S. missile defense plans and programs.

IAEA Board Committee on Safeguards and Verification

In June 2005, the International Atomic Energy Agency (IAEA) Board of Governors established a Committee on Safeguards and Verification, as President Bush proposed in February 2004. This Committee will consider ways to strengthen the IAEA safeguards system, and thereby strengthen the IAEA's ability to ensure that countries comply with their nuclear nonproliferation obligations.



IAEA Director General Mohamed ELBaradei, left, talks with the Head of the U.S. delegation to the IAEA, Ambassador Gregory Schulte at the start of the board of governors meeting in Vienna, September 2005. *AP/Wide World Photo*

I/P #3: COOPERATION WITH RUSSIA ON NEW STRATEGIC FRAMEWORK

Indicator #5: Levels of Offensive Warheads; Transparency; Missile Defense Cooperation; Level of Treaty Implementation

JUSTIFICATION (VALIDATION): The New Strategic Framework is a key element in the transformation of the U.S.-Russian relationship from confrontation to cooperation. We seek Russian cooperation in managing our strategic relationship and in addressing the new challenges of the 21st century. Key elements of the New Strategic Framework are cooperation in implementing the Moscow Treaty and cooperation in missile defense, and will indicate whether the New Strategic Framework is being fulfilled.

FY 2005 PERFORMANCE	**Target**	1. Reductions under the Moscow Treaty proceed. Any implementation issues that arise are resolved. 2. Transparency exchanges concerning strategic and non-strategic arms implemented smoothly. 3. Implementation of voluntary and reciprocal transparency and predictability efforts vis-à-vis missile defense plans and programs. 4. Continue implementation of U.S.-Russian missile defense-related cooperation projects. 5. The Joint Data Exchange Center (JDEC) is open and completely established, where U.S. and Russian military operators monitor side-by side launches of ballistic missiles and space launch vehicles. 6. U.S./NATO reach agreement within the NATO framework with Russia about long-term missile defense cooperation.
	Results	Moscow Treaty reductions continue apace. Transparency exchanges, such as briefings on strategic force sustainment, were implemented successfully, and the U.S. proposed additional transparency, including new military exchanges. The U.S. provided an update on our missile defense plans and Russia briefed on its anti-ballistic missile flight test. Negotiations on a bilateral Defense Technical Cooperation Agreement progressed. Experts discussed taxation and liability provisions for nuclear-related assistance projects that could eventually help resolve the taxation and liability impasse in the JDEC agreement. Under the aegis of the NATO-Russia Council the Theatre Missile Defense (TMD) Ad Hoc Working Group conducted the second in a series of joint NATO-Russia TMD Command Post Exercises. The Russian Federation has offered to host a TMD Command Post Exercise in the latter part of 2006. The TMD Ad-Hoc Working Group is conducting a TMD interoperability study aimed at developing interoperability concepts as well as conducting a series of exercises to test and validate joint tactics and procedures. Over three million Euros ($3.6M) have already been committed to the Interoperability Studies and Exercise program.
	Rating	Below Target
	Impact	U.S.-Russia forums that exchange information and foster transparency regarding nuclear forces and missile defense serve to promote a more predictable strategic environment and build trust.
	Reason for Shortfall	Differences exist between U.S. and Russian approaches to transparency. JDEC stalled over liability provision tied to issues beyond the scope of this indicator.
	Steps to Improve	Continue to meet regularly in treaty-mandated commissions. U.S. and Russia have agreed to work out proposals on the composition and modalities for new forums to discuss defense and security cooperation and to strengthen confidence.
PERFORMANCE DATA	**Data Source**	Progress in the U.S-Russian strategic relationship will be recorded in bilateral and NATO statements and/or agreements. Milestones in the development of missile defense cooperation will be recorded in publicly available statements.
	Data Quality (Verification)	This data are objectively correct. Assessments of progress in negotiations/consultations are based on embassy and delegation reporting.
PAST PERFORMANCE	**2004**	The Moscow Treaty Bilateral Implementation Commission met for the first time in April 2004. Moscow Treaty reductions were underway. In the Working Group on Offensive Transparency, the U.S. proposed practical transparency related to non-strategic nuclear warheads and strategic activities. In the Working Group on Missile Defense. Implementation of the JDEC was delayed mainly due to an impasse on taxation and liability issues that transcends this agreement. A longstanding issue concerning the B-1 bomber was resolved in the Joint Compliance and Inspection Commission (JCIC).
	2003	Moscow Treaty entered into force on June 1, 2003. The U.S. and Russia began exchanging information on their plans for reductions under the Moscow Treaty. In February 2003, NATO and Russia agreed on a work plan that includes some nuclear CSBMs. Discussions on START implementation continued on a more positive basis than in previous years; two meetings of the JCIC took place.
	2002	U.S. and Russia established a New Strategic Framework, including commitment to deep reductions in strategic nuclear warheads. The Treaty on Strategic Offensive Reductions was signed in Moscow in May 2002, calling for reductions to 1,700-2,200 warheads for each side by December 31, 2012. U.S. withdrew from Anti-Ballistic Missile Treaty, thus removing the principal legal obstacle to deployment of missile defenses. All parties completed the final START I reductions by the required deadline of December 5, 2001.

NON-PROLIFERATION AND DISARMAMENT FUND (PART PROGRAM EFFICIENCY MEASURE)

Indicator #6: Percentage of Project Results Achieved Within Budget Per Completed Project

JUSTIFICATION (VALIDATION): This indicator measures the administrative effectiveness of the Non-Proliferation and Disarmament Fund (NDF) program.

FY 2005 PERFORMANCE	**Target**	Long-term measurements for each high priority project established and in use.
	Results	Completed. Long-term measures were implemented in CY 2004.
	Rating	On Target
	Impact	Instituting long-term measures allows accurate assessments of the program's financial management and effectiveness.
PERFORMANCE DATA	**Data Source**	NDF Records.
	Data Quality (Verification)	The data are judged to be accurate and are subject to audits.
PAST PERFORMANCE	**2004**	Long-term measures are under development. At this juncture, the Department envisions measuring outcomes in terms of the budgetary parameters established for each individual NDF project. The key measurement will be to assess the effectiveness of NDF's management of high priority projects undertaken by gauging project outcomes within the established budget.
	2003	**Baseline:** Program does not have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program.
	2002	N/A.

Secretary Rice approaches the podium to address the Washington diplomatic corps on the second anniversary of the Proliferation Security Initiative at the State Department in Washington, May, 2005. Behind her is the Singapore Ambassador to the U.S. Heng Chee Chan.

AP/Wide World Photo

PERFORMANCE GOAL 2

STRENGTHENED MULTILATERAL WMD AGREEMENTS AND NUCLEAR ENERGY COOPERATION UNDER APPROPRIATE CONDITIONS

I/P #4: STRENGTHEN GLOBAL NORMS

Indicator #1: Status of the Non-Proliferation Treaty and the International Atomic Energy Agency

JUSTIFICATION (VALIDATION): This indicator tracks the extent to which the global community supports and takes actions to increase the effectiveness of the NPT against new proliferation threats while continuing to provide other benefits.

FY 2005 PERFORMANCE

Target	1. 2005 NPT Review Conference reinforces value of Treaty; many parties support recommendations to strengthen compliance with nonproliferation obligations, including support for the Additional Protocol, export controls, and safeguards. 2. Additional states negotiate, sign and implement the Additional Protocol, including most NPT parties with major nuclear programs. Work toward implementing the U.S. Additional Protocol continues to proceed slowly. 3. Additional safeguards funding and improved approach to implementation continue to strengthen safeguards system. 4. IAEA program to combat nuclear terrorism remains strong and continues to strengthen the security of nuclear and other radioactive material.
Results	1. 2005 NPT Review Conference demonstrated continued support for Treaty, focused on DPRK and Iran NPT violations and on measures to strengthen compliance with Articles I,II and III; however, procedural disputes sharply limited time available for debate and for negotiation on an outcome document. 2. Steady momentum continues on the Additional Protocol with 15 more agreements approved by the Board with the total now at 112; of these 104 are signed, and 69 are in force. All NPT parties with nuclear power reactors have concluded an Additional Protocol except for Argentina and Brazil. The Board approved an Additional Protocol for Malaysia in September, which represented an important step toward broader acceptance of the Additional Protocol by members of the NAM. 3. A Committee on Safeguards and Verification was approved by the IAEA Board of Governors in June. This initiative of President Bush is designed to further strengthen safeguards and to bolster the IAEA's role in enforcement. 4. Progress toward implementation of the Additional Protocol has not met expectations. 5. IAEA has selected computer replacement contractor. IAEA reviews of safeguards program and implementation consistent with U.S. views. IAEA undertakes review of centrifuge enrichment safeguards. 6. The IAEA safeguards budget increased by a further $4 million, enabling the United States to reduce the voluntary contribution for safeguards equipment and redirect funds to nuclear security and safeguards technical support. 7. Through training, education, evaluation and provision of equipment the IAEA's nuclear security program continues to assist states in improving their preparedness to deal with malicious acts involving nuclear or radiological material, to enhance radiation monitoring at borders, to improve physical security at nuclear facilities, and to secure some vulnerable radioactive sources.
Rating	On Target
Impact	Performance on this indicator allows us to determine the degree to which U.S. policies toward the NPT and IAEA are helping to strengthen the role of these treaties against nuclear weapons proliferation. Any shortfalls could overtime lead to new violations of the NPT, including through the acquisition of nuclear weapons.

PERFORMANCE DATA

Data Source	Diplomatic cables and first hand accounts of activities. IAEA public records.
Data Quality (Verification)	The data used for the measurement of this indicator are fully observable, straightforward information taken from diplomatic reports and budget records. The data are reliable and comprehensive.

Continued on next page

INITIATIVE/ PROGRAM (I/P) #4: STRENGTHEN GLOBAL NORMS *(continued)*

Indicator #1: *(continued)*

PAST PERFORMANCE	2004	1. UNSCR 1540 adopted. 2. DPRK did not reverse withdrawal. 3. No additional withdrawals. 4. Libya violated the Treaty, but it also declared that it would abandon nuclear weapons and return to compliance with the NPT.
	2003	1. Progress on implementing some key conclusions of 2000 NPT Review Conference. 2. Indefinite extension holds. 3. No state withdraws from Treaty. 4. No new cases of non-compliance.
	2002	1. IAEA took action on integrated safeguards and emphasized financial needs. 2. Nine more states signed bringing the total to sixty-seven of which twenty-eight protocols have entered into force. 3. The IAEA Board approved a multi-year, $11.5 million a year program to address the prevention of, detection of and response to nuclear terrorism.

Indicator #2: Status of the Physical Protection Convention (CPPNM)

JUSTIFICATION (VALIDATION): The indicator is a reliable measure of progress toward our overall goal as the CPPNM is one of the key components of the international system of nonproliferation treaties, norms and standards.

FY 2005 PERFORMANCE	Target	Sufficient number of States sign revised CPPNM to allow convention to come into force with U.S. ratification.
	Results	Diplomatic Conference held on 4-8 July 2005 and resulted in adoption of amendments extending the scope of the CPPNM to cover nuclear material in peaceful uses in domestic use, storage and transport and establishing a sabotage offense while ensuring that coverage did not extend to activities of military forces during conduct of official duties.
	Rating	On Target
	Impact	This program will enhance the physical protection of nuclear material from theft by terrorists and sub-national group and is of direct relevance to the Presidential agenda.
PERFORMANCE DATA	Data Source	Diplomatic cables and first hand accounts of activities. Informal consultations with IAEA Secretariat on status of request for diplomatic conference.
	Data Quality (Verification)	Data are based on observable activities and first-hand accounts of activities.
PAST PERFORMANCE	2004	The U.S has not yet signed the CPPNM. The IAEA circulated a proposal of the Austrian Government to revise the CPPNM in July 2004. A simple majority of CPPNM Parties must request the IAEA Director General to convene a diplomatic conference to consider the Austrian proposal. To achieve the necessary majority of 53 Parties, the United States has been coordinating diplomatic strategy with the Core Group and Austria. As of 4 October, 29 of 53 Parties have requested the conference. The current goal is the convening of a diplomatic conference in early 2005.
	2003	After two meetings, the Drafting Group concluded its work without reaching consensus on a revision proposal, but did identify a set of possible amendments warranting consideration by States Parties as the basis for a proposal.
	2002	**Baseline:** 1. The IAEA met to discuss whether the CPPNM should be revised or strengthened. Experts made recommendations. 2. The Experts Group recommended "well defined amendment" to CPPNM for consideration by the Drafting Group. 3. The Drafting Group worked on recommendations for consideration by a revision conference.

I/P #5: CHEMICAL WEAPONS CONVENTION

Indicator #3: Viability of the Chemical Weapons Convention (CWC)

JUSTIFICATION (VALIDATION): The Organization for the Prohibition of Chemical Weapons (OPCW) needs to be an efficient and viable organization so that it can carry out all the inspections needed to ensure compliance with the CWC. The Department is using one target to measure the number of inspections in the number of countries (as opposed to the number of inspections alone) because our objective is to spread the geographic scope of inspections so that every site of concern is inspected. The number of States-Parties provides a measure of the CWC's growing influence and universality, and provides one measure of whether the CWC is an effective instrument for reducing the WMD threat.

FY 2005 PERFORMANCE	**Target**	1. 157 States-Parties. 2. OPCW management and financial reforms show results: inspection program expands in terms of number of sites inspected and number of countries inspected to 230 sites inspected in 57 countries. 3. Completion of destruction operations at first Russian facility (Gorniy), second destruction facility to be completed by 12/31/05; and construction begins on a third facility.
	Results	1. 174 States-Parties. 2. Destruction of Libya's stockpile not completed as targeted due in part to U.S. statutory requirements that limit assistance by U.S. companies. At the time of reporting, the OPCW was on target to complete 162 inspections worldwide (up from 132 in 2004). So far, 79% of all States-Parties have designated a National Authority, and 65% have implementing legislation enacted or in the review process.
	Rating	Below Target
	Impact	1. The increasing number of States-Parties demonstrates the CWC's growing influence and universality, and enhances the CWC's effectiveness in reducing the WMD threat. Libya's accession to the CWC was especially significant, because it had been a major rogue state and is associated with Middle East politics. 2. It is important that the OPCW be an efficient and viable organization so that it can carry out all the inspections needed to ensure compliance with the CWC. The OPCW has made significant recovery since the administrative and financial crisis of 2002, and, as demonstrated by the agreed action plan, is now able to devote more attention to its core responsibilities. 3. Russia possesses the world's largest chemical weapons stockpile, destruction of which is an essential requirement of the CWC. Several destruction facilities must be built before significant stocks can be destroyed, and international financial assistance is required.
	Reason for Shortfall	Libyan plans for chemical weapons destruction were overly optimistic, and Russian chemical weapons destruction facilities construction and operations suffer from chronic under funding.
	Steps to Improve	Libyan planning is being revised and they should still be able to meet CWC deadlines. Russian chemical weapons destruction operations will accelerate as more facilities come on line. Two more facilities will start operating in 2006.
PERFORMANCE DATA	**Data Source**	Public announcements by States Parties and/or OPCW. OPCW internal reports and bilateral consultations.
	Data Quality (Verification)	The data used to measure this indicator are readily available for verification and widely regarded as accurate.
PAST PERFORMANCE	**2004**	164 States-Parties to the CWC. Ensured rapid submission of an accurate declaration of Libya's chemical weapons stockpile and civilian chemical industry and began destruction of its Chemical Weapon stockpiles. U.S. Government and OPCW undertook an Article VII action plan to promote effective domestic implementation of CWC obligations by States-Parties. OPCW inspection program was put at risk by U.S. delay in paying assessments, but by end of year, U.S. paid enough to ensure a full program of inspections.
	2003	150 States-Parties. One destruction facility in Russia begins operations. OPCW under good management and conducting full inspection program.
	2002	148 States-Parties and Libya and Thailand voiced intent to join. The U.S. fully implemented CWC industry obligations by meeting all declaration and reporting requirements. U.S. succeeded in bringing about a change of OPCW leadership and provided a $2 million voluntary contribution to resolve OPCW financial crisis. Department ensured significant international financial assistance provided for Russian chemical weapons destruction.

I/P #6: BIOLOGICAL WEAPONS CONVENTION

Indicator #4: Number of States-Parties That Incorporate U.S. Proposals in Their National Approaches to Controlling the Biological Weapons Threat

JUSTIFICATION (VALIDATION): This indicator is a direct measure of the success of U.S. diplomacy in persuading other Biological Weapons Convention (BWC) States-Parties to follow the U.S. approach for strengthening implementation of the BWC. If all States-Parties undertake the desired national actions, it will be much more difficult for terrorists or rogue states to acquire biological weapons.

FY 2005 PERFORMANCE	**Target**	Forty to forty-five of the 150 total States-Parties incorporate U.S. alternative proposals in their national approaches to controlling the BW threat.
	Results	The 2003-2005 work program, derived from U.S. proposals, has been remarkably successful in raising awareness of States-Parties to the urgency of establishing and/or strengthening national measures to combat the growing biological weapons threat. 40 countries incorporated U.S. proposals into their national efforts.
	Rating	On Target
	Impact	Traditional inspection regimes are not effective in determining compliance with bans on biological weapons. The U.S. therefore devised alternative ways to improve BWC implementation, focusing on coordinating and expanding national implementation efforts through a multi-year work program. In 2004, the focus changed to disease surveillance, suspicious outbreaks, and alleged use. In 2005 the focus was on codes of conduct. The fact that all States-Parties are acknowledging the need for improvement in national implementation holds promise that the BWC will be strengthened.
PERFORMANCE DATA	**Data Source**	Public announcements by States. States-Parties' reports to other States-Parties and delegation reporting.
	Data Quality (Verification)	The data used to measure this indicator are readily available for verification and widely regarded as accurate.
PAST PERFORMANCE	**2004**	78 States-Parties pledged to implement and enforce appropriate pathogen security and national implementation measures, which was the first subject of the U.S.-proposed multi-year work program.
	2003	At the November 2002 Review Conference, States-Parties agreed to a work program based on U.S. proposals. By end of 2003, 25 states reported that national legislation was already in place (the first item of the work program), and all 80 States-Parties participating in the 2003 meeting agreed that such legislation was an important element of their obligations. All participants agreed on the importance of biosecurity (the second item of the work program), though only 20 States-Parties indicated they had an awareness-raising program in their countries.
	2002	U.S. Government rejected a legal verification Protocol for the BWC, developed an alternative package of effective measures to strengthen the BWC, and began discussions with other BWC States-Parties.

Resolution of Liability for U.S.-Russian Agreements

In July 2005, the United States and the Russian Federation successfully completed negotiations resulting in conformed English and Russian texts of the long-awaited liability protections protocol for the plutonium disposition program. This protocol is now ready for the formal governmental approval process in Russia, after which both countries will sign it. Moving forward on the liability protocol facilitates each country's plan to dispose of 34 metric tons of surplus weapon-grade plutonium - enough for more than eight thousand nuclear weapons. In addition, the liability protocol will provide a path for cooperation in a number of other nonproliferation and threat reduction areas, including possible new programs under the 1992 Cooperative Threat Reduction Umbrella Agreement.

Russian Foreign Minister Sergey Lavrov, right, and U.S. Ambassador William Burns meet in Moscow, August 2005. AP/Wide World Photo

I/P #7: PROMOTE SAFE NUCLEAR COOPERATION

Indicator #5: Unsafe Reactor Closures and Nuclear Waste Improvements

JUSTIFICATION (VALIDATION): This indicator provides the best information to measure progress by focusing on the key elements of U.S. policy – nuclear cooperation under international agreements, closing or replacing nuclear reactors in the former Soviet Union, and Russian nuclear waste policy.

FY 2005 PERFORMANCE	**Target**	International community continues to provide funds to help with Russian nuclear waste. Decommissioning begins for Ignalina Unit 1 in Lithuania. Bulgaria prepares to shuts down Kozloduy Units 3 and 4. Armenia negotiates the closure of its plant.
	Results	The International program addressing cold war legacy nuclear waste issues in Russia has expanded rapidly this year. Many major projects involving nuclear submarine dismantlement, infrastructure development and long-term reactor vessel storage facility are well underway. Ignalina 1 was permanently shutdown on 31 December 2004; decommissioning has begun. Under its accession agreement with the EU, Bulgaria's Kozloduy Units 3 and 4 are designated for shutdown in 2006. The EU, IAEA and the U.S. are renewing negotiations with Armenia to ensure that the reactor will be shutdown by the end of design life, 2016.
	Rating	On Target
	Impact	Shutdown of the most dangerous nuclear power plants and progress in cleaning up Russian nuclear waste will greatly enhance global safety and security.
PERFORMANCE DATA	**Data Source**	Reports provided by foreign interlocutors. Information taken from the International Atomic Energy Agency or European Union websites or publications, such as Nucleonics Week. Frequent briefings by the European Bank for Reconstruction and Development.
	Data Quality (Verification)	Data are verified through the Department's G-8 Nuclear Safety and Security Group sources.
PAST PERFORMANCE	**2004**	1. Lithuania still plans to close Ignalina 1 by the end of CY 2004, but the new government is expected to ask EU for an additional 6 months of operation. EU is pressing Bulgaria to shutdown Kozloduy Units 3 & 4 by 2006, but Government of Bulgaria resisting. Government of Armenia and USAID are developing a decommissioning plan for the Armenia nuclear power plant. 2. Ukraine submitted Khmelnitski 2 and Rovno 4 reactor proposal to the EBRD that include post-start-up safety upgrades consistent with international safety standards. G7, EC and EBRD will monitor progress. Multilateral Nuclear Environmental Program in the Russian Federation concluded and signed by all, including U.S. Liability annex not acceptable, so U.S. did not sign.
	2003	1. Ignalina initiated closure procedures for Unit 1 and plans for closure of Unit 2. 2. Russia worked on a comprehensive plan for de-commissioning some of its reactors. Began a comprehensive plan for addressing nuclear waste issues.
	2002	1. Positive results achieved in Eastern Europe: e.g., Lithuania and Armenia; Bulgaria shut down two of its four high-risk reactors. 2. Liability agreement reached with Russia allowing U.S. participation in waste cleanup; implementing agreements negotiated.

President Vladimir Putin greets Secretary Rice during their meeting in the Kremlin in Moscow, April, 2005. AP/Wide World Photo

PERFORMANCE GOAL 3

VERIFICATION INTEGRATED THROUGHOUT THE NEGOTIATION AND IMPLEMENTATION OF NONPROLIFERATION AND ARMS CONTROL AGREEMENTS AND COMMITMENTS AND RIGOROUS ENFORCEMENT OF COMPLIANCE WITH IMPLEMENTATION AND INSPECTION REGIMES

I/P #8: ARMS CONTROL AND NON PROLIFERATION VERIFICATION

Indicator #1: Status of Compliance with Arms Control, Nonproliferation, and Disarmament Treaties, Agreements and Commitments

JUSTIFICATION (VALIDATION): Other nations agree to acceptable solutions to verification and noncompliance concerns. National means and methods (NMM), intelligence reporting, data exchanges, declarations, inspections, research results, and established for resolving concerns over the long-term will enhance verification and validate compliance by Libya, DPRK, and other countries.

FY 2005 PERFORMANCE	**Target**	1. Begin verified dismantlement of North Korea's nuclear weapons program. Agree with North Korea verification measures related to North Korea's agreement to halt missile technology transfers. 2. Iran ratifies and fully implements the Additional Protocol. Iran codifies its agreement with the European Union (EU3) to bring about a cessation of all uranium enrichment activities. Work with EU3 to halt heavy water reactor construction. 3. Implementation of improved verification for the PPRA. 4. Fissile Material Cutoff Treaty (FMCT) basic verification agreed to. 5. Effective implementation of the START Treaty through the JCIC and the Moscow Treaty through the BIC.
	Results	1. Denuclearization of the DPRK — On September 19, 2005, the DPRK committed to abandoning all nuclear weapons and existing nuclear programs and returning, at an early date, to the NPT and to IAEA Safeguards. Steps to implement the complete, verifiable, irreversible dismantlement are yet to be initiated. 2. Limiting Iran's Nuclear Program — Iran has yet to agree to permanently suspend or eliminate conversion, enrichment or reprocessing nuclear fuel cycle activities. 3. PPRA — VCI continues to monitor implementation of transparency measures for PPRA (which entered into force in 1997), as well as for the HEU Purchase Agreement. 4. FMCT — Following an 18-month review of U.S. policy regarding an FMCT, the United States affirmed its support for the negotiation of an FMCT, but, in a change from our prior position, the United States has concluded that an internationally and effectively verifiable FMCT is not realistically achievable. In fact, it could lull the international community into a false sense of confidence that obligations were being adhered to. While the United States will no longer support negotiating under a mandate that presupposes effective verification of an FMCT, we do urge our colleagues at the Conference on Disarmament to join us in concluding a normative FMCT that relies on each state using its own resources to verify compliance. 5. START — Two longstanding, major START compliance issues resolved. 6. Vienna Document 99 (VD) — All States-Parties exchange data and notify activities in compliance with VD.
FY 2005 PERFORMANCE *(continued)*	**Rating**	Below Target
	Impact	Immediate: Delay both in the dismantlement of the DPRK's nuclear program and weapons and in the curtailment of Iran's efforts to achieve a nuclear weapons development capability undermines global security. Long-term: A lack of compliance enforcement could breed more instances of attempted noncompliance with freely undertaken, legally-binding obligations and ultimately call into question the utility of any verification regime.
	Reason for Shortfall	The Department recognizes the centrality of verification to the viability of nonproliferation and arms control agreements and commitments and is reaching out to other countries with this message through, among other means, compliance diplomacy. However, the Department also recognizes that enforcement of compliance is a shared responsibility among States Parties, many of which do not recognize the impact of noncompliance or take seriously their role in enforcing compliance. For items 1 and 2 there has been insufficient international political pressure brought to bear to persuade either the DPRK or Iran to recognize that the benefits of membership in the world community as a non-nuclear weapon state outweigh any misperceived benefits that accrue to a pariah state seeking nuclear remediation.
	Steps to Improve	With the September 19, 2005 Joint Statement, the Six-Party Talks will focus on the specifics of the DPRK denuclearization program and its corresponding verification activities. On September 24, 2005 IAEA Board of Governors passed a resolution finding Iran in noncompliance with its Safeguards Agreement. This increases international pressure on Iran (but with no guarantee) to resume negotiations with the EU3 leading to cessation of all uranium enrichment activities. The existence of the resolution signals an eventual report of Iranian noncompliance to the UN Security Council which may initiate steps to compell Iranian compliance with its nonproliferation obligations.

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I/P #8: ARMS CONTROL AND NON PROLIFERATION VERIFICATION *(continued)*

Indicator #1: *(continued)*

PERFORMANCE DATA	**Data Source**	National Means and Methods and multinational methods of information collection, including intelligence reporting, open source information, data exchanges, declarations, inspections, bilateral consultations, multilateral meetings, and established for a resolving concerns.
	Data Quality (Verification)	Monitoring implementation of agreements/commitments provides direct feedback on all aspects of compliance and significantly contributes to future verification efforts.
PAST PERFORMANCE	**2004**	1. Bilateral Implementation commission (BIC) held first meeting in April 2004. Parties discussed and exchanged information regarding treaty implementation efforts. No additional U.S. enforcement actions required. Working Group One on Offensive Transparency met in November 2003 to discuss near-term transparency and build a long-term vision in arena of offensive systems. 2. U.S. intelligence capabilities and knowledge gained from START and other agreements provided a foundation for obtaining transparency of Moscow Treaty implementation. 3. U.S. proposed road map to achieve U.S. and North Korea publicly stated goals, and outlined major elements of the process leading to complete, irreversible and verifiable dismantlement of the North Korea nuclear program. North Korea has not engaged in substantive discussions of U.S. proposal or their own counterproposal. Without progress in the nuclear arena as a matter of priority, there is no movement in the ballistic missile issue.
	2003	1. The Senate provided its advice and consent to ratification of the Moscow Treaty in June 2003. Began implementation of Moscow Treaty through its BIC. 2. Considered role of transparency measures in terms of the BIC. 3. Integrated verification concepts into U.S. Government deliberations and negotiations toward verifiable elimination of North Korea's nuclear program, including preparation of core interagency building blocks.
	2002	**Baseline:** 1. Moscow Treaty Verifiability Report completed. 2. U.S. positions on verification requirements developed. 3. Transparency Measures for the Moscow Treaty developed. 4. Prepared assessment of the elements of the verifiable dismantlement of the North Korean nuclear weapons capability. 5. Prepared assessment of the elements of a ban on North Korean indigenous and export programs for ballistic missiles.

Stephen Rademaker, Assistant Secretary of State for International Security and Nonproliferation, addresses the Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons at United Nations headquarters, May, 2005. AP/Wide World Photo

I/P #8: ARMS CONTROL AND NON PROLIFERATION VERIFICATION *(continued)*

Indicator #2: Extent to Which Relevant Organizations Support Rigorous Assessment and Enforcement of States Parties' Compliance with Arms Control, Nonproliferation, and Disarmament Treaties, Agreements, and Commitments

JUSTIFICATION (VALIDATION): Promote understanding of verification and importance of compliance with the IAEA, OPCW, and States Parties results in concerted enforcement actions.

FY 2005 PERFORMANCE

Target	1. IAEA further improves its capabilities to detect undeclared activities and to address concerns about Non-Nuclear Weapon States suspected of weapon-related activities. 2. Work with IAEA to ensure that proliferation concerns are formally used in judging the applicability of Technical Cooperation projects.
Results	**IAEA:** ● As States or other entities share sensitive information regarding suspected clandestine activities and as countries bring into force the Additional Protocol, the IAEA is able to better target its resources to detect and investigate instances of undeclared activities. ● In June of 2005, the IAEA Board of Governors established a Special Committee on Safeguards and Verification which, inter alia, will prepare a comprehensive plan for strengthening safeguards and verification. ● Evidence of noncompliance by Iran were vetted by the IAEA Board of Governors. ● The Safeguards Department now assesses all proposed Technical Cooperation projects in order to identify projects of proliferation concern. **OPCW (Organization for the Prohibition of Chemical Weapons):** ● U.S. delivered statement at the Ninth Session of the Conference of States Parties of the OPCW on agenda item nine: Status of Implementation of the Convention. ● Continued bilateral meetings with high-level visitors to Washington. ● Completed security audit of OPCW information technology systems and worked with OPCW to facilitate implementation of improvements recommended by the U.S. review.
Rating	On Target
Impact	The IAEA has additional tools and authorities with which to implement effective safeguards and to respond to instances of noncompliance. The IAEA is bringing such instances before its Board of Governors. However, failure by the Board to fulfill its statutory requirements to report these instances to the UN Security Council and to take appropriate remedial actions could damage the credibility of the nonproliferation regime.

PERFORMANCE DATA

Data Source	On an as-needed and case-by-case basis, member States and other entities provide sensitive information to be addressed by the relevant organization. IAEA and OPCW reports, U.S. Mission reporting cables, all source intelligence review, bilateral consultations, discussions at multilateral fora.
Data Quality (Verification)	This data are official, objective and accurate. Reporting from the various sources is crosschecked to ensure reliability and completeness.

PAST PERFORMANCE

2004	1. IAEA – Rebuttal of IAEA legal arguments regarding meaning of Article XII.C of IAEA Statute with respect to reporting safeguards noncompliance to U.N. Security council. Diplomatic outreach to members of IAEA Board of Governors to encourage clearer and more rigorous understanding of provisions in IAEA statute regarding noncompliance. Articulation of 2004 NPT Preparatory Committee of U.S. position on criteria for judging NPT Article II compliance. Sought to ensure that evidence of noncompliance by Iran and North Korea was vetted by the IAEA Board of Governors. Sought a resolution by the Board of Governors reporting Iran's noncompliance to the UN Security Council. Initiated a Verification Assessment of the IAEA, including its TC program, to improve effectiveness of the IAEA to contribute to verification and compliance, particularly to detect undeclared activities and prevent misuse of Technical Cooperation program assistance. 2. OPCW - Emphasized compliance at the OPCW. Addressed the Western and Others Group and conducted compliance discussions with the Director General of the OPCW. Over twenty bilateral meetings were conducted with representatives of foreign governments to explain U.S. Government approach to verification and compliance.
2003	Initiate a verification assessment of the IAEA's contributions to verification and compliance of U.S. Government nonproliferation goals. This includes assessing the IAEA's ability to detect undeclared activities and its utilization of resources to address concerns about Non-Nuclear Weapon States suspected of weapons activities.
2002	Supported IAEA safeguards as a nonproliferation policy priority. Trilateral Initiative stalled by Russia. U.S. exploring possible continued cooperation on verification technology.

I/P #9: COMPLIANCE DIPLOMACY

Indicator #3: Status of Implementation of a Global Norm of Adherence to and Compliance with Arms Control and Nonproliferation Agreements and Commitments

JUSTIFICATION (VALIDATION): Noncompliance assessments will be validated by intelligence reporting, National means and methods (NMM), data exchanges, international monitoring systems, on-site inspections, research results. Compliance reinforces the global norm of adherence to agreements and commitments.

FY 2005 PERFORMANCE

Target

1. Continue coordination of U.S. efforts to assist Libya in ensuring and verifying the elimination of its weapons of mass destruction and Missile Technology Control Regime (MTCR)-class missile programs.
2. Foster international support for inducing compliant behavior, resulting in increased compliance with arms control and nonproliferation agreements and commitments.
3. Other nations briefed on U.S. noncompliance concerns.
4. Conduct Noncompliance consultations in capitals and at multilateral fora, e.g. NATO, ASEAN, OAS, identifying most serious noncompliance issues that remain to be resolved.
5. Work with nations to ensure that multilateral export arrangements and individual export laws are commensurate with global nonproliferation goals.
6. Chemical Weapons Convention (CWC):
   - Noncompliance issues identified with 16 states parties of concern and most noncompliance issues, resolved. Bilateral discussions held with 5 highest priority countries of concern and site visits conducted with top two States Parties of concern regarding CWC noncompliance issues, including those related to declarations, ambiguous CW and industrial activities. Multiple initial and follow-up demarches delivered which identify and seek resolution of U.S. noncompliance concerns, including those related to declarations and ambiguous industrial activities.
   - Similar targets established for BWC, NPT, and MTCR as described above for CWC.

Results

1. Libya — Destruction of its chemical stockpile continues. Chemical Weapons Destruction Facility construction completed. Conversion of production facilities to non-WMD use continues. Adherence to its December 19, 2003 commitment, limiting its missile programs to missile systems below Category 1 specifications is monitored according to the long-term monitoring plan. The complete, verifiable, and irreversible dismantlement of its declared weapons-related nuclear program concluded.
2. Throughout 2005, Department of State officials used such international fora as the 2005 NPT Review Conference, meetings of the IAEA Board of Governors, speeches in various multilateral venues, and bilateral diplomacy to focus international attention on instances of noncompliance with arms control and nonproliferation agreements and commitments, remedial steps necessary to bring the offending Party back into compliance, and the impact that failure by States Parties to take corrective action may have on international norms of compliance in general and on specific agreements or commitments. The Department achieved success in focusing attention on the importance of compliance as a general matter of international behavior. There were, however, political obstacles to individual or collective compliance enforcement actions that would support the global norm.

Rating

On Target

Unlike in 2003/2004 when Libya announced its decision to eliminate its weapons of mass destruction and MTCR class missile programs, in 2005 there were no instances of what could be labeled as "increased compliance."

Impact

The Bureau's efforts to focus on the process of making compliance determinations and the collection of objective relevant information, together with the responsibility by all States Parties to enforce compliance present a significant opportunity to enhance the global norm of adherence to and compliance with arms control and nonproliferation agreements and commitments.

PERFORMANCE DATA

Data Source	U.S. Noncompliance Report; U.S. Opening Statement, 8th Conference of States Parties to CWC; U.S. Opening Statement, 38th Executive Council Session of OPCW; U.S. Statement, First Review Conference of the CWC; Report of the Meeting of Experts (BWC) 2004; U.S. Strategy Paper for the 2004 BWC Work Program; U.S. Views on Disease Surveillance, presentation at BWC Experts Meeting July 2004. U.S. and others' statements to the 2005 NPT Review Conference; U.S. and others' statements to the IAEA Board of Governors during 2005 sessions.
Data Quality (Verification)	The data used to measure this indicator are readily available for verification and widely regarded as accurate.

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I/P #9: COMPLIANCE DIPLOMACY *(continued)*

Indicator #3: *(continued)*

PAST PERFORMANCE

2004	1. U.S. continued to lead promoting compliance diplomacy and addressing compliance-related concerns within the Chemical Weapons Convention. U.S. initiated dialogue with States of concern at various multilateral levels. On-site visits combined with discussions on the margins of the Organization of the Prohibition of Chemical Weapons (OPCW) Executive council contributed to the forward movement of compliance diplomacy. 2. The Department worked closely with key representatives from Congress, outlining specific U.S. concerns with Russian compliance prior to Congressional Delegation visits and in support of written correspondence to senior Russian officials. 3. U.S. continued to encourage full compliance by all States Parties to the Biological Weapons Convention, currently in context of the work program agreements being undertaken. U.S. provided assistance on biosecurity and biosafety, highlighted by trilateral discussion between U.S, U.K. and Libya in 2004. At Experts Meetings in July and December, U.S. focused efforts on strengthening international disease surveillance efforts and investigation into allegations of use. Discussion on agreement to improve national capabilities by all States Parties also initiated.
2003	1. Proliferation Behavior Reviewed: Prepared and improved the Annual Noncompliance Report. Thus the Department is better positioned to affect compliance enforcement through compliance diplomacy and sanctions. 2. Non-proliferation Compliance/ Enforcement: Sought clarification and resolution of U.S. compliance concerns related to the Chemical Weapons Convention (CWC) through visits conducted under Article IX of the CWC. Bilateral compliance consultations were also conducted. We also worked with Congress to enforce Russian compliance with the CWC. Articulated and sought international support for enforcement of compliance with the Biological Weapons Convention at appropriate forums and in bilateral consultations. Sought to gain adherence of all countries to the BWC. 3. Start Treaty: In August 2003, the Department held consultations with Russia's Representative to the Joint Compliance and Inspection Commission on the unclassified version of the Noncompliance Report for the year 2002. In September 2003, A/S for Verification and Compliance sent a follow-up letter to the Russian Ministry of Foreign Affairs (MFA), Department of Security Affairs and Disarmament. The letter reiterated the earlier explanation from the consultations that the law requiring the President to submit the Noncompliance Report to Congress was changed to require more specificity in the unclassified version and that the United States intended to fulfill the requirement in the upcoming Report. In response to a subsequent request from the Russian MFA, a copy of the law containing the requirements for submitting the Report to Congress was delivered to the Russian MFA on September 26. Russia has yet to provide official comments in response to the consultations. 4. Sanctions: During 2003, the Department imposed sanctions on entities for transferring items that could contribute to weapons of mass destruction and delivery system programs as well as lethal military equipment sales. During 2003, the Department imposed sanctions on a number of foreign entities. For example, in May 2003, the Department placed export and import ban sanctions on the Chinese entity China North Industries Corporation (NORINCO).
2002	**Baseline:** Compliance issues associated with the Chemical Weapons Convention enforced. ● Visits conducted in four countries under the provisions of Article IX of the CWC to clarify and resolve compliance issues. Compliance issues resolved as a result of several of these visits. ● During these bilateral discussions with several States Parties, the United States identified its concerns and necessary mitigating steps. The United States also proposed to a State Party a plan for conducting possible site visits to address U.S. CWC compliance concerns. ● Five States Parties responded to follow-up demarches and the Department resolved its compliance concerns with some States Parties.

I/P #10: ALL SOURCE INTELLIGENCE COLLECTION AND TECHNOLOGY R&D

Indicator #4: Extent to Which Department is an Aggressive Consumer of and Advocate for Intelligence for Verification and Compliance

JUSTIFICATION (VALIDATION): Advocacy promoted through funding of the Verification Asset Fund activities and the Nonproliferation and Arms Control Technology Working Group (NPAC TWG) process is important to ensure that the most effective sensors and collection assets exist (and new ones are developed) to support the Department's WMD and anti-terrorism mission.

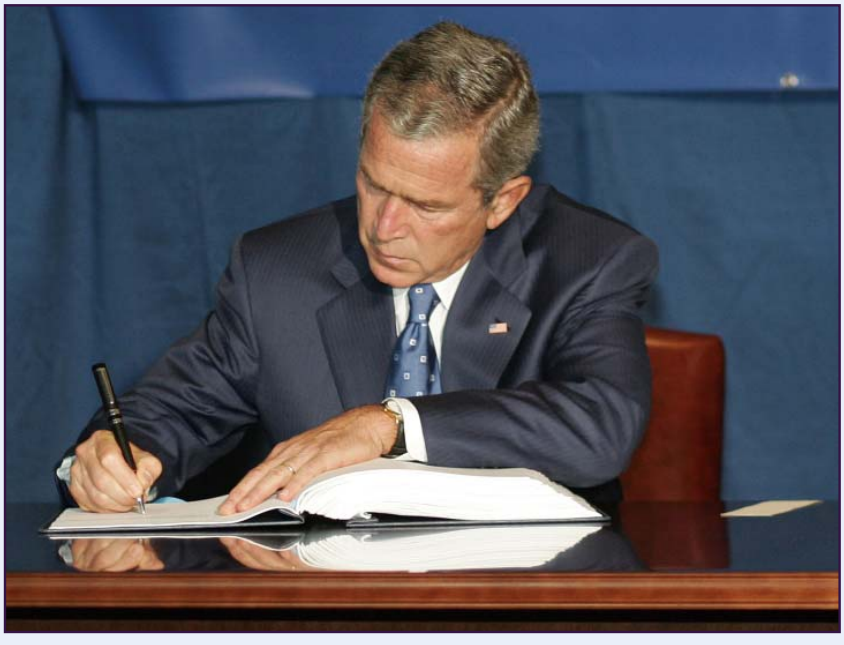
FY 2005 PERFORMANCE	**Target**	Support and preserve the continued operation of key sensor programs used to verify arms control and nonproliferation agreements and commitments.
	Results	1. Verification Assets Fund — not endowed, but resources allocated for verification activities consistent with Verification Asset Fund goals. Initiate and implement projects to influence nuclear test monitoring and verification R&D, targeting countries of concern. 2. NPAC TWG — influences U.S. Government research and development decisions.
	Rating	Below Target
	Impact	Shortfall in the Verification Assets Fund leaves important activities of the Bureau of Verification, Compliance and Implementation (VCI) unfunded.
	Reason for Shortfall	The Verification Assets Fund is not endowed, forcing the VCI Bureau to use very limited funds from the verification activities account to make up the difference. This impairs the ability of the VCI Bureau to leverage key verification technologies to support Bureau missions.
	Steps to Improve	Advocate to include the Verification Assets Fund in the Department budget and to note to those in the Congressional Appropriation process the importance of the Verification Assets Fund toward meeting Department goals.
PERFORMANCE DATA	**Data Source**	Department of State, VCI and IRM Bureaus.
	Data Quality (Verification)	Internal processes ensure the reliability and accuracy of the data.
PAST PERFORMANCE	**2004**	1. Verification Assets Fund — Verification activities funds were used to fund critical research to aid in the exploitation of seismic data to determine if countries were adhering to their obligations under the NPT, Threshold Test Ban Treaty, and nuclear test moratoria. 2. NPAC TWG — Symposium held in May 2004; laid groundwork for urging the National Security Council's Counterproliferation Technology Coordinating Committee to take into consideration all WMD-related research and development across the government.
	2003	Nonproliferation and Arms Control Technology Working Group — Report published October 2002. Three research and development conferences co-sponsored by NPAC TWG (BW, CW, and unattended radiation sensors.) Expanded organizational participation beyond "traditional" IC groups. Established Signatures Subcommittee.
	2002	1. Verification Assets Fund utilized. 2. Verification Technology research and development and intelligence assets coordinated and supported. 3. The Department provided $400,000 to initiate a Program Office and to advocate funding the replacement for the COBRA JUDY radar (operated by the Department of Defense and the intelligence community), critical for verification of the Strategic Arms Reduction Treaty (START) and for missile proliferation assessments. 4. VCI co-chaired the interagency Nonproliferation and Arms Control Technology Working Group (NPAC TWG), which acts as a central coordinator for verification technology and identifies shortfalls in funding for critical arms control and nonproliferation research and development projects. 5. The Department finalized the biennial NPAC TWG Report. As co-chair, VCI assisted in sponsoring major symposia on Biological Weapons Detectors, Nuclear Explosion Detection, Chemical Weapons Detectors, and Unattended Radiation Sensors.

I/P #11: RAPID AND ACCURATE COMMUNICATIONS FOR ARMS CONTROL

Indicator #5: Reliable Communications and Timely Upgrades

JUSTIFICATION (VALIDATION): Continued improvements in communications systems are essential in order for the U.S. to meet its arms control treaty and agreement reporting requirements.

FY 2005 PERFORMANCE	**Target**	1. Timely communications in support of U.S. and foreign compliance with arms control and nonproliferation agreements and commitments. 2. Final international testing of replacement system successful; integrated system brought online, maintaining 99% reliability in communications. 3. Software automation enables the Nuclear Risk Reduction Center (NRRC) to process increased notification traffic with FY 2003-level staffing. 4. All OSCE states are electronically connected to the Network.
	Results	All NRRC hardware and software improvements successful and online.
	Rating	On Target
	Impact	Increased speed, reliability, and stability in NRRC communications.
PERFORMANCE DATA	**Data Source**	State and SIPRNet video users at worldwide locations. OPCW consultations.
	Data Quality (Verification)	The data used to measure this indicator are readily available for verification and widely regarded as accurate.
PAST PERFORMANCE	**2004**	Architecture established, treaty partners notified, consultations for equipment installation and testing begun.
	2003	1. Government-to-Government Communications Links (GGCL) preliminary modernization authorized by START partners in the summer of 2003. 2. The Integrated Notification Application (INA) became operational. 3. Network migration completed, with startup of Internet-based Virtual Private Network (VPN). All Network members successfully migrated.
	2002	1. START partners (former Soviet nuclear states) considered completed U.S. proposal for replacement of current GGCL system. 2. INA, designed to support the Conventional Armed Forces in Europe (CFE), Open Skies and the Vienna Document 1999 notification exchange was tested; OSCE Network Phase II Migration was on-track.



President Bush signs the Intelligence Reform and Terrorism Prevention Act of 2004 during a ceremony at the Andrew W. Mellon Auditorium, December, 2004.

AP/Wide World Photo

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 5: INTERNATIONAL CRIME AND DRUGS

Minimize the impact of international crime and illegal drugs on the United States and its citizens

I. Public Benefit

Americans face growing security threats, both at home and abroad, from international terrorist networks and their allies in the illegal drug trade and international criminal enterprises. Illegal drugs impose a staggering toll, killing more than 19,000 Americans annually and costing more than $160 billion in terms of law enforcement, drug-related heath care, and lost productivity. This is in addition to the wasted lives, the devastating impact on families, schools, and communities, and the generally corrosive effect on public institutions.

A man detained in connection with a ton of confiscated marijuana, cocaine and heroin sits behind a police line in Panama City, Panama, August 2005.

AP/Wide World Photo

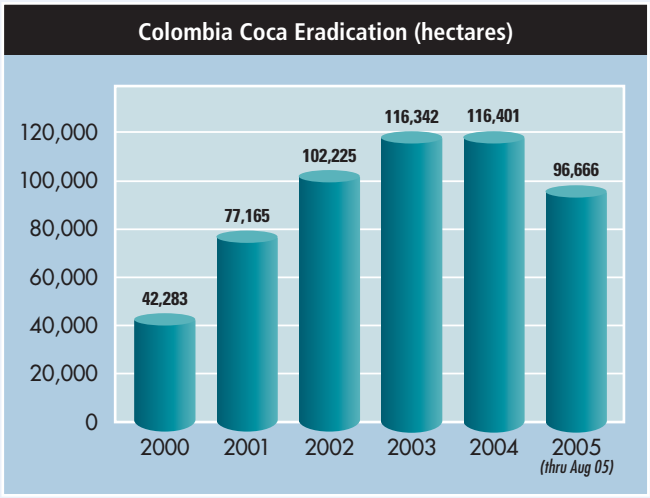
International crime groups also pose critical threats to U.S. interests, undermine the rule of law and enable transnational threats to grow. International trafficking in persons, smuggling of migrants and contraband, money laundering, cyber crime, theft of intellectual property rights, vehicle theft, public corruption, environmental crimes, and trafficking in small arms cost U.S. taxpayers and businesses billions of dollars each year. International trafficking in persons violates fundamental human rights of victims. Experts estimate that non-drug crime accounts for half of the estimated $1.8 trillion of money laundered each year globally.

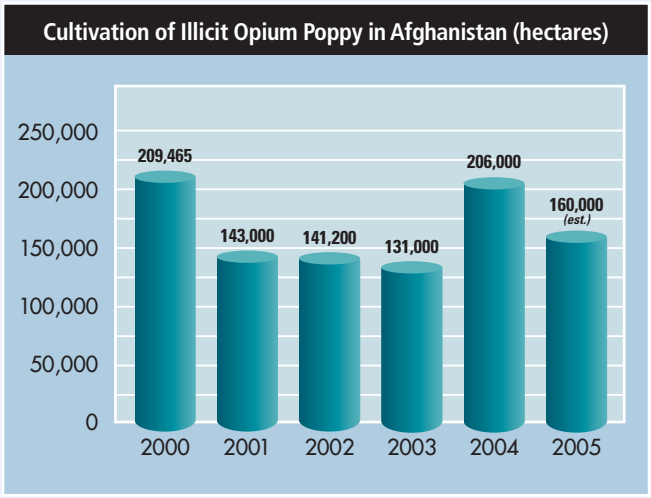
The events of 9/11 and their aftermath highlighted the close connections and overlap among international terrorists, drug traffickers, and transnational criminals. All three groups seek out weak states with feeble judicial systems, whose governments they can corrupt or even dominate. Such groups jeopardize peace and freedom, undermine the rule of law, menace local and regional stability, and threaten the U.S. and its friends and allies.

To meet these challenges, the Department supports a robust and comprehensive range of public-private, bilateral, regional, and global initiatives and assistance programs to build up the law enforcement capabilities of foreign governments to help stop these threats before they reach U.S. soil. The Department works with other U.S. Government agencies and foreign governments to break up drug trafficking and other international crime groups, disrupt their operations, arrest and imprison their leaders, and seize their assets. It also provides small farmers in drug producing areas in the Andean ridge, Afghanistan, and Southeast Asia the means to

abandon illicit crop production permanently by developing viable economic alternatives and improving social conditions of farm families. The Department works with foreign governments to set international anti-crime standards, close off safe-havens to criminal groups, pool skills and resources, and improve cross-border cooperation. Finally, to help strengthen law enforcement in key countries and areas emerging from a state of violent conflict, the Department also provides American civilian police and other justice sector experts to UN, regional, or other peacekeeping operations to establish or rebuild democratic and professional police forces and rule of law in those areas.

II. Selected Performance Trends





III. Strategic Context

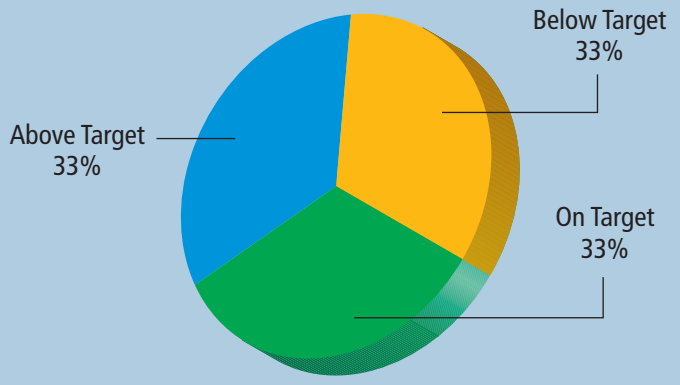
This strategic goal is supported by two performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
International Crime and Drugs	Disruption of Criminal Organizations	Andean Counterdrug Initiative	D&CP, ACI, CIO, DA	INL, WHA	DOD, USAID, DEA, DOJ, ONDCP, CNC
		Improve Anti-Trafficking in Persons Prosecutorial and Protection Capacities	D&CP INCLE, ESF, FSA, SEED, CIO, MRA, DA	G/TIP	DOJ, DOL, USAID, DHS, UN, IOM, ILO, Asia Foundation, OAS, OSCE, Stability Pact, SECI, ASEAN, ECOWAS, SADC
		Mexico	D&CP, INCLE	INL, WHA	DOJ, DEA, DHS, ONDCP, CNC
	Law Enforcement and Judicial Systems	Support Investigations of Major International Criminals	D&CP, INCLE, ACI, ESF, SEED, FSA	L, INL, IO	DOJ, DHS, UN
		International Law Enforcement Academies (ILEAs)	D&CP, INCLE, SEED, FSA, CIO	INL	DOJ, DHS, Treasury
		Anticorruption	D&CP, INCLE, ACI, ESF, SEED, FSA	INL, L	DOJ, UN, USAID, OGC, DOC
		Money Laundering Initiative	D&CP, INCLE, ACI, SEED, FSA, ESF, NADR	L, INL, S/CT	Treasury, FATF, UN, G-8, DOJ. DHS

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the International Crime and Drugs strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION	
Significantly Above Target	0
Above Target	4
On Target	4
Below Target	4
Significantly Below Target	0
Total Number of Ratings	**12**

V. Performance Analysis

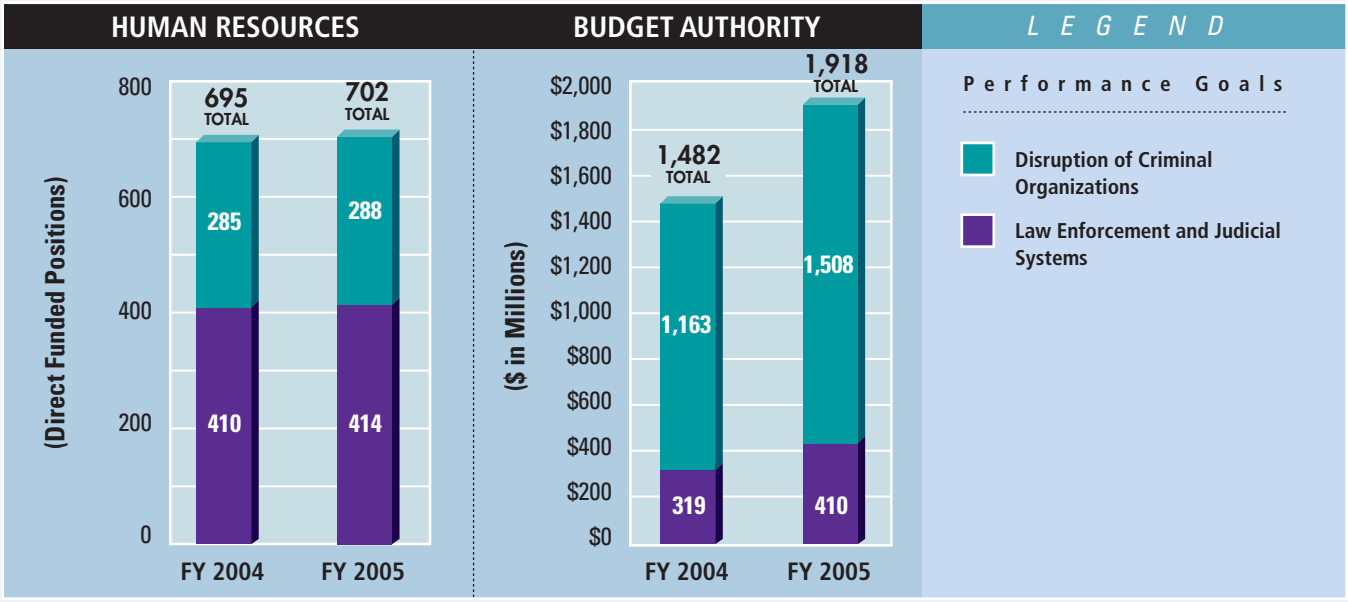
PERFORMANCE TRENDS. There are two trends in the Department's efforts to fight international crime and drugs. First, law enforcement training and anticorruption activities operate somewhat effectively both at the output level (e.g., the number of officials trained at International Law Enforcement Academies), and at the outcome level (greater professionalization of the Mexican justice system, for example). Second, returns from supply-side counterdrug measures are diminishing. Indicators for both cultivation and production of illicit drugs suggest that, perhaps due to U.S. and host country successes in eradicating drug crops, criminals have found new ways to circumvent aerial spraying and other methods. However, the Department's efforts contributed to the reduction of opium poppy cultivation in Afghanistan.

OUTCOME-LEVEL RESULTS. The Department made progress toward improving the capacity of foreign law enforcement agencies to respond to international crime. Increased training and pay for foreign officers as well as greater cooperation with the U.S. through international anticorruption and anti-crime agreements contributed to this outcome. Programs in these areas performed at or above target in FY 2005.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. Although no results were rated significantly above or below target, the Department undoubtedly faces challenges in combating the illicit drug production in South America. The Department must continue to work in close partnership with host governments, other U.S. Government agencies, and international organizations.

RESOURCES INVESTED. The Department continued to invest in the battle against international crime and drugs in FY 2005. In particular, funding for International Narcotics Control and Law Enforcement (INCLE) increased from approximately $460 million in FY 2004 to $946 million in FY 2005.

VI. Resources Invested



VII. Performance Results

PERFORMANCE GOAL 1

INTERNATIONAL TRAFFICKING IN DRUGS, PERSONS, AND OTHER ILLICIT GOODS DISRUPTED AND CRIMINAL ORGANIZATIONS DISMANTLED

INITIATIVE/PROGRAM (I/P) #1: ANDEAN COUNTERDRUG INITIATIVE (PART PROGRAM)

Indicator #1: Foreign Cultivation of Coca in Hectares

JUSTIFICATION (VALIDATION): The best indicator for measuring the efforts to reduce the flow of cocaine to the U.S. is the number of hectares of coca under cultivation and the estimated gross production.

FY 2005 PERFORMANCE	**Target**	Total Coca: 132,000. Colombia: 75,000. Peru 32,500. Bolivia: 25,000[1].
	Results	Aerial herbicidal spray operations have been stepped up and are well above the 2004 rate; 122,000 hectares had been sprayed for the first half of calendar year 2005 versus 130,000 for the entire (calendar) year of 2004. At this point, data is pending; however, based on the limited amount of reporting received at this time, it is unlikely that the targets for lower coca cultivation will be met.
	Rating	Below Target
	Impact	If final results indicate lessened effectiveness of coca eradication, the impact could be a greater supply of cocaine production.
	Reason for Shortfall	Recent successes may be driving coca cultivation into places where it is more difficult to detect, such as deeper into the jungle. Higher-yielding and herbicide-resistant varieties of coca may also be emerging.
	Steps to Improve	Eradication efforts may focus on manual removal of coca plants. Pacification efforts are crucial to this process, since elimination teams would need access to farms, most of which are in guerilla or paramilitary-occupied territories.
PERFORMANCE DATA	**Data Source**	The CIA's Crime and Narcotics Center.
	Data Quality (Verification)	The Crime and Narcotics Center uses verification on the ground and high-resolution aerial photography to confirm low-resolution satellite imagery.
PAST PERFORMANCE	**2004**	114,100 hectares.
	2003	Total: 171,200 Colombia: 113,850 Peru: 31,350 Bolivia: 28,000 (Includes 12,000 hectares of legal coca).
	2002	205,450 hectares.

[1] *Includes 12,000 hectares of legal coca.*

I/P #1: ANDEAN COUNTERDRUG INITIATIVE *(continued)* (PART PROGRAM)

Indicator #2: Potential Production of Cocaine and Heroin in Key Source Countries (in Metric Tons)

JUSTIFICATION (VALIDATION): Production estimates offer a refinement over cultivation levels because the former take into account differences in plants yield and processing methods, which can vary by region and country. The Department uses both indicators together to present a clear picture of actual circumstances.

FY 2005 PERFORMANCE	**Target**	Cocaine: 537.
	Results	1. Cocaine: Potential production estimates are based on cultivation estimates. Initial reports suggest that targets for reduced cultivation might not be achieved, in which case the potential production target will not likely be met. 2. Preliminary estimates indicate that opium poppy cultivation and heroin production in Southeast Asia continue their multi-year decline. UN estimates for Afghanistan (the source of approximately 85% of the world's illicit heroin) indicate a 21% decline in cultivation but a much smaller decline in heroin production.
	Rating	Below Target
	Impact	If final results indicate that the targets have not been met, the impact could be a greater supply of illegal drugs and a potential need for law enforcement efforts to interdict these substances.
	Reason for Shortfall	Reduced effectiveness in curtailing cultivation has provided more raw material for cocaine production.
	Steps to Improve	Improve efforts to reduce cultivation of opium and coca.
PERFORMANCE DATA	**Data Source**	CIA Crime and Narcotics Center provides the estimates.
	Data Quality (Verification)	The Crime and Narcotics Center uses the same methodology and modeling each year, which allows for year-to-year and long-term comparisons.
PAST PERFORMANCE	**2004**	1. Cocaine: 640. 2. Heroin: 615.
	2003	1. Cocaine: 655. 2. Heroin: 407.
	2002	1. Cocaine: 800. 2. Heroin: 230.

I/P #1: ANDEAN COUNTERDRUG INITIATIVE *(continued)* (PART PROGRAM)

Indicator #3: Seizures of Cocaine, Measured in Metric Tons, from Bolivia, Colombia, Ecuador, and Peru

JUSTIFICATION (VALIDATION): Statistics on seizures complement estimates on cultivation and production. They are an indication of law enforcement effectiveness but much less reliable as a snapshot of drug trafficking.

FY 2005 PERFORMANCE	**Target**	125 metric tons.
	Results	Based on preliminary reporting, seizures are running ahead of the 2004 record year and are up significantly in some countries, such as Ecuador. Final data will be available in February 2006.
	Rating	**Above Target**
	Impact	The increased number of seizures in some ways compensates for higher cultivation and production rates of cocaine. The net effect is to restrict supply of cocaine available for trafficking to the U.S.
PERFORMANCE DATA	**Data Source**	Data provided by host governments.
	Data Quality (Verification)	Numbers should be considered approximations. Quality varies by country and by the domestic law enforcement agencies involved. Potential problems include omissions, double counting (local seizures counted at both the local and national level), and definitional problems (lumping together seizures of cocaine base with fully processed cocaine or failure to distinguish between pure cocaine and export/lower quality cocaine). The Drug Enforcement Agency can verify some but not all numbers.
PAST PERFORMANCE	**2004**	Total seized: 199 metric tons. Estimated Production: 660 metric tons. Seizure Rate: 30% of total net production.
	2003	161 metric tons seized of 665 metric tons estimated production. Seizure rate: 24% of total net production.
	2002	**Baseline:** 21% of total net production seized.

DEPARTMENT OF STATE AIR WING
COCA-GROWING REGIONS SPRAYED

Updated through 31 August 2005

DEPARTMENT OF STATE AIR WING
OPIUM-GROWING REGIONS SPRAYED

Updated through 31 August 2005

I/P #2: GLOBAL POPPY CULTIVATION

Indicator #4: Cultivation of Illicit Opium Poppy in Hectares in Afghanistan

JUSTIFICATION (VALIDATION): The level of cultivation is the single best indicator of poppy and therefore heroin production. It has the added advantage of pinpointing poppy-growing areas so they can be targeted for eradication and other counter narcotics programs.

FY 2005 PERFORMANCE	**Target**	190,000 *(Revised. See Appendix for explanation).*
	Results	UN figures, which were released in September, indicated a 21% drop in opium poppy cultivation over the UN estimates for 2004. This suggests a cultivation level below the FY 2005 target, possibly 160,000 hectares. Final figures will be available December 2005.
	Rating	Above Target
	Impact	Lower cultivation of illicit opium will result in less indigenous opium poppy available for heroin production inside Afghanistan.
PERFORMANCE DATA	**Data Source**	CIA Crime and Narcotics Center.
	Data Quality (Verification)	The Crime and Narcotics Center uses verification on the ground and high-resolution aerial photography to confirm low-resolution satellite imagery.
PAST PERFORMANCE	**2004**	Funding was received late in 2004 (April); eradication teams deployed but due to late deployment and early spring, most poppy was harvested before it could be eradicated. Poppy cultivation expanded 239% over the previous year, reaching a level of 206,000 hectares under cultivation.
	2003	**Baseline:** 30,750 hectares under cultivation. Planting resumed in the fall of 2001 during Operation Enduring Freedom and the collapse of the Taliban regime. In 2002, Afghanistan resumed its position as the world's largest producer of opium and heroin.
	2002	141,200.

Two Afghan street children walk past an opium poppy sign in the center of Kabul, Afghanistan.

AP/Wide World Photo

I/P #3: IMPROVE ANTI-TRAFFICKING PROSECUTORIAL AND PROTECTION CAPACITIES

Indicator #5: Number of Countries Strengthening and Enforcing Anti-Trafficking Laws

JUSTIFICATION (VALIDATION): Strengthened laws containing strong penalties against traffickers and protections for victims indicate concrete efforts to combat traffickers and assist victims.

FY 2005 PERFORMANCE

Target	1. Number of countries in Tiers 2 and 3 improve their anti-trafficking record and move up one tier, including three moving up to Tier 1 in the 2005 Trafficking in Persons (TIP) Report. 2. Tier rating target • Tier 1 (Countries whose governments fully comply with the minimum standards of the Trafficking Victims Protection Act): 34 • Tier 2 (Countries whose governments do not fully comply with the Act's minimum standards but are making significant efforts to bring themselves into compliance): 85 • Tier 3 (Countries whose governments do not fully comply with the minimum standards and are not making significant efforts to do so): 10 3. The number of prosecutions against traffickers increases worldwide as a result of better information collection, improved laws and U.S. Government assistance.
Results	1. Tier 1: 24. 2. Tier 2: 77. 3. Tier 2 Watchlist (Tier 2 countries that have a significant number of victims in severe forms of trafficking or fail to provide evidence of increasing efforts to combat severe forms of trafficking from the previous years or commit to take additional steps over the next year): 27. 4. Tier 3: 14. 5. Upward shift of countries on the tier ladder with 31 of the 42 Tier 2 Watchlist countries moving to Tier 2 in 2005. Global law enforcement data shows that convictions are slightly increased, but prosecutions have decreased.
Rating	Below Target
Impact	The Department's increased engagement and scrutiny of countries' anti-trafficking efforts has led to greater efforts by the governments themselves to take action against human trafficking. Worldwide, the number of trafficking related convictions has increased over 3,000. And new anti-human trafficking legislation was approved in 39 countries.
Reason for Shortfall	Over the past year, the Department witnessed a stronger response from many governments, more public awareness campaigns alerting victims to protection services, and greater transparency in anti-trafficking efforts. As a result of these positive actions, the Department was able to collect better data on more countries through enhanced embassy reporting, increased reporting by non-governmental organizations, and visits by U.S. officials to gather and verify information. Better data collection has lead to better evaluation methods, which is the reason that some countries rank higher or lower in the Report. In the 2005 TIP Report, trafficking through labor exploitation received greater attention. This greater emphasis came as a result of better data obtained from source countries and non-governmental organizations. Four countries were placed on Tier 3 primarily because of their failure to make significant efforts to combat forced labor trafficking: Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates. The Department intends to include all countries with a significant number of trafficking victims in future reports, as more and better information becomes available.
Steps to Improve	The U.S. is deeply committed to fulfilling its responsibilities in the fight against trafficking in persons. The Department of State's Trafficking in Persons office has contributed funding abroad for all kinds of anti-trafficking programs, specifically targeting countries with weaker anti-trafficking efforts. The Department hopes such programs will improve countries' efforts and that these efforts will result in improved tier rankings. This report is a diplomatic tool for the U.S. Government to use as an instrument for continued dialogue, encouragement for the actions of some governments, and as a guide to help focus resources on prosecution, protection, and prevention programs and policies. After the release of this year's TIP Report, as in past years, the Department will continue to engage governments about the content of the report to strengthen cooperative efforts to eradicate trafficking. In the coming year, the Department will use the information gathered in the compilation of this report to more effectively target assistance programs and to work with countries that need help in combating trafficking. The Department hopes the report will be a catalyst for government and non-government efforts to combat trafficking in persons around the world.

PERFORMANCE DATA

Data Source	2004 Trafficking in Persons Report. UN Trafficking in Persons Protocol website.
Data Quality (Verification)	Presently, some data is difficult to verify and also hard to collect due to the underground, illegal, and organized nature of trafficking in persons.

Continued on next page

I/P #3: IMPROVE ANTI-TRAFFICKING PROSECUTORIAL AND PROTECTION CAPACITIES *(continued)*

Indicator #5: *(continued)*

PAST PERFORMANCE	**2004**	1. Increased number of countries in Tier 1 by five, bringing total to 31 countries. Tier rating targets for 2004 TIP Report: ● Tier 1: 31 ● Tier 2: 80 ● Tier 3: 12 2. Thirty additional countried ratified UN Tracking in Persons Protocol, which entered into force.
	2003	1. Results 2003 ● Tier 1: 26 ● Tier 2: 75 ● Tier 3: 15 2. Forty-two percent of Tier 2 and Tier 3 countries use Department assistance to develop or further anti-trafficking initiatives. 3. Third TIP Report was issued and includes 26 additional countries for a total of 116. 4. Promoted "best practices" through five new bilateral and regional initiatives among source, transit, and destination countries. 5. Forty-two countries ratified UN Trafficking in Persons Protocol, which entered into force.
	2002	1. The President's Interagency Taskforce and Senior Policy Advisory Group coordinated anti-trafficking policy. 2. Second *Trafficking in Persons* Report was issued. 3. Ratification package for UN Trafficking in Persons Protocol was sent to the Senate.

A Look to History: International Crime and Drugs

Since the inception of the United Nations in 1945, the United States has vigorously supported international initiatives to control drug trafficking and abuse. Beginning with the Truman and Eisenhower administrations, the United States has taken an active role in the UN's Commission on Narcotic Drugs, the UN Fund for Drug Abuse Control, and in the negotiation of several key drug control treaties.

United Nations Conference delegates unanimously adopt the United Nations Charter in San Francisco, California, June 26, 1945. AP Photo

I/P #4: MEXICO

Indicator #6: Capacity to Identify Illicit Goods Through Use of High-Tech Equipment

JUSTIFICATION (VALIDATION): This performance indicator is central to bilateral efforts to stop the entry of explosives, weapons, drugs and terrorists that could harm the United States, while facilitating the cross-border movement of goods, services and visitors.

FY 2005 PERFORMANCE	**Target**	VACIS (a form of high-technology screening equipment) installed at five additional northern crossing points (for a total of ten) and two southern crossing points; Non-intrusive inspection equipment (including VACIS or other equipment) installed at three other key locations yet to be determined.
	Results	Department ordered seven additional portable VACIS units in 2005 for placement along Mexico's northern border. All seven new units will become operational in FY 2006. Their presence will be part of 12 U.S. Government-provided Portal VACIS machines at eight Mexican northern crossing points. The Government of Mexico decided in mid FY 2005 to postpone the placement of a VACIS unit at two southern crossing points and instead to install them along its northern border with the other five new VACIS. Operating singly, in pairs, or even as three-unit mobile squadrons, these units can conduct surprise spot-checks along internal routes in border areas.
	Rating	Below Target
	Impact	Delays in procuring VACIS equipment have delayed implementation of technological aides to prevent smuggling. When installed, VACIS will be able to detect trafficking of contraband and humans. Similar, rail-based and pallet VACIS units installed in FY 2005 have worked well; on the first day of operations, these units detected ten illegal aliens attempting to enter the United States in a freight car. Soon after beginning operations, another unit VACIS played a key role in detecting over 7.8 million dollars in drug proceeds smuggled through Mexico.
	Reason for Shortfall	The Department's Bureau of International Law Enforcement received funds late in the year, delaying procurement of the machines.
	Steps to Improve	Equipment is scheduled to be installed in FY 2006.
PERFORMANCE DATA	**Data Source**	Data from the Narcotics Affairs Section of the U.S. embassy in Mexico City, and the Government of Mexico.
	Data Quality (Verification)	The Narcotics Affairs Section procures the equipment and, working with Mexican authorities, oversees installation, training, and testing.
PAST PERFORMANCE	**2004**	1. Portal VACIS installed in FY 2003 became commercially operational. Four additional Portal VACIS, one Rail and one Pallet VACIS delivered to Mexico. 2. Non-intrusive inspection equipment x-ray vans located one each at three Mexican international airports.
	2003	VACIS installed at one crossing point.
	2002	1. No border checkpoints equipped with VACIS high-tech screening equipment. 2. Planning initiated to establish border enhancement program based on the Border Accord.

Secretary Rice, introduces John R. Miller, the Secretary's senior advisor on human trafficking, left, during a press conference to discuss the State Department's fifth annual "Trafficking in Persons" report, June, 2005 in Washington. AP/Wide World

I/P #4: MEXICO *(continued)*

Indicator #7: Professionalization of justice sector

JUSTIFICATION (VALIDATION): Professionalization of justice sector through institution building demonstrates commitment to professionalization on the part of the Mexican Government.

FY 2005 PERFORMANCE	**Target**	1. Government of Mexico fully staffs new federal law enforcement agencies, providing all basic training via national academies. 2. Increase in capacity of Mexican Government academies to provide advanced law enforcement training; continued increase in pay scales. 3. Increase in money laundering prosecution/convictions and asset forfeitures.
	Results	1. Federal Law Enforcement training continues to be a priority for the Mexican Government. The Mexican Office of Attorney General and its Forensic Laboratory continue to not only receive basic training, but also specialized training in targeted crime areas such as homicide, kidnapping, and other violent crimes. Additionally the training includes information technology training so that the Mexican Government can leverage the investments made for sophisticated database analytical and case management information systems. Training was provided to 2,809 local, state, and federal law enforcement personnel throughout Mexico. 2. The Mexican Government is making every effort to increase law enforcement and prosecutors' pay scales in an effort to retain trained professionals. Salary increases continue each year. 3. Money Laundering prosecutions and an increase in the awareness of the effectiveness of asset forfeiture laws has been significant.
	Rating	On Target
	Impact	Training and salary improvements will assist the Mexican Government in its overall goals to improve the performance of the Mexican justice system and prevent corruption.
PERFORMANCE DATA	**Data Source**	Data provided by U.S. Embassy in Mexico, as well as from published reporting by the Mexican Government, specifically the Mexican Attorney General's Office.
	Data Quality (Verification)	Data is compiled by the U.S. Embassy as part of the Department's Professionalization and Training Program and Money Laundering Programs for Mexico and cross-referenced against multiple sources.
PAST PERFORMANCE	**2004**	1. Results were positive as the Mexican Attorney General's Office increased the instructional staff at its police training facility by 20 certified police instructors and continued to offer specialized training to Forensic Laboratory personnel through the Criminal Investigations School, with 425 candidates receiving Basic Recruit Training. Additionally, 842 Investigators have studied at the specialized Criminal Investigations School since its inception in 2003. Department-sponsored training was provided to 3,752 local, state, and federal law enforcement officers throughout Mexico, with the majority of the students coming from the investigative staffs. 2. The training of the Mexican Attorney General's information system engineers included some 150 information engineers in communication systems and large, enterprise, web-based database systems. 3. Salaries for Federal Investigations Agency investigative personnel continue to rise and a pay raise will be granted in 2005. 4. Money Laundering prosecutions and convictions continue to receive priority handling by both the Mexican Department of Treasury and the Mexican Attorney General's Office. The training provided by the Embassy focused on operational aspects for investigations, forensic accounting, and use of suspicious transactions for leads on money laundering cases.
	2003	1. Mexico's federal law enforcement academy graduated 979 students in 2003. 2. Improved pay for special federal investigative units.
	2002	1. Background checks routinely conducted on new personnel – beginning to recheck or re-vet current personnel. 2. Improved pay for special federal investigative units. 3. New Federal Investigations Agency established. 4. Narcotics police force disbanded following evidence of widespread corruption.

PERFORMANCE GOAL 2

STATES COOPERATE INTERNATIONALLY TO SET AND IMPLEMENT ANTI-DRUG AND ANTI-CRIME STANDARDS, SHARE FINANCIAL AND POLITICAL BURDENS, AND CLOSE OFF SAFE HAVENS THROUGH JUSTICE SYSTEMS AND RELATED INSTITUTION BUILDING

I/P #5: SUPPORT INVESTIGATION/PROSECUTION OF MAJOR INTERNATIONAL CRIMINALS

Indicator #1: Status of UN Convention Against Transnational Organized Crime and Supplemental Protocols (e.g., Trafficking in Persons Protocol and the Migrant Smuggling Protocol)

JUSTIFICATION (VALIDATION): The setting of international norms and standards is a critical component of international cooperation in combating international crime. Parties to the convention are legally obligated to abide by its provisions.

FY 2005 PERFORMANCE	**Target**	1. Ten additional states become party to the Convention. 2. Ten additional states ratify the Supplementary Protocols on Trafficking in Persons and Migrant Smuggling.
	Results	1. Seventeen additional states became party to the Convention in FY 2005. 2. Eighteen additional states ratified the Supplementary Protocol on Trafficking in Persons. 3. Seventeen additional states ratified the Supplementary Protocol on Migrant Smuggling.
	Rating	**Above Target**
	Impact	Parties that became party to the Convention and supplementary protocols are legally obligated to implement their provisions, including cooperating with other states to combat transnational organized crime.
PERFORMANCE DATA	**Data Source**	United Nations.
	Data Quality (Verification)	UN is the primary record holder for UN conventions and associated protocols.
PAST PERFORMANCE	**2004**	First Conference of Parties took place in June –July 2004. Thirty-four states ratified in FY 2004.
	2003	1. Fifty-six states have ratified the UN Convention; Forty-five states have ratified the Trafficking in Persons Protocol; both have entered into force. 2. Forty states have ratified the Migrant Smuggling Protocol.
	2002	1. A total of 141 states signed the UN Convention, of which twenty-four have ratified it. Of the 107 states that have signed the Trafficking in Persons Protocol, fourteen have ratified it. 2. Of the 103 states that have signed the Migrant Smuggling Protocol, thirteen have ratified it. 3. Of the thirty-five states that have signed the firearms protocol, two have ratified it.

Peruvian President Alejandro Toledo, center, shakes hands with United Nations Under Secretary of Legal Affairs Nicolas Michel, right, as Peruvian Foreign Minister Manuel Rodriguez looks on during a November, 2004 ceremony at the UN headquarters in honor of Peru's agreement to join the UN convention against corruption. AP/Wide World Photo

I/P #5: INTERNATIONAL LAW ENFORCEMENT ACADEMIES (ILEAS)

Indicator #2: Number of Officials Trained at International Law Enforcement Academies (ILEAs)

JUSTIFICATION (VALIDATION): Training is a major component of U.S. anti-crime assistance and correlates positively with institution building efforts to improve and professionalize foreign law enforcement agencies and institutions. U.S.-trained officers tend to move up to positions of leadership more rapidly than their peers and are more likely to cooperate with U.S. Government agencies at the operational level. They are also more open to and supportive of regional cooperation, particularly with counterparts from other countries who trained with them at the ILEAs.

FY 2005 PERFORMANCE	**Target**	2,800.
	Results	2,856.
	Rating	Above Target
	Impact	Greater numbers of ILEA graduates translates into a greater impact on these graduates' institutions; they will help raise professional standards and skills of key foreign law enforcement officials and foster operational cooperation between U.S. and foreign law enforcement officials and regional cooperation among participating governments.
PERFORMANCE DATA	**Data Source**	ILEAs.
	Data Quality (Verification)	Data is verified by cross-referencing with other sources such as U.S. Embassies and law enforcement agencies participating in the program.
PAST PERFORMANCE	**2004**	2,400.
	2003	2,200.
	2002	2,100.

I/P #6: ANTICORRUPTION

Indicator #3: Status of UN Convention Against Corruption

JUSTIFICATION (VALIDATION): As with the Convention Against Transnational Organized Crime, the Convention Against Corruption represents the first stage of developing international cooperation to combat corruption by setting out international standards and norms. Once the treaty enters into force, it takes on the force of international law for the parties, who are under obligation to take the necessary domestic steps to implement its provisions.

FY 2005 PERFORMANCE	**Target**	Convention is ratified by at least thirty countries and enters into force. Preparations begin for developing a follow-up mechanism.
	Results	Thirty-three countries have ratified as of September 27, 2005; Convention will enter into force on December 14, 2005.
	Rating	On Target
	Impact	Parties to the Convention will begin to, or already are, taking steps to revise domestic law to prevent, criminalize, identify, investigate and prosecute cases of corruption. The United States, the UN, and other nations are providing assistance to governments in revising laws and setting up enforcement units.
PERFORMANCE DATA	**Data Source**	United Nations. UN tracks and provides data.
	Data Quality (Verification)	UN is the primary record holder for UN conventions and associated protocols.
PAST PERFORMANCE	**2004**	Convention negotiations finalized in October 2003. Convention opened for signature in December 2003.
	2003	Consensus reached on text of all major provisions.
	2002	Progress made at three negotiating sessions.

I/P #6: ANTICORRUPTION *(continued)*

Indicator #4: Status of Regional Anticorruption Frameworks

JUSTIFICATION (VALIDATION): Regional anticorruption frameworks are mechanisms for collectively addressing regional anticorruption issues. This indicator tracks the expansion of such mechanisms.

FY 2005 PERFORMANCE	**Target**	Initiate review process in one or more regions to determine impact and effectiveness of efforts to encourage implementation of regional anticorruption initiatives. *(Revised. See Appendix for explanation.)*
	Results	1. Council of Europe Regional Group of States Against Corruption initiated a review process in FY 2005 to determine whether commitments are being implemented and follow-up is effective. 2. Middle East/North Africa framework finalized and adopted. 3. Asia-Pacific Economic Cooperation (APEC) framework finalized and adopted by APEC leaders at 2004 APEC Summit. 4. Organization of American States Mechanism beginning discussions on a future "compliance review process".
	Rating	On Target
	Impact	Regional frameworks will complement and reinforce the UN Convention Against Corruption. As part of regional frameworks, states work together on anti-corruption steps. Increased participation and continued development in regional anti-corruption frameworks work towards achieving the Department's goal of strengthening host nations' law enforcement and judicial sectors.
PERFORMANCE DATA	**Data Source**	U.S. embassy reporting and U.S. delegations participating in regional framework meetings.
	Data Quality (Verification)	State Department data is gathered from multiple sources and crosschecked to ensure accuracy.
PAST PERFORMANCE	**2004**	Preliminary work begun on Middle East/North Africa initiative, including initial gatherings by interested states. APEC countries reached initial agreement on framework document. While this initiative originally anticipated that the Caucasus Framework would be in place by the end of 2004, there has been little progress in that area. Instead, the U.S. has concentrated on helping stand up the APEC Framework, which has progressed faster than originally anticipated. The end result has been the establishment of two new frameworks in 2004.
	2003	The African Union (AU) Convention on Preventing and Combating Corruption was adopted by the AU General Assembly at the AU Summit in Maputo on July 11, 2003. The Convention is now open to signature for 42 AU member states. AU is working with Transparency International to develop a monitoring and assistance mechanism related to the New Partnership for Africa's Development.
	2002	Number of mechanisms increased to five, by addition of Asian Development Bank and Organization for Economic Co-operation and Development Asia Initiative.

Officials from the U.S. Embassy in Vientiane discuss detoxification with villagers recovering from opium addiction. State Department Photo

I/P #7: MONEY LAUNDERING INITIATIVE

Indicator #5: Status of Financial Action Task Force on Money Laundering (FATF) List of Non-Cooperative Countries and Territories (NCCT)

JUSTIFICATION (VALIDATION): The Department uses the FATF standard to measure the effectiveness of the anti-money laundering regimes of problem countries and territories. The FATF process not only identifies problem countries and territories, it applies pressure on them to improve their anti-money laundering performance. "Graduation" from the NCCT list is an important milestone both for individual countries and for the global effort in combating money laundering.

FY 2005 PERFORMANCE	**Target**	FATF removes all but three countries designated as NCCTs prior to 2003.
	Results	FATF removed three countries from list in February 2005; three countries remain on list.
	Rating	On Target
	Impact	Three countries improved their anti-money laundering rules, regulations, and practices sufficiently to be removed from the FATF list. Myanmar, Nauru and Nigeria improved their anti-money laundering regimes, but not enough to meet FATF standards. A strengthened global anti-money laundering regime helps the Department disrupt the activities of criminal organizations and improve the capabilities of host country law enforcement and judicial systems.
PERFORMANCE DATA	**Data Source**	FATF provides data.
	Data Quality (Verification)	FATF releases an annual report on the NCCT process that documents trends and tracks the progress of countries on the NCCT list. Furthermore, the annual report also reports on the status of those nations that have recently been removed from the NCCT list to verify that they have complied with all the terms of the FATF review process and still merit having been removed from the NCCT list.
PAST PERFORMANCE	**2004**	FATF removed three countries from list; six countries remain on list.
	2003	FATF removed eight countries from list; eleven countries remain on list.
	2002	FATF removed four countries from the list; fifteen countries remained on the list.

Colombian National Police officers take the fingerprints of convicted drug kingpin, Gilberto Rodriguez Orejuela, at a military airport in Bogota, Colombia, December, 2004, before putting him on an airplane to be extradited to the U.S. Rodriguez Orejuela and his brother Miguel headed the notorious Cali drug cartel, which in the 1990s was the world's main supplier of cocaine. AP/Wide World Photo

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 6: AMERICAN CITIZENS

Assist american citizens to travel, conduct business, and live abroad securely

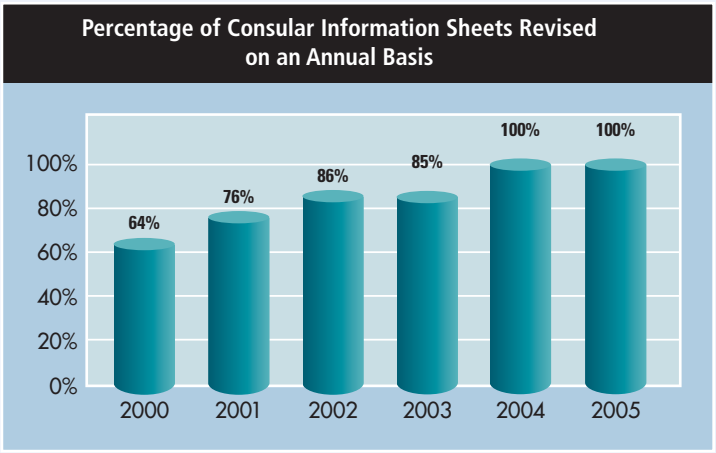
I. Public Benefit

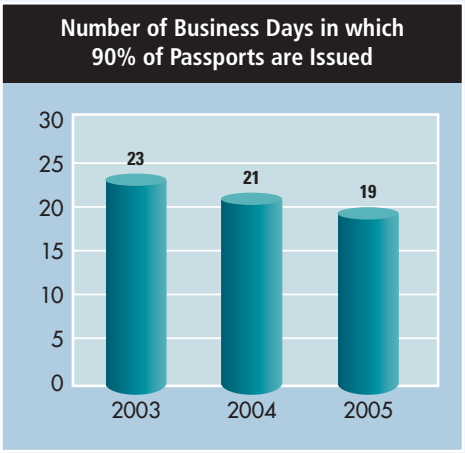
Approximately four million Americans reside abroad, and Americans make about sixty million trips outside the United States each year. The Department issues passports that identify individuals as U.S. citizens and enables them to travel internationally.

U.S. embassies and consulates offer a broad range of services that protect U.S. citizens. Such services include the provision of assistance to U.S. citizens who die, fall ill, become destitute, or who are arrested. The Department must plan for the unexpected and be prepared to respond to crises abroad, such as transportation or natural disasters, and other situations in which U.S. citizens need assistance, including incidents of terrorism and serious crimes such as hostage taking, homicide, assault, and international parental child abduction. The Department actively encourages host governments to adopt measures needed to protect Americans from crime and social and political unrest. The Department also works with host governments to ensure that the host country's criminal justice system treats Americans equitably and assists those countries to develop effective investigative and prosecutorial capabilities to respond to American victims of crime and to expand their cooperation and information sharing with the United States in order to prevent terrorist attacks on U.S. citizens. The Department encourages countries to implement intercountry adoption systems that protect the interests of children, birth parents, and U.S. adoptive parents.

To alert Americans to conditions that may affect safety and travel abroad, the Department disseminates threat assessments to posts abroad and announcements to the public as quickly as possible using a wide range of available means—its websites, its Consular Information Program, a global Internet-based registration system, and its overseas American citizen warden program. The Overseas Security Advisory Council, a government-private sector partnership, fosters creative solutions to security related issues affecting U.S. private sector interests. The Department uses threat information and security expertise overseas to protect its personnel, property, proprietary information, and other assets, thereby better ensuring continuity of services to the public. The Department is making its websites increasingly accessible and interactive and encourages the traveling American public to register with posts abroad.

II. Selected Performance Trends





III. Strategic Context

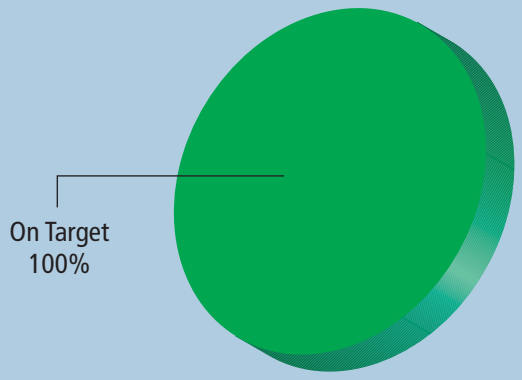
This strategic goal is supported by two performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
American Citizens	**Assistance for U.S. Citizens Abroad**	American Citizen Services	D&CP	CA	DOJ, DOD, HHS, DOT, NCMEC, other NGOs
	Passport Issuance and Integrity	Secure Passport Issuance	D&CP	CA	GPO, Treasury, DHS, SSA, USPS, USMS, HHS; ICAO; NAPHSIS, AAMVA

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the American Citizens strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION	
Significantly Above Target	0
Above Target	0
On Target	6
Below Target	0
Significantly Below Target	0
Total Number of Ratings	**6**

V. Performance Analysis

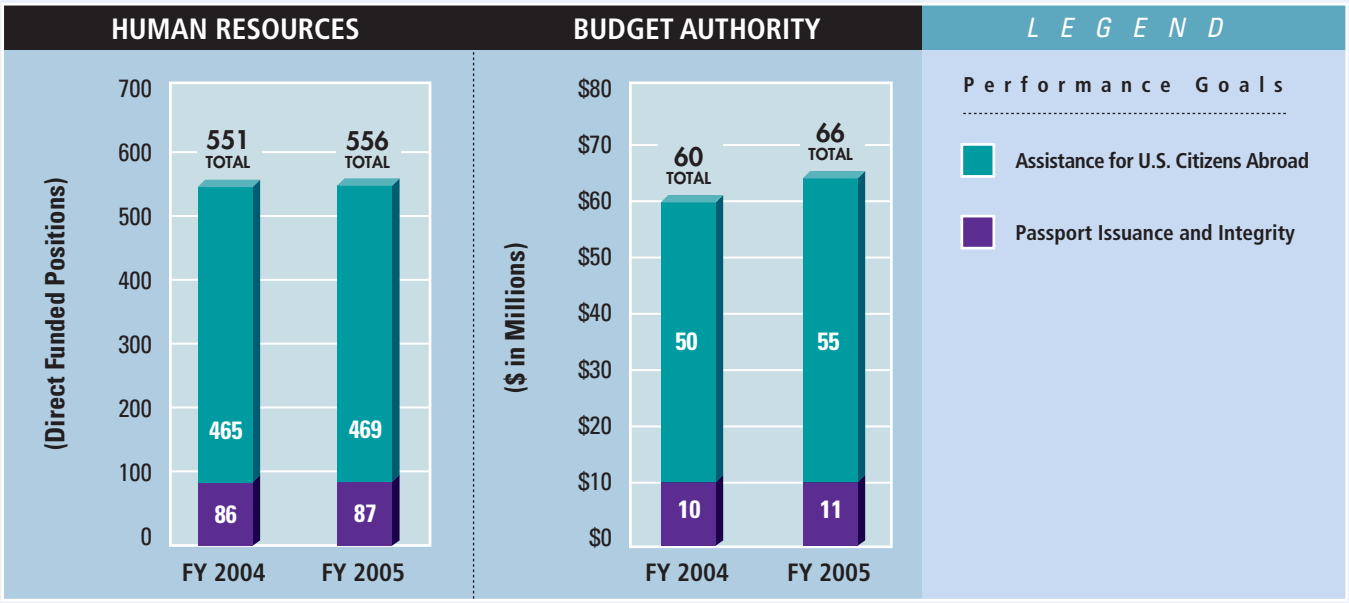
PERFORMANCE TRENDS. The Department provides information, assistance, and passports to American Citizens traveling overseas, and it made qualitative improvements to all three. The Department has had some notable success improving the integrity of the passport issuance process. In particular, the Department's efforts to double-check applications against Social Security Administration death records and the development of biometric identification systems for eventual use in passports are making U.S. passports more reliable identification documents. These successes come against a backdrop of greater demand; in FY 2005 the Department adjudicated 10.1 million passports and anticipates demand will reach 17 million by FY 2007.

OUTCOME-LEVEL RESULTS. The Department made progress toward the high-level outcome of protecting American citizens overseas, particularly through online registration. All results in this area were on target.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. There were no results significantly above or below target. However, the Department will undoubtedly face some challenges producing passports with biometric information, which is to be expected with such a new technology. This program could also encounter delays due to non-technological factors, such as litigation.

RESOURCES INVESTED. The Department has increased its investment in passport and American citizen services from FY 2004 levels. Support for passport operations has risen overall, in response to rising demand for passports; applications have increased from 8.8 million in FY 2004 to 10.1 million in FY 2005.

VI. Resources Invested



VII. Performance Results

PERFORMANCE GOAL 1

U.S. CITIZENS HAVE THE CONSULAR INFORMATION, SERVICES, AND PROTECTION THEY NEED WHEN THEY RESIDE, CONDUCT BUSINESS, OR TRAVEL ABROAD

INITIATIVE/PROGRAM (I/P) #1: AMERICAN CITIZEN SERVICES (PART PROGRAM)

Indicator #1: Percentage of Consular Information Sheets Revised on an Annual Basis

JUSTIFICATION (VALIDATION): Consular Information Sheets alert Americans to conditions that may affect their safety or travel abroad. They are a primary method of informing American travelers and must be kept up-to-date to provide a basis for safe travel.

FY 2005 PERFORMANCE	Target	100%.
	Results	100%.
	Rating	On Target
	Impact	Americans have access to comprehensive, complete, and up-to-date information on conditions affecting their travel overseas.
PERFORMANCE DATA	Data Source	Internet list of Consular Information Sheets with corresponding issuance Date.
	Data Quality (Verification)	Data collected directly from Consular Information Sheets. List is publicly available on the Internet.
PAST PERFORMANCE	2004	100%.
	2003	85%.
	2002	86%.

I/P #1: AMERICAN CITIZEN SERVICES (PART PROGRAM) *(continued)*

Indicator #2: Status of Online Registration System (Internet-Based Registration System)

JUSTIFICATION (VALIDATION): Global access to an online registration system with a database maintained and protected behind the Department's firewalls provides easily accessible, secure registration and management of U.S. citizen contact data, and enables efficient delivery of travel information and consular emergency services anywhere in the world.

FY 2005 PERFORMANCE	**Target**	Online registration system begins to deliver Consular Information Program documents to citizens when they register.
	Results	By the end of FY 2005, more than 300,000 U.S. citizen travelers have registered in response to global events such as natural disasters and security concerns. Travel information, such as Consular Information Program documents, is automatically delivered to all registrants. With continuing deployment of the new ACS+ software to overseas consular posts, long-term travel information entered automatically interfaces with the appropriate posts' systems.
	Rating	**On Target**
	Impact	As the number of registrants continues to rise and more posts receive the ACS+ application, the Bureau of Consular Affair's ability to locate, contact and assist American citizen travelers during an emergency increases.
PERFORMANCE DATA	**Data Source**	Internet Based Registration System, U.S. embassy American Citizen Services units, Bureau of Consular Affairs (CA).
	Data Quality (Verification)	Registration data gathered and verified by CA.
PAST PERFORMANCE	**2004**	Launched a new, worldwide global Internet-based registration system that allows U.S. citizens access to secure online U.S. citizen registration system. The system is now operational and allows American citizens to receive timely travel information and enables embassies and consulates to track and assist American travelers and overseas residents.
	2003	Contract to manage the on-line registration system was on schedule, and a 30-Day Notice of Proposed Information Collection was published in the Federal Register in September 2003.
	2002	Pilot software was developed for an Internet-based system that will allow Americans to register overseas travel itineraries at a central website.

A Look to History: American Citizens

With an increase in Americans living and working overseas in the early 1940s, the Department of State created the Special Division within the Office of Consular Affairs to protect the status, rights, and interests of American citizens abroad, including safeguarding property and finances. Immediately after World War II, the Division served as a "central clearing house" for emergency problems arising out of the war. This included locating, assisting, and repatriating U.S. citizens in troubled areas overseas, including prisoners of war. The Special Division maintained a strong relationship with the American Red Cross and the Advisory Committee on Voluntary Foreign Aid in matters affecting emergency disaster relief abroad.

U.S. soldiers surrender to the Japanese forces at an unknown location in the Philippines, on August 12, 1942. AP Photo

I/P #1: AMERICAN CITIZEN SERVICES (PART PROGRAM) *(continued)*

Indicator #3: Status of Hague Convention on Intercountry Adoption

JUSTIFICATION (VALIDATION): "Status of the Hague Convention on Intercountry Adoption" demonstrates essential tasks that must be completed prior to U.S. ratification of the Convention in order for the U.S. to meet the Convention's responsibilities.

FY 2005 PERFORMANCE	**Target**	Adoption accreditation regulations finalized for interagency review and should be published in final by the end of 2005; Adoption visa processing regulations drafted; Adoption case registry and tracking software developed and testing underway; Begin negotiations with potential Accrediting Entities; U.S. instrument of accession deposited in 2007. *(Revised. See Appendix for explanation.)*
	Results	Adoption accreditation regulations finalized; Adoption visa processing regulations drafted; Adoption case registry and tracking software developed and in test phase; Negotiations with potential accrediting entities toward signing agreements begun.
	Rating	On Target
	Impact	Performance directly supports and advances the Department's ability to ratify the Hague Convention on Intercountry Adoption.
PERFORMANCE DATA	**Data Source**	Bureau of Consular Affairs records.
	Data Quality (Verification)	Data compiled directly by Bureau of Consular Affairs, which checks for accuracy and completeness.
PAST PERFORMANCE	**2004**	Published in Federal Register proposed regulations on the accreditation and approval of adoption service providers, which must be accredited for Convention to enter into force for U.S. Received approximately 1800 public comments on the proposed regulations. Posted the public comments on the Bureau of Consular Affairs (CA) web site. Prepared written responses to the public comments and revised regulations in light of public comment for internal CA policy review. Published on public CA website Requests for Statements of Interest to Solicit State government and nonprofit accrediting entities (AE's). Three non-profit accreditors and 9 States (many more than expected) expressed interest in becoming accrediting entities. Department team met with and evaluated each of the candidates. Based on the evaluations, the Department found that four of the candidates did not meet criteria for becoming an AE, and prepared to open negotiations with remaining candidates.
	2003	A Proposed Rule on the implementation of the Hague Convention on Intercountry Adoption and the Intercountry Adoption Act of 2000 was published in the Federal Register in September 2003.
	2002	1. Adoption regulations were discussed and cleared with stakeholders and other federal agencies. 2. Software to manage international adoption cases was delayed to accommodate the Department's new responsibilities as Central Authority under the Hague Convention on adoptions.

July London Bombings

The Bureau of Consular Affairs (CA) moved quickly in the aftermath of the July 2005 bombings in London to assist Americans concerned about family in the United Kingdom and to ensure that American victims received appropriate assistance and support. Our consular task force fielded over 22,500 telephone calls on the day of the bombing alone. CA worked closely with the Department of Justice's Office for Victims of Terrorism to coordinate services to the victims. For example, CA and the U.S. embassy in London coordinated the medical evacuation of two injured American sisters who required immediate surgery in the United States.

Injured passengers are escorted away from Edgware Road Station in London Thursday July 7, 2005 following explosions that rocked the London subway and a double-decker bus during morning rush hour. AP/Wide World Photo

PERFORMANCE GOAL 2

EFFECTIVE AND TIMELY PASSPORT ISSUANCE, WITH DOCUMENT INTEGRITY ASSURED

I/P #2: SECURE PASSPORT ISSUANCE (PART PROGRAM)

Indicator #1: Development of a Biometrics Collection Program for U.S. Passports

JUSTIFICATION (VALIDATION): Introducing biometrics into passports and other travel documents represents a major advance in the international effort to prevent look-alike and imposter fraud. The U.S. Enhanced Border Security and Visa Reform Act requires nations participating in the Visa Waiver Program to incorporate biometrics into their passports.

FY 2005 PERFORMANCE	**Target**	Issue first full validity electronic passports by end of calendar year 2005 in Special Issuance Agency Pilot.
	Results	Pilot testing of biometric passport issuance process and operational field testing of prototype e-passports begun in mid-2005, with successful completion of the operational field test. Progress in conducting the pilot at the Special Issuance Agency (SIA) may be delayed due to a vendor protest. The Department will work with Department of Justice attorneys to conclude litigation issues as soon as possible, so that the Bureau of Consular Affairs can proceed to initial production of biometric passports at SIA by January 1, 2006.
	Rating	On Target
	Impact	Incorporating biometrics strengthens U.S. security by ensuring that the person carrying a U.S. passport is the person to whom the passport was issued. These measures make the U.S. passport, one of the most valuable identity and citizenship documents in the world, less susceptible to manipulation and more difficult to counterfeit.
PERFORMANCE DATA	**Data Source**	Bureau of Consular Affairs data records.
	Data Quality (Verification)	Bureau of Consular Affairs collects and checks data for accuracy.
PAST PERFORMANCE	**2004**	Procurement for biometric passport is underway and nearing completion. Initial awards for current procurement were made on October 8, 2004. Software has been developed for biometric passport issuance and is being tested. Public Key Infrastructure Certificate Authority has been established in the Department for digitally signing passports.
	2003	1. The International Civil Aviation Organization established technical specifications for the integration of biometric identification information into passports and other Machine Readable Travel Documents in May 2003, enabling the Department to begin to implement the specifications in U.S. passports. 2. Initial planning and requirements definition were underway. In July 2003, the Department issued a Request for Information relating to the integration of a chip with integrated circuit technology into the traditional paper-based passport booklet.
	2002	Inclusion of biometric indicators in U.S. passports considered.

A passenger has his fingerprint scanned.

AP/Wide World Photo

I/P #2: SECURE PASSPORT ISSUANCE (PART PROGRAM) *(continued)*

Indicator #2: Checking of Passport Applications Against Social Security Administration (SSA) Death Records

JUSTIFICATION (VALIDATION): The Department has the ability to check passport applications electronically against the Social Security Administration's Social Security number (SSN) database, which enhances anti-fraud efforts.

FY 2005 PERFORMANCE	**Target**	Check 100 percent of applications against the SSN database.
	Results	100% of passport applications verified. The Department's systems automatically compare the name, date of birth, gender, and SSN provided by each applicant against the information in the SSN database to validate that the SSN was issued to the applicant.
	Rating	On Target
	Impact	Passport Services has identified imposter fraud, which includes identity theft, as the most frequent form of passport fraud. Electronic verification of the SSN assists in proving the passport applicant's identity. Verification of all SSNs enhances anti-fraud capabilities of the passport issuance process and provides better assurances of an applicant's identity than if only death records were used.
PERFORMANCE DATA	**Data Source**	Social Security Number Verification Memorandum of Agreement (MOA) between the Department and the Social Security Administration's Office of Income Security Programs, April 20, 2004, and Bureau of Consular Affairs records.
	Data Quality (Verification)	When a passport application is submitted, the Bureau of Consular Affairs automatically collects this information.
PAST PERFORMANCE	**2004**	The Department revised its program to check passport applications against death records in favor of front-end checking of applications against all SSA records electronically. To this end, the Department signed an MOA on April 4, 2004, to allow for such electronic verification. The Department is currently establishing the technical infrastructure and connectivity to begin this process by the end of calendar year 2004.
	2003	Agreement in principle reached with SSA to check all passport applications against the SSA database. Memorandum of Agreement being prepared. The application software has been modified. Waiting for link to be established and completion of MOA to send data.
	2002	**Baseline:** 1. Capability did not exist. 2. Some initial work done to share data and check information.

Indicator #3: Number of Days Between Receipt of Routine Passport Application by Passport Services and Issuance of a Passport (PART Efficiency Measure)

JUSTIFICATION (VALIDATION): This indicator measures the timeliness of passport issuance.

FY 2005 PERFORMANCE	**Target**	90% of passport applications within 19 business days of receipt.
	Results	In FY 2005, the Department issued 87.1% of passports within 19 business days of receipt. As a result of Hurricane Katrina in August 2005 and the subsequent closure of the New Orleans Passport Agency - our most productive passport processing facility, we lost 17% of our productive capacity and experienced system-wide disruptions. In the wake of Hurricane Katrina and increased demand, we missed our more aggressive target for this fiscal year by only 2.9 percentage points.
	Rating	On Target
	Impact	Our efforts to reach this target in FY 2005 demonstrate the Department's commitment to serving the American public effectively and efficiently in routine and extraordinary circumstances.
PERFORMANCE DATA	**Data Source**	Bureau of Consular Affairs data records.
	Data Quality (Verification)	Bureau of Consular Affairs collects data and verifies it for accuracy.
PAST PERFORMANCE	**2004**	90% of passport applications processed to issuance within 21 business days of receipt.
	2003	**Baseline:** 90% of passport applications processed to issuance within 23 business days of receipt.
	2002	N/A.

STRATEGIC OBJECTIVE #2: ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS

Protecting our country and our allies from the dangers of terrorism, weapons of mass destruction, international crime, and regional instability is necessary but not sufficient for achieving national security. A healthier, more educated, democratic, and prosperous world — in short, a better world — will also be more stable and secure.

Our strategic goals for democracy and human rights, economic prosperity and security, and social and environmental issues are part of a larger whole. It is no coincidence that conflict, chaos, corrupt and oppressive governments, environmental degradation, and humanitarian crisis often reign in the same places.

The broad aim of our diplomacy and development assistance is to turn vicious circles into virtuous ones, where accountable governments, political and economic freedoms, investing in people, and respect for individuals beget prosperity, healthy and educated populations, and political stability.

STRATEGIC GOAL 7: DEMOCRACY AND HUMAN RIGHTS

Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom

I. Public Benefit

The United States recognizes the vital importance of democracy, human rights and good governance to global security, prosperity, and freedom. Competitive political institutions, transparent democratic practices, and civic activism are stronger when the rule of law and human rights are upheld. America's experience affirms our conviction that all people can live and prosper in peace when guided by a commitment to freedom and democracy. Increasing democracy, human rights and good governance ensures a more peaceful world that benefits the United States and its citizens.

Protecting human rights and promoting democracy is a cornerstone of a U.S. foreign policy that seeks to end oppression, combat terrorism, and advocate democratic ideals and freedoms worldwide. Throughout his tenure, President Bush has articulated his vision of a world where freedom reigns, most clearly in his 2005 inaugural address: "It is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world."

Ukrainians demonstrate outside the Parliament in Kiev, November, 2004.

AP/Wide World Photo

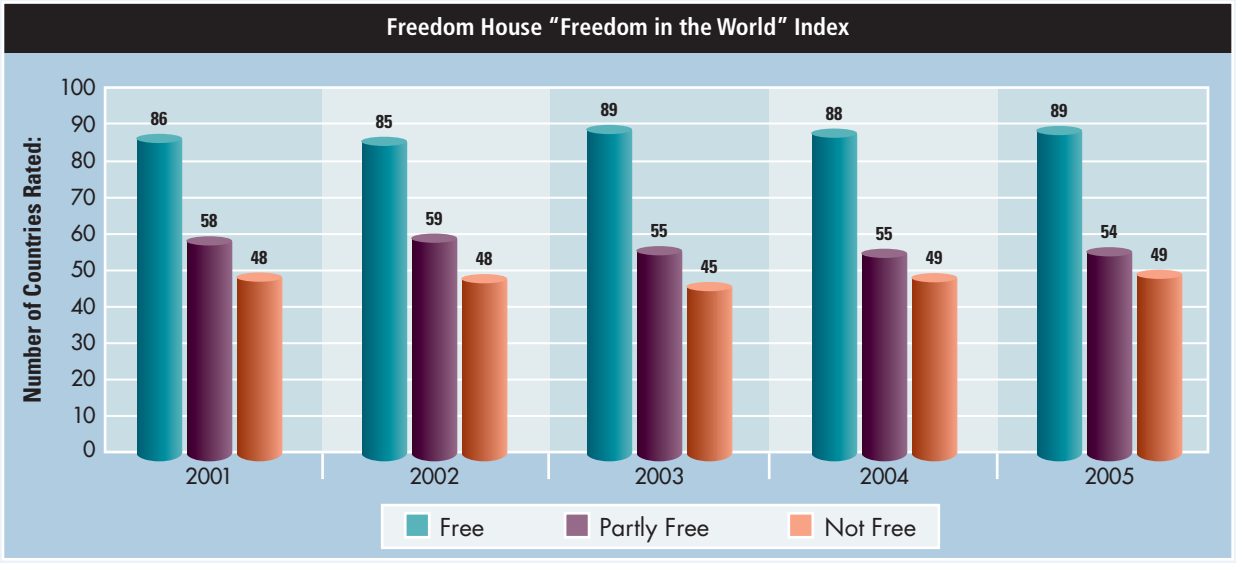
Together with our allies, like-minded governments, and partners in the public and private sectors, we employ a range of diplomatic and program tools to promote democracy and human rights worldwide. Our partners include the United Nations, where the U.S. led the effort to establish a UN Democracy Fund in 2005. Other partners include the Community of Democracies, regional organizations such as the Organization of American States (OAS) and the Organization for Security and Cooperation in Europe (OSCE), non-governmental organizations, the U.S. Agency for International Development (USAID), the Millennium Challenge Corporation, and the Departments of Labor, Justice, Defense and Homeland Security. The Department's annual report, *Supporting Human Rights and Democracy: The U.S. Record*, catalogues these combined efforts, strategies, policies and programs to promote democracy and human rights.

We seek opportunities to encourage and support human rights advocates and policy makers to facilitate positive change in countries that routinely ignore international human rights. This principle guides our decisions about international cooperation, the character of our foreign assistance, the allocation of resources, and our actions in international fora. The United States will stand beside any nation determined to build a better future by seeking the rewards of liberty for its people.

The Human Rights and Democracy Fund, which is managed by the Bureau of Democracy, Human Rights and Labor, supports time sensitive and innovative projects in more than thirty priority countries. These projects provide citizens with tangible assistance to build democratic institutions and to support and defend their own democratic freedoms and human rights. Working with our partners in these countries and others helps them to become more successful participants in the international community and better strategic and economic partners for the United States.

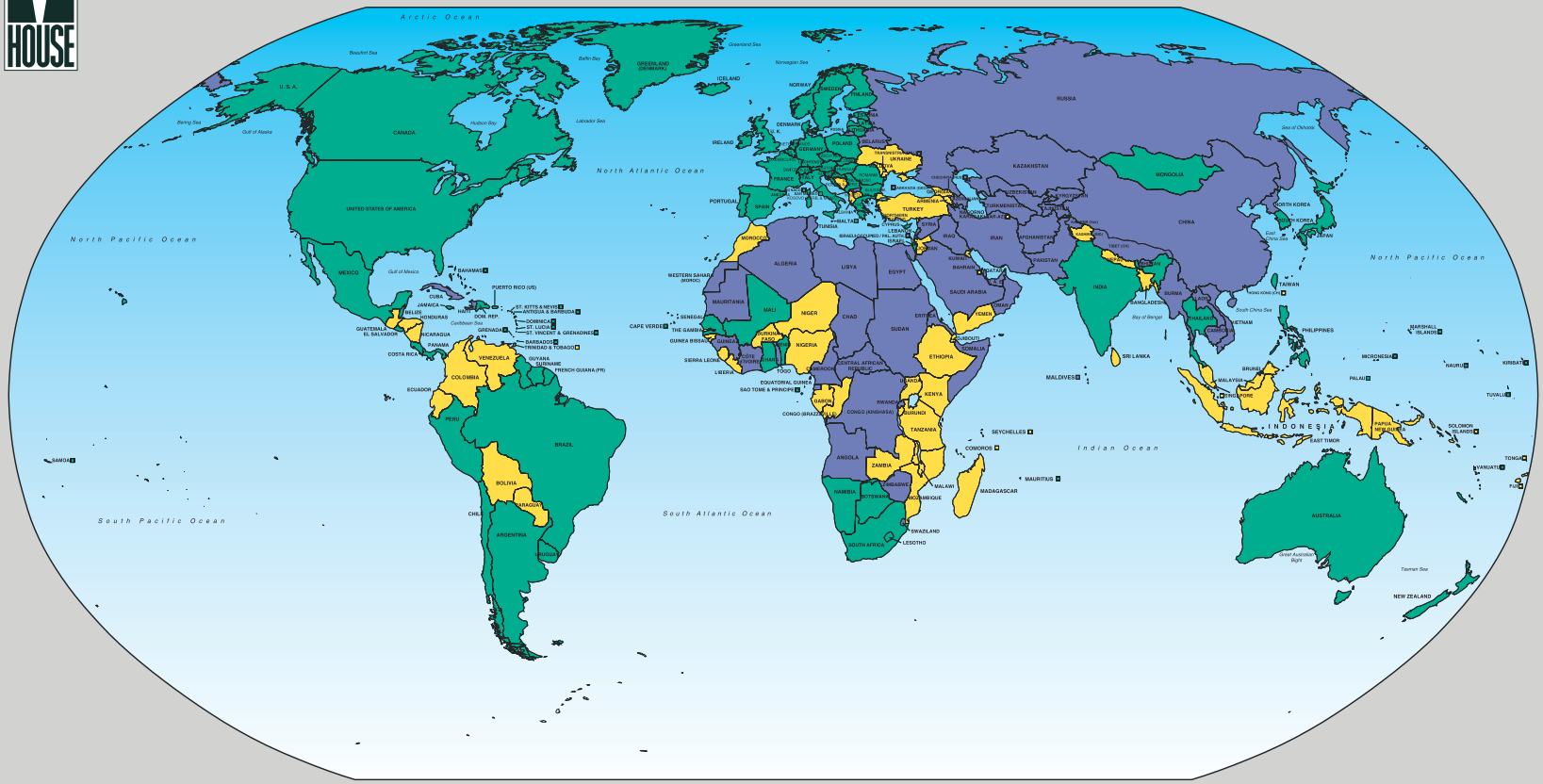
While the U.S. plays a leading role to promote democracy and human rights, the Department recognizes that these values are not uniquely American. Democratization must ultimately be a process driven by a society's citizens. Toward that end, the Department works to ensure that democratic reforms reflect a representative political process.

II. Selected Performance Trends



FREEDOM HOUSE

MAP OF FREEDOM 2005



FREEDOM STATUS
FREE
PARTLY FREE
NOT FREE

GLOBAL TRENDS IN FREEDOM			
Year Under Review	1994	1999	2004
Free	76	85	88
Partly Free	61	60	55
Not Free	54	47	49
Total	191	192	192

III. Strategic Context

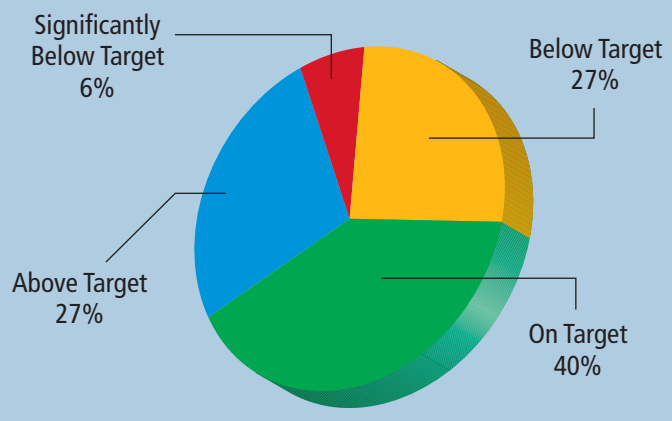
This strategic goal is supported by two performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Democracy and Human Rights	Democratic Systems and Practices	Diplomatic Engagement to Advance Democracy	D&CP, ESF	Regional Bureaus	USAID, DOD, DOJ NGOs, UN, other int'l orgs.
		Democratic Stability in South Asia's Frontline States	D&CP	SA, DRL	USAID, NGOs
		MEPI – Democracy and Governance	D&CP, ESF	NEA	USAID, NGOs
		Democratic Systems and Practices in Europe and Eurasia	D&CP, FSA, SEED, ECE, ESF	EUR	USAID, DOJ
		Increased Women's Participation in Transitional/ Post-Conflict Societies	D&CP, ESF	G/IWI, DRL, IO	USAID, NGOs
	Respect for Human Rights	Bilateral and Multilateral Diplomacy	D&CP, CIO, IO&P	DRL, IO	UN, other int'l orgs, NGOs
		Labor Diplomacy and Advocacy for Workers' Rights and Religious Freedom	D&CP, ESF (PESP)	DRL	DOL, USTR, OPIC, DOC, NGOs, IFIs, ILO, other int'l orgs

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Democracy and Human Rights strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION

Significantly Above Target	0
Above Target	4
On Target	6
Below Target	4
Significantly Below Target	1
Total Number of Ratings	**15**

V. Performance Analysis

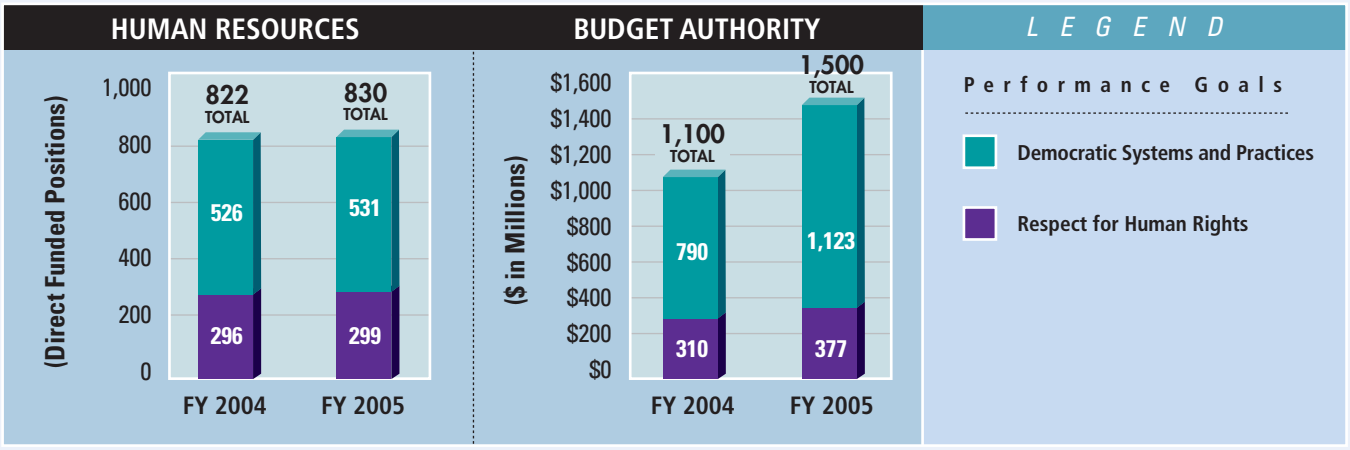
PERFORMANCE TRENDS. The most notable trend in democracy and human rights is the increase in democratic activity around the globe. Freedom House's freedom index scores and the increasing number of elections held or planned in countries with scores "not free" or "partly free" under that index are examples of this activity. However, the Department must ensure that such elections are free and fair, and that these activities create institutions that reflect and respond to the will of those governed. An encouraging sign is the steady increase in political participation by women (particularly in Iraq and Afghanistan), which is the first step toward broader political discourse.

OUTCOME-LEVEL RESULTS. The Department made progress supporting democratization and women's rights in Afghanistan and the Middle East. High-level outcomes include the appointment of several women to new cabinet positions in Afghanistan and Iraq and peaceful elections in Iraq, Afghanistan, Saudi Arabia, Lebanon, and Egypt. All of the programs in these areas performed at or above target in FY 2005.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. No results scored significantly above target. The Department's pressure and support for political freedom yielded a marked increase in elections—many of them the first of their kind—in the Middle East in FY 2005. The Department scored significantly below target in its ability to use Economic Support Funds in a timely manner. The Department must continue to press for political liberty, religious freedom, and human rights in bilateral and multilateral discussions and to continue its support for civil society groups and independent media.

RESOURCES INVESTED. The Department continues to support important democracy and human rights activities. In FY 2005, the Department allocated $1.5 billion, or an estimated 6% of its budget to this strategic goal. This represents a significant increase of 36% from FY 2004.

VI. Resources Invested



VII. Performance Results

PERFORMANCE GOAL 1

MEASURES ADOPTED TO DEVELOP TRANSPARENT AND ACCOUNTABLE DEMOCRATIC INSTITUTIONS, LAWS, AND POLITICAL PROCESSES AND PRACTICES

INITIATIVE/PROGRAM (I/P) #1: ENGAGEMENT TO ADVANCE DEMOCRACY

Indicator #1: Freedom House Index; World Bank Institute Survey Analysis

JUSTIFICATION (VALIDATION): Annual Freedom House ratings include raw scores, with tables for each country indicating three possible changes: a) status, b) trend (positive or negative), and c) score in either political rights or civil liberties. All three compilations permit multi-year comparisons; the Department seeks an increase of countries with a higher status from a previous year, as an indication of whether the Department is achieving its goals. World Bank Institute (WBI) results indicate a growing economic basis necessary to support democracy and human rights.

FY 2005 PERFORMANCE	**Target**	1. Freedom House 2005 Report • Net Progress: Positive change from previous year. • Net Change in Status: Positive change from previous year. 2. WBI 2005 surveys reflect net positive progress. *(Revised. See appendix for explanation.)*
	Results	1. Freedom House 2005 Report: • Free: 89 • Partly Free: 54 • Not Free: 49 • Net Change: + 1 Free 2. WBI 2005 scores available in 2006.
	Rating	On Target
	Impact	A net change of +1 in countries that are rated as "free" indicates improvement in democratic conditions.
PERFORMANCE DATA	**Data Source**	1. Freedom House "Freedom in the World" annual survey. 2. Biennial WBI Good Governance Survey data.
	Data Quality (Verification)	Freedom House rating allows multi-year comparisons that demonstrate advances in democratic reform worldwide. Freedom House ratings are publicly available and widely regarded as reliable quantitative data to verify movement toward greater democracy.
PAST PERFORMANCE	**2004**	1. **Freedom House 2004 Report** • Free: 88 • Partly Free: 55 • Not Free: 49 • Net Change in Status: -1 • Improved Countries (showing improvement in political rights or civil liberties): 25 • Declined Countries: 10 • Net Progress: +15 2. Invitation lists prepared for 2005 Community of Democracies ministerial in Santiago.
	2003	1. **Freedom House 2003 Report** • Free: 89 • Partly Free: 55 • Not Free: 48 • Net Change in Status: +4 • Improved Countries: 29 • Declined Countries: 11 • Net Progress: +18 2. 118 countries invited to participate in 2002 Community of Democracies ministerial meeting in Seoul (held in FY 2003).

Continued on next page

I/P #1: ENGAGEMENT TO ADVANCE DEMOCRACY *(continued)*

Indicator #1: *(continued)*

PAST PERFORMANCE *(continued)*

2002

1. **Freedom House 2002 Report**
   - Free: 85
   - Partly Free: 59
   - Not Free: 48
   - Net Change in Status: -1
   - Improved Countries: 16
   - Declined Countries: 17
   - Net Progress: -1
2. Invitations sent to 117 countries to participate in Community of Democracies ministerial in Seoul.

Indicator #2: Section 3 Ratings in Human Rights Reports of the Right of Citizens to Change Their Government

JUSTIFICATION (VALIDATION): Section 3 of the annual State Department human rights reports is examined to determine the extent to which people have the right to change their government. Countries moving from no right to having the right or limited right, or from limited right to having the right count as positive change. Countries moving in the other direction count as negative changes. The right to change government is a fundamental indicator of a country's respect for democracy and the ability of citizens to hold their governments accountable.

FY 2005 PERFORMANCE

Target	Net Change: Positive change from the previous year.
Results	2004 Country Reports on Human Rights Practices: ● Countries with Right: 114 ● Countries with Limits: 45 ● Countries without Right: 33
Rating	Below Target
Impact	While the number of countries with the right to change their government has slightly decreased, the overall upward trend is positive. The combined number of countries with the right and with a limited right to change governments increased to 159 in 2004 from 155 in 2002. Similarly, the number of countries without the right decreased to 32 in 2004 from 40 in 2002.
Reason for Shortfall	Unforeseen political events can impede advancement of democracy; governments resist democratization that threatens their political survival.
Steps to Improve	Refocus democracy promotion strategies in select countries where democratic reforms have been delayed.

PERFORMANCE DATA

Data Source	The Department's annual Country Reports on Human Rights Practices.
Data Quality (Verification)	The reports reflect assessments of human rights practices provided by U.S. Government officials, non-governmental organizations, and human rights advocates. The reports are carefully vetted for accuracy and objectivity and are widely considered to be reliable sources of information.

PAST PERFORMANCE

2004	**Net negative change from previous year:** ● 2003 Country Reports on Human Rights Practices ● Countries with Right: 116 ● Countries with Limits: 44 ● Countries without Right: 32
2003	**Net positive change from previous year:** ● 2002 Country Reports on Human Rights Practices ● Countries with Right: 126 ● Countries with Limits: 35 ● Countries without Right: 34
2002	**Net negative change from previous year:** ● 2001 Country Reports on Human Rights Practices ● Countries with Right: 120 ● Countries with Limits: 35 ● Countries without Right: 40

A Look to History: Democracy and Human Rights

On September 30, 2005, at a speech at Princeton University, Secretary Rice observed the similarities between the challenges policy makers faced after World War II and the extraordinary times we encounter today:

"Seventy-five years ago... it was a difficult time when the world's democracies were like islands in a raging sea. Adolf Hitler was planning his ascent to power in Germany and plotting his conquest of Europe. And Joseph Stalin was consolidating his rule and building a Soviet Union that would threaten the entire free world. Today, however, democracies are emerging wherever and whenever the tides of oppression recede. As President Bush said in his Second Inaugural Address, 'The best hope for peace in our world is the expansion of freedom in all the world.'

"Now, to forge realistic policies from these idealistic principles, we must recognize that statecraft can assume two fundamentally different forms. In ordinary times, when existing ideas and institutions and alliances are adequate to the challenges of the day, the purpose of statecraft is to manage and sustain the established international order. But in extraordinary times, when the very terrain of history shifts beneath our feet and decades of human effort collapse into irrelevance, the mission of statecraft is to transform our institutions and partnerships to realize new purposes on the basis of enduring values."

Secretary of State Condoleezza Rice delivers a keynote address, Friday, September 30, 2005, at Princeton University in Princeton, NJ., during opening of the year celebration marking the 75th anniversary of Princeton University's Woodrow Wilson School of Public and International

I/P #2: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES

Indicator #3: Degree to Which Democratic Civilian Rule is Established and Maintained in Pakistan

JUSTIFICATION (VALIDATION): Re-establishment of democratic civilian rule is a clear indicator of progress toward a return to full democracy.

FY 2005 PERFORMANCE	**Target**	1. The civilian government maintains stability. 2. National and provincial assemblies initiate policy debates in key areas of national security, economic and foreign policy. Assemblies show increased legislative capability. 3. Civil society groups, including more credible political parties, continue to press for increased government and political party accountability and transparency and begin to influence public debate on important issues. Civil society organizations consulted by Government of Pakistan leaders on issues that concern them. Media more accurately reflects the views and activities of all strata of Pakistani society; polls indicate that people are better informed. Politicians and press feel increasingly free to publicly criticize army/establishment. More competent investigative and prosecutorial ability exists. More active prosecution of human rights cases conducted.
	Results	1. Stability is maintained but the head of state remains the head of the military. The military is not subject to civilian control. 2. National and provincial assemblies initiated policy debates in key areas of national security, economic and foreign policy. The range of national security and foreign policy issues open for genuine debate remains circumscribed. 3. Politicians and press feel increasingly free to publicly criticize army/establishment. The government continues to exercise some control over the media by offering "recommendations" on editorial content and by allocating advertising that serves as a critical subsidy. The government, citing spurious security concerns, blocks some political gatherings. Senior Government of Pakistan officials publicly disparage some civil society organizations that advocate on behalf of human rights, women's rights, and the poor.
	Rating	Below Target
	Impact	By promoting stability while strengthening the media, civil society, and political parties, citizens will be able to advocate for civilian rule in Pakistan through peaceful means.
	Reason for Shortfall	Pakistan's non-democratic elements developed over decades and became mutually reinforcing. They will require years of persistent effort to overcome. Moreover, the presence of terrorist and extremist groups present a security challenge that provides what the government regards as a justification for invoking non-democratic practices.
	Steps to Improve	Increase Pakistani civilian capacities and knowledge in human rights, women's rights and political participation, the rule of law, labor standards, independent media, local government, and civic education.
PERFORMANCE DATA	**Data Source**	Embassy reporting.
	Data Quality (Verification)	Information gathered through primary data collection by the U.S. embassy and can be verified through publicly available media reporting.

Continued on next page

Under Secretary of State for Democracy and Global Affairs Paula Dobriansky speaks to reporters at the release of the State Department's 2004 Country Reports on Human Rights Practices, in Washington, February, 2005.

AP/Wide World

I/P #2: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES *(continued)*

Indicator #3: *(continued)*

PAST PERFORMANCE	**2004**	1. Wrangling over the Legal Framework Order ended with the passage of the 17th Amendment, which stipulates a return to civilian rule by the end of 2004 and elections to be held in 2007. 2. Both houses freely debated the President's message to Parliament; standing committees were announced; and various key pieces of legislation were passed, including a bill authorizing the formation of a National Security Council. The parliamentary debate over the President's address included national security issues. 3. President Musharraf and senior members of the government regularly consult with civil society representatives. 4. National public opinion survey on a range of subjects (including familiarity with national and provincial representatives, the political process, and political engagement) conducted by the Pakistan Legislative Strengthening Consortium (PLSC) in order to acquire data to assist legislatures, PLSC, and nongovernmental organizations to improve their planning and activities. 5. The arrest and conviction of opposition leader Javed Hashmi was a setback for political freedom.
	2003	The promulgation of constitutional amendments by decree and refusal by Musharraf to submit his presidency to legislative ratification per the existing constitution compromised the process of a clear return to democratic civilian rule. Prolonged constraints on freedom of assembly and political expression also rendered the playing field for the October 10, 2002 elections uneven. Within such parameters, the below indicators represent progress towards democracy through a return to civilian rule and re-establishment of democratic processes through representative bodies. ● Relatively lower levels of corruption and stability maintained as President Musharraf builds some political party allies who accept amendments. ● Elections occurred October 10 and parties accept the outcome but with credible allegations of flaws regarding their conduct. ● Pakistani military returns to the barracks as civilian rule resumes. ● Corrupt patronage continues to dominate political parties but reformers are identified. ● Civil society organizations begin to organize, grow in size and activity, and gain a voice. ● Reasonably free political party activity and press. Limited investigative/prosecutorial capacity.
	2002	1. President Musharraf in August 2002 promulgates constitutional amendments that allow him to dissolve the national assembly, retain his post as Army Chief of Staff, and increase civilian membership on the National Security Council from 6 to 9 (4 are military). National elections are scheduled for October 10, 2002 and all major political parties have been certified to participate. 2. Civil society is poorly organized, quiescent and ineffective. Receives minor press attention. Hard to identify civil society leaders. 3. Corruption proceedings against politicians are based on partisan grounds. Judiciary is an ineffective deterrent to unconstitutional or extra-legal government practices.

Afghanistan President Hamid Karzai walks towards the inauguration ceremony honoring him as Afghanistan's first popularly elected president, in Kabul, Afghanistan, December 2004. Standing left is the former King of Afghanistan, Zahir Shah.

AP/Wide World Photo

I/P #2: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES *(continued)*

Indicator #4: Progress Toward Constitutional Democracy in Afghanistan

JUSTIFICATION (VALIDATION): Achieving progress toward meeting political objectives laid out in the Bonn Accord will effectively establish democratic rule in Afghanistan.

FY 2005 PERFORMANCE

Target	1. New National Government takes office with a clear popular mandate. Preparations for local/regional elections move forward in accordance with relationship defined in Constitution. 2. President continues to act in accord with rule of law and constitutionally. 3. Human rights commission is able to move the government to act to curb direct abuses and to address prior crime. 4. A select number of women occupy positions of local authority (i.e. at the city level or within the central government at the judicial, legislative, or executive level) inside Kabul. 5. Law enforcement institutions begin to enforce and the judiciary begins to uphold civil liberties protections in the constitution. 6. Judicial commission recommendations and rulings are incorporated into the basic fabric of law and practice.
Results	1. Presidential elections held in October 2004. More than 10 million Afghans registered and 8 million participated in the election, 40 percent of whom were women. Provincial Council and National Assembly elections scheduled for September 18, 2005. 1.69M new voters registered for upcoming parliamentary elections. 2. President announced a reform-oriented and politically and ethnically balanced cabinet. 3. Despite limited capacity, the Afghan Independent Human Rights Commission is reporting on a wide range of human rights issues including evidence of Afghan perceptions of past human rights abuses. The Commission is developing a database that holds potential to serve as the basis for future judicial resolution of Afghanistan's recent wartime human rights abuses. 4. Two women are Cabinet Ministers (Minister of Women's Affairs and Minister of Martyrs and Disabled); first female governor appointed (Bamiyan). 5. USAID constructed 24 judicial facilities throughout the country; trained 382 judges in a series of formal training programs; and codified, compiled, printed and disseminated 1,000 copies of Afghanistan's basic laws in Dari and Pashto throughout the country for the first time ever. 6. Judicial commission recommendations and rulings will not be incorporated.
Rating	1. On Target 2. On Target 3. On Target 4. On Target 5. Below Target 6. Below Target
Impact	With a democratically elected president and new government in place, successful National Assembly elections were held on September 18th, which further solidified Afghanistan's progress toward democracy.
Reason for Shortfall	Judiciary system still at rudimentary stage in terms of legislations, physical infrastructure and human capacity (1/4 of judges have not completed a high school education). Judicial Reform Commission disbanded since was not effective instrument.
Steps to Improve	Without the Judicial Reform Commission the focus is now on supporting permanent institutions. Continue construction/rehabilitation of courthouses and training of law enforcement officials and the judiciary.

PERFORMANCE DATA

Data Source	Joint Elections Management Board website; American Foreign Service Association report; UN and non-governmental organization human rights reports; U.S. Department of State, USAID, and U.S. Embassy reports.
Data Quality (Verification)	Data and methodology of public reports readily for verification and widely regarded as accurate. State Department, other U.S. Government, international organization, and non-governmental data are crosschecked to ensure accuracy.

Continued on next page

I/P #2: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES *(continued)*

Indicator #4: *(continued)*

PAST PERFORMANCE	**2004**	1. Constitutional Loya Jirga adopts moderate, democratic Constitution on January 4, 2004. Over 100 of the 500 delegates were women. 2. Of the over 9 million voters registrations recorded by August 40% were women. 3. Joint Election Management Board established to oversee registration and voting. 4. Political Party Law and Elections Law passed. 5. On July 29, 23 candidates announce bids for presidency; 18 of which were accepted by the JEMB. 6. Presidential elections not held until October 2004.
	2003	1. Constitutional Commission is established and drafts new Constitution. 2. Public consultations held in preparation for Constitutional Loya Jirga. 3. Human Rights and Judicial Commissions begin to address serious problems (ethnic abuses, women's rights violations, rule of law, war crimes/ethnic killings), and identify priority objectives. 4. Islamic Transitional Government of Afghanistan begins to develop rules and procedures for the elections in 2004, seeks countrywide consensus. 5. The form and composition of a parliamentary body are addressed. 6. Electoral commission is established. 7. Voter registration begins. 8. Afghan Conservation Corps is established to provide income to Afghan returnees, fostering community-based efforts to promote sound land and water management.
	2002	1. Bonn Accord signed December 5, 2001. 2. Afghan Interim Authority (AIA) takes office on December 22, 2001 per the Accord. AIA begins process of planning the Emergency Loya Jirga (ELJ). 3. ELJ successfully held in June, Afghan Transitional Authority (ATA) formed (renamed Islamic Transitional Government of Afghanistan in the summer of 2002). 4. LJ most broadly representative assembly in Afghan history. 5. Human Rights, Judicial and Constitutional commissions formed as per the Bonn Accords. 6. ELJ peacefully elects a president. 7. No recognized constitution exists. 8. The Bonn Agreement reinstates the 1964 Constitution, except the monarchy provisions.

An Afghan election official, left, teaches an Afghan refugee voting procedures for the presidential election in a polling station, October 2004.

AP/Wide World Photo

I/P #3: MEPI – DEMOCRACY AND FREEDOM IN THE NEAR EAST

Indicator #5: Status of Democracy in the Middle East

JUSTIFICATION (VALIDATION): The indicator measures free, fair, and competitive elections in the region.

FY 2005 PERFORMANCE	**Target**	Municipal elections in Tunisia are held as scheduled and are free and fair. Presidential elections in Yemen are held as scheduled and are free and fair.
	Results	Elections that were scheduled to date have occurred and were free, fair and competitive. Unanticipated free and fair elections also occurred in Saudi Arabia. Saudi Arabia held its first municipal elections and elections are now scheduled in additional municipalities. Many other countries have scheduled elections and through Middle East Partnership Initiative (MEPI), the Department will work to ensure they are free, fair and competitive, including: • Senate elections in Tunisia, • Parliamentary elections in Egypt, • Parliamentary elections in Lebanon, • Municipal and parliamentary elections in West Bank/Gaza.
	Rating	Above Target
	Impact	Holding free, fair, competitive elections is the first step in achieving participatory democracy and opens opportunity for increased democracy programming including political party and civil society strengthening.
PERFORMANCE DATA	**Data Source**	U.S. Embassy reports. International Republican Institute (IRI), National Democratic Institute (NDI), Freedom House.
	Data Quality (Verification)	The International Republican Institute and the National Democratic Institute are non-governmental organizations working internationally with extensive experience supporting democratic activities overseas. Performance data provided by IRI and NDI are widely regarded as reliable and authoritative.
PAST PERFORMANCE	**2004**	Presidential elections in Tunisia were held but were not contested. All other elections occurred and according to international observers were deemed to be free and fair. Constitutional Referendum held in Qatar.
	2003	Free and fair elections to be held: • National elections in Bahrain. • National elections in Yemen. • Parliamentary elections in Jordan. • National Assembly elections in Kuwait. • Consultative Assembly elections in Oman. • Municipal elections in Morocco. • Municipal elections in Qatar.
	2002	1. Algeria and Morocco - Parliamentary elections held as scheduled; mixed results for freedom and fairness but making progress. 2. Egypt - Local council elections held as scheduled; appeared free and fair but not politically significant. Significant increase in women candidates elected in Morocco.

Kurds celebrate the election of Iraqi President Jalal Talabani in Kirkuk, in northern Iraq, April, 2005.

AP/Wide World Photo

I/P #3: MEPI – DEMOCRACY AND FREEDOM IN THE NEAR EAST *(continued)*

Indicator #6: Status of Media Freedom in the Middle East

JUSTIFICATION (VALIDATION): Media freedom increases the free flow of information to citizens and is a central component of every person's right to hold opinions without interference and to freedom of expression, including the freedom to seek, receive, and impart information and ideas through any media regardless of frontiers. Without these rights and freedoms, citizens are unable to make informed choices and changes in their societies.

FY 2005 PERFORMANCE	**Target**	1. Two additional NEA countries move into the "Partly Free" category and no other states lower their rankings. 2. Seven of eighteen countries have a "Partly Free" or "Free" media.
	Results	1. One additional NEA country moved into the "Partly Free" category and no other states lowered their rankings. 2. Three of eighteen countries have a "Partly Free" or "Free" media.
	Rating	Below Target
	Impact	The Department promotes democracy and freedom in several ways, including through media freedom, civil society development, judicial reform, and political party strengthening. This diversity of approaches lessens the impact of results that are below target in any single area. However, a lack of media freedom inhibits people's access to information and news and makes them less able to make informed choices and changes in their societies.
	Reason for Shortfall	Freedom of the press is one of the last liberties that authoritarian regimes typically relinquish to the public. As democratic reforms increase in other areas across the region, improvement in media freedom is taking place at an increasingly uneven pace. Freedom House does not disaggregate different factors within media reform in its measure, so these uneven gains sometimes result in a few significant improvements hidden by a larger number of setbacks.
	Steps to Improve	The Middle East Partnership Initiative will focus its media professionalization program on four areas: media law, media management, strengthening media associations, and training senior media professionals. In addition, the Department will address government censorship, detention and arrest of journalists, and laws that inhibit the growth of independent media in high-level communications with those governments.
PERFORMANCE DATA	**Data Source**	Freedom House Press Freedom Survey; U.S. embassy reporting, annual Department Country Reports on Human Rights.
	Data Quality (Verification)	The data is verifiable through publicly available documents.
PAST PERFORMANCE	**2004**	Two of eighteen countries have a "Partly Free" or "Free" media.
	2003	Three of eighteen countries have a "Partly Free" or "Free" media.
	2002	Four of eighteen countries have a "Partly Free" or "Free" media.

I/P #4: DEMOCRATIC SYSTEMS AND PRACTICES IN EUROPE AND EURASIA

Indicator #7: Respect for Human Rights and Religious Freedom

NOTE: This indicator has been integrated into indicator #1, I/P #1: Engagement to Advance Democracy. See Appendix for details.

I/P #5: SUPPORT FOR INCREASED WOMEN'S POLITICAL AND ECONOMIC PARTICIPATION IN TRANSITIONAL AND POST-CONFLICT SOCIETIES

Indicator #8: The Level of Women's Political and Economic Participation in Transition Societies, Particularly Afghanistan and Iraq

JUSTIFICATION (VERIFICATION): Women's participation in key issue areas is an indication of women's ability to assert their rights and interests. The rise of women to political office, positions of leadership in political parties, and other decision making positions is indicative of women's increasing ability and capacity to participate in the political arena.

FY 2005 PERFORMANCE

Target	Ongoing initiatives in Afghanistan, Iraq, and Middle East grow to involve more women. Two or three new initiatives started by participants in each country.
Results	**Afghanistan:** 1. 3 women appointed to cabinet positions, one woman to sub-cabinet position, and 1 woman named provincial governor, the first in Afghanistan's history. 2. The U.S.-Afghan Women's Council (USAWC), through Afghan Women Leaders Connect, provided computer equipment to women's resource centers. 3. USAWC, through Afghan Women Leaders Connect, provided funding for human rights awareness training to secondary school girls. 4. USAWC meeting held in Kabul, with the participation of the First Lady. **Iraq:** 1. Six women appointed to Cabinet in April 2005. 2. Reported 67% of women voted. 3. 87 women elected to Transitional National Assembly (TNA); women make up 33% of body, surpassing target of 25%; at least 25 women in TNA were trained under Initiative grants. 4. Approximately 1,000 women trained as democracy master trainers under Iraqi Women's Democracy Initiative. 5. Initiative grantees establish 10 Women's Centers of varying size and capacity; Centers provide programs in education, governance issues, and computers. 6. 12 international Ministries of Women have rendered support through donations of training materials and offers of training.
Rating	On Target
Impact	Significant progress in women's empowerment in Iraq, Afghanistan, and broader Middle East. Longer-term support will still be required to protect and expand these gains.

PERFORMANCE DATA

Data Source	Embassy reporting, U.S.-Afghan Women's Council.
Data Quality (Verification)	Information is crosschecked for accuracy with non-governmental organization reports, Freedom House's Survey of Middle Eastern Women's Rights, other reporting, and discussions with regional partners and public groups.

Continued on next page

I/P #5: SUPPORT FOR INCREASED WOMEN'S POLITICAL AND ECONOMIC PARTICIPATION IN TRANSITIONAL AND POST-CONFLICT SOCIETIES *(continued)*

Indicator #8: *(continued)*

PAST PERFORMANCE

2004

Afghanistan:

1. Women constituted 102 of the 500 members of Constitutional Loya Jirga.
2. 2004 Constitution provided for equality of all persons.
3. Women were 41% of all registered voters in October 2004 elections.
4. One woman campaigned for president (parliamentary elections postponed to 2005).
5. Funding for Afghan Women's Judges Association legal literacy project for high school girls secured from the Bureau of International Narcotics and Law Enforcement Affairs (INL).
6. USAWC partner provides partial funding (with INL) for training 4 Afghan women judges. Training provided by the International Association of Women Judges in June 2004.
7. Report to U.S. Congress submitted.
8. U.S.-Afghan Women's Council meets in June 2004 (Washington) and February 2004 (Kabul).
9. USAWC establishes Health Committee to create public/private partnerships for tackling key health issues for women and girls.

Iraq:

1. $10 million Iraqi Women's Democracy Initiative began disbursing 7 grants for training Iraqi women in political leadership, communications, and coalition-building skills.
2. Worked with Department of Defense, USAID, and Congressional Iraqi Women's Caucus to develop and implement initiative for 8-day training for Iraqi women political activists.
3. 6 women named to interim Iraqi Cabinet in May 2004 and 7 women to deputy minister positions.
4. The Transitional Administrative Law established equality for men and women.

2003

Afghanistan:

1. USAWC begins giving grants to NGOs for microfinance, job skills training, political participation, literacy and other educational programs in Women's Resource Centers.

Iraq:

1. Iraq in conflict. Women's rights not protected.

Post-Conflict:

1. Big Idea Mentoring Initiative begins with Afghanistan. Afghan participants number 25-30, begin to conduct activities in 1-2 other regions.
2. Increased high-level U.S. Government support for Security Council Resolution 1325: Women and peace and security (adopted Oct. 31, 2000). U.S. Government support leads to enhanced involvement of women as planners, implementers, and beneficiaries of peace-building processes.

2002

Afghanistan:

1. U.S. Government starts program to support inclusion of women in Afghan Government; 14 Afghan women government officials come to U.S. for job skills and computer training programs. Presidents Bush and Karzai decree creation of U.S.-Afghan Women's Council.

Iraq: N/A

Post-Conflict:

1. U.S. Government begins "Big Idea" initiative "Fostering Change in Post-Conflict Societies." Women in select post-conflict societies (Afghanistan, Balkans, Cambodia, Colombia, and the Democratic Republic of Congo) will participate in mentoring programs with U.S. women.
2. Initiative leads to enhanced leadership and business skills for women in these countries, helping them to become decision-makers, planners, and beneficiaries. Women express interest in mentoring and fundraising and attend follow-up discussion on next steps.

HUMAN RIGHTS & DEMOCRACY FUND (PART PROGRAM EFFICIENCY MEASURE)

Indicator #9: Human Rights Democracy Fund (HRDF) and Partnership to Eliminate Sweatshops Program (PESP) Operating Costs divided by number of Grants and/or Projects Managed

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VERIFICATION): Operating costs per project indicate the cost-effectiveness of HRDF and PESP management and account for efficiencies of scale.

FY 2005 PERFORMANCE	**Target**	2005 Target = $2,569 cost per project, according to new measure. The Bureau of Democracy and Human Rights (DRL) plans to manage 180 projects expending $462,501 in operating costs.
	Results	FY 2005 result (as of mid-September) = $2,179 cost per project. DRL managed 280 projects at the close of FY 2005 expending $610,199 in operating costs.
	Rating	**Above Target**
	Impact	Although the efficiency measure is above target, efforts to fulfill DRL's program mission are hindered because democracy program increases have exceeded increases in staffing in administrative capacity.
PERFORMANCE DATA	**Data Source**	DRL budget information or programming unit information.
	Data Quality (Verification)	Result is directly calculated from DRL resource data.
PAST PERFORMANCE	**2004**	N/A. Indicator measures revised in FY 2005.
	2003	N/A.
	2002	N/A.

President Bush and U.N. Secretary-General Kofi Annan participate in the launch of the United Nations Democracy Fund during the 2005 World Summit at the U.N. headquarters in New York, September, 2005.

AP/Wide World Photo

FREEDOM SUPPORT ACT (FSA)-SUPPORT FOR EAST EUROPEAN DEMOCRACY (SEED) (PART PROGRAM EFFICIENCY MEASURE)

Indicator #10: Percent of FSA and SEED country programs with timeline of greater than 24 months between the obligation of funding and expenditure at the of the end of the fiscal year

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VERIFICATION): The avoidance of long lags of time between obligation of funds and expenditure demonstrates the efficiency of the State Department's Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE) in determining appropriate funding levels for specific countries and specific programs, based on each country's absorptive capacity and each program's ability to utilize funding in a timely and efficient manner. EUR/ACE looks at obligation data broken out by country and program to see whether specific programs are over- or under-budgeted, as well as how efficiently each implementing agency is managing its funding allocation.

FY 2005 PERFORMANCE	**Target**	4.8% (1 out of 21 country programs) of programs take greater than 24 months to start up. *(Revised. See Appendix for explanation.)*
	Results	Data from the first three quarters of FY 2005 indicates that none of the country programs will have a lag time greater than 24 months.
	Rating	**Above Target**
	Impact	Less time between obligation of money and its expenditure helps the State Department more effectively respond to and support democracy and economic development activities overseas.
PERFORMANCE DATA	**Data Source**	Financial data submitted by U.S. Government agencies implementing FSA and/or SEED programs.
	Data Quality (Verification)	Implementing agency financial data submissions are compared to EUR/ACE internal budget planning documents and previous submissions from each agency to ensure reliability.
PAST PERFORMANCE	**2004**	0% (0 out of 21 country programs).
	2003	4.8% (1 out of 21 country programs).
	2002	(Tracking database was not in place yet.)

Secretary Rice speaks to the press at the March 2005 release of the Department's "Supporting Human Rights and Democracy: The U.S. Record 2004 - 2005."

State Department Photo

PERFORMANCE GOAL 2

UNIVERSAL STANDARDS INCREASE RESPECT FOR HUMAN RIGHTS, INCLUDING THE RIGHTS OF WOMEN AND ETHNIC MINORITIES, RELIGIOUS FREEDOM, WORKER RIGHTS, AND THE REDUCTION OF CHILD LABOR

I/P #6: BILATERAL AND MULTILATERAL DIPLOMACY (PART PROGRAM)

Indicator #1: Percentage of Priority U.S.-Supported Resolutions Adopted by the UN Commission on Human Rights (CHR)

JUSTIFICATION (VERIFICATION): As the UN's primary forum on human rights, the CHR's actions on country-specific resolutions demonstrate how the international community deals with the most serious human rights abusers. CHR resolutions on democracy reinforce the interrelationship between human rights and democracy and strengthen the legitimacy of human rights and democracy development efforts in non-democratic countries.

FY 2005 PERFORMANCE	**Target**	80% of U.S.-supported resolutions are adopted.
	Results	Despite the fact that the Secretary General and member states decried the UNCHR's declining credibility, the U.S. Government achieved virtually all of its priority objectives at the 2005 session of UN Commission on Human Rights. Together with its allies the United States defeated efforts to pass no-action motions and adopted resolutions on freedom of association, democracy, and the human rights situations in Cuba, Belarus, North Korea, and Burma. The U.S. and its allies secured passage of resolutions that supported human rights technical assistance but also condemned the human rights situations in Sudan and Nepal. International condemnation of anti-Semitism was referenced in a resolution on religious intolerance, and the CHR also defeated a resolution introduced by Cuba on detainees at Guantanamo. The United States agrees that the CHR lacks sufficient ability to pass meaningful resolutions that tangibly help in the promotion and protection of human rights. The United States successfully negotiated a Heads of State Communiqué (Outcome Document) with UN member states to replace the existing CHR with a new Human Rights Council. The new Human Rights Council will ensure that sufficient safeguards and minimum criteria are put in place to deter violators from seeking election and from being able to secure the necessary votes.
	Rating	Above Target
	Impact	U.S. Government activities ensured that international pressure and scrutiny would continue on countries with serious human rights problems. Resolutions on Nepal and Sudan resulted in human rights monitors on the ground in both countries. Resolutions on Cuba, Belarus, North Korea and Burma gave support to people in those countries fighting for their freedoms and maintained international pressure for democratic reform. In addition, the U.S. initiative on the Freedom of Association resolution consolidates the international community's commitment on this issue and empowers individuals to demand that governments respect this right.
PERFORMANCE DATA	**Data Source**	U.S. cables and United Nations High Commissioner for Human Rights reporting. CHR voting record.
	Data Quality (Verification)	Data quality depends on reporting cables by US embassies, especially the U.S. Mission in Geneva, and by the CHR. Commission votes are a matter of public record.
PAST PERFORMANCE	**2004**	80% of key U.S.-supported resolutions were adopted. They were similar to resolutions adopted in 2003. The Department also succeeded in forcing Cuba to withdraw a resolution critical of U.S. Government treatment of detainees at Guantanamo. With regard to setbacks, a resolution on Chechnya was defeated and two others on China and Zimbabwe were blocked; a measure on Sudan that was opposed by the U.S. for being too weak passed.
	2003	In 2003, CHR passed U.S.-sponsored resolutions on Cuba, North Korea, Belarus, Turkmenistan, Burma, and Iraq. However, resolutions on Chechnya, Sudan and Zimbabwe were defeated. The Department took a strong stand against Libya's chairmanship of the CHR, and succeeded to block a special sitting on Iraq, despite a strong anti-U.S. bloc of Muslim countries and some EU states.
	2002	This indicator was not tracked because the U.S. was not a member of the CHR in 2002. It was re-elected as a member for 2003.

I/P #6: BILATERAL AND MULTILATERAL DIPLOMACY *(continued)*

Indicator #2: Number of CHR States with Negative Human Rights Records

JUSTIFICATION (VALIDATION): Election to the CHR of democratic states with good human rights records will demonstrate the importance placed by the international community on human rights issues. Fewer human rights abusers on the CHR means fewer countries able to thwart CHR scrutiny of themselves and other violators.

FY 2005 PERFORMANCE	**Target**	Less than 16 CHR Member States have negative human rights records.
	Results	15 CHR Member States have negative human rights records.
	Rating	On Target
	Impact	Although there has been some success to convince democracies to run for the CHR, the worst abusers still have seats. Regional voting patterns on the Commission have not changed. At the elections for the 2005 Commission on Human Rights, the UN Economic and Social Council elected Sudan to the CHR, despite ongoing genocide occurring in Sudan's western Darfur region. The United States walked out of the voting in protest. The United States will continue to work with the UN Democracy Caucus member countries to support the candidacies of democratic countries and to oppose the candidacies of non-democratic states. In addition, as the U.S. Government negotiates the structure of the new Human Rights Council, it will ensure that sufficient safeguards and minimum criteria are put in place to deter bad actors from seeking election and from being able to secure the necessary votes.
PERFORMANCE DATA	**Data Source**	CHR votes, documents for membership totals; State Department and other human rights reports to determine "negative records".
	Data Quality (Verification)	General statements reflect the record, but judgments about mixed human rights records are open to subjective interpretations.
PAST PERFORMANCE	**2004**	Australia replaces Libya as CHR chair for 2004, by acclamation, after vigorous diplomatic effort. Membership for 2005 yet to be determined; Western countries negotiating a rotation plan for CHR membership. The U.S. Government and CHR membership endorsed Indonesia in 2005, with U.S. Government taking into account Indonesia's role as the world's largest Muslim democracy.
	2003	Sixteen member states with negative records.
	2002	The U.S. was not a CHR member in 2002. It was re-elected in 2003 and began work to change CHR membership to exclude human rights abusers.

Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon, left, talks with U.S. Ambassador in Nicaragua, Paul Triveli, during a news conference in the Presidential House in Managua, Nicaragua, October, 2005. *AP/Wide World Photo*

I/P #7: PROMOTE INTERNATIONAL RELIGIOUS FREEDOM

Indicator #3: Level of Engagement with Foreign Governments and NGOs to Promote and Advocate on Behalf of Religious Freedom in Keeping with Foreign Policy Directives such as the International Religious Freedom Act (IRFA)

JUSTIFICATION (VALIDATION): Policy goals, reporting requirements, and performance indicator established by the International Religious Freedom Act. Meetings, agreements and documented movement by countries toward greater religious freedom validate progress toward IRF goals.

FY 2005 PERFORMANCE

Target	1. The U.S. builds a coalition of like-minded countries that actively cooperates to promote international religious freedom issues in multilateral forums. 2. More prisoners are released because of U.S. Government intervention. 3. At least two additional bilateral or regional international religious freedom initiatives are undertaken laying the groundwork for significant policy changes in those countries or regions. (Revised. See Appendix for explanation.)
Results	1. Initiative begun with Saudi Arabia on religious freedom issues; efforts on Uzbekistan and Eritrea as part of broader international efforts on human rights in those countries; continued religious freedom dialogue with China. 2. Religious prisoners were released in Vietnam, Saudi Arabia, China, and other countries. 3. Intensive diplomacy with Vietnam resulted in a binding agreement. Commitments were secured on religious freedom in key areas of concern. Initial work by international religious freedom Office to explore possibilities for working on religious freedom issues in appropriate multilateral forums, including the UN.
Rating	Below Target
Impact	1. Initiatives with Vietnam and Saudi Arabia significantly raised the profile of religious freedom issues in these countries. 2. Efforts to develop constructive working relationships with the EU, the UN Special Rapporteur on Religious Freedom, and the OSCE have improved multilateral cooperation on religious freedom. 3. Successful U.S. diplomatic efforts to win release of religious prisoners has discouraged the practice of imprisonment in some countries; demonstrated U.S. commitment to religious communities to address the issue; and opened an avenue for talks on systemic changes that may help remove the threat of imprisonment on religious grounds.
Reason for Shortfall	Bilateral initiatives (Vietnam, Saudi Arabia, Eritrea, Uzbekistan, China, Russia, and others) proved to be more labor-intensive than initially anticipated. Production of the Congressionally-mandated Annual Report on Religious Freedom took personnel away from other priority initiatives because staffing was not at full complement.
Steps to Improve	IRF is in the process of hiring additional staff, which may include 1-2 people who would be devoted full time to multilateral initiatives.

PERFORMANCE DATA

Data Source	*International Religious Freedom Report* and the *Country Reports on Human Rights Practices*; field assessments by U.S. embassy officials and Bureau of Democracy and Human Rights officers; meetings with members of religious groups, non-governmental organizations, and other knowledgeable observers.
Data Quality (Verification)	Data and methodology are available to the public for verification. Reporting from U.S. embassies, State Department analysts, and non-governmental entities is crosschecked to ensure accuracy.

Continued on next page

I/P #7: PROMOTE INTERNATIONAL RELIGIOUS FREEDOM *(continued)*

Indicator #3: *(continued)*

PAST PERFORMANCE		
	2004	1. Negotiations with Turkmenistan result in decriminalization of religious practice, repeal of oppressive registration laws, and the registration of previously outlawed religious groups. 2. Religious prisoners freed in Laos, Vietnam, China, Egypt, Eritrea, Turkmenistan and other countries. Increased interfaith dialogue, inter-religious cooperation, and redress of some religious property grievances in Sudan. 3. Important constitutional guarantees for religious freedom achieved in Afghan Constitution and Iraqi Transitional Administrative Law. 4. High quality report released, accepted by international community as accurate and balanced. 5. Meetings with officials of UK, Canada, France, Australia, Argentina, Italy, UN agencies, and others to develop allies in promoting IRF. Coordination with DRL/ Office of Multilateral Affairs and International Organizations in advancing religious freedom in multilateral settings.
	2003	1. IRF concerns were raised by the Department in bilateral and multilateral meetings. 2. IRF officers initiated engagement on promoting religious freedom in Afghanistan and Iraq. 3. Posts increased engagement on IRF issues, producing for the most part excellent country reports for the International Religious Freedom Report to Congress. 4. The IRF ambassador and officers were instrumental in facilitating the removal of people persecuted for their faith from harm's way. 5. The Ambassador-at-Large and staff visited China, Vietnam, and Saudi Arabia for repeated trips.
	2002	1. Continuing U.S. influence on some religion legislation. 2. Some religious prisoners released; some religious refugees assisted.

Equality in Iraq

Thousands of Iraqi women participated in the January 2005 electoral process by receiving training and serving as election monitors. They also ran as candidates and won 87 seats in the Iraqi National Assembly constituting 31% of all Assembly members. The new cabinet includes six women ministers out of a total of 33 ministers. Women occupy approximately 25% of the seats of the elected Provincial Councils as well.

In April 2005, the Department's Iraqi Women's Democracy Initiative, a flagship initiative dedicated to the advancement of Iraqi women, supported an intensive, five-day training conference in Amman, Jordan, that brought together 150 Iraqi women from all ethnic, religious, and regional backgrounds. The training covered political, economic, and media skills. As an outcome of the training, participants formed committees on constitutional review, media, democracy education, and women's legal issues to inform the drafting of Iraq's permanent constitution.

Female Iraqi election officers count absentee votes at a counting center, January, 2005. AP/Wide World Photo

I/P #8: LABOR DIPLOMACY AND ADVOCACY FOR WORKERS' RIGHTS (PART PROGRAM)

Indicator #4: Number of Public-Private Partnerships to Advance Respect for Human Rights

JUSTIFICATION (VALIDATION): Evaluation of Bureau of Democracy and Human Rights partnership to eliminate sweatshops will provide an indication of where worker rights violations have decreased and where more focus is necessary. Progress of Voluntary Principles to encourage multinationals to help advance human rights and the Partnership to Eliminate Sweatshops Program (PESP) and other programs indicates areas where the private sector is engaged in upholding standards.

FY 2005 PERFORMANCE	**Target**	Harmonization of codes by non-governmental organizations (NGOs) leads to increased number of factories monitored. Local capacity to enforce labor laws strengthened in China and Thailand. Initiative to promote education on worker rights established in China.
	Results	Multi-Stakeholder Initiative began implementation of common code in apparel factories in Turkey – widespread interest in progress given need for code consolidation. Local capacity in China and Thailand increased through work on labor law institute. China Training Initiative established.
	Rating	On Target
	Impact	Activities to increase respect for rights of workers in factories supplying U.S. markets fostered democratic workplaces and advanced U.S. foreign policy objectives of improving labor rights abroad. Establishment of China Training Initiative led to an increase in awareness of best practices on management-worker relations, which in turn increased respect for labor rights in factories producing goods for U.S. markets.
PERFORMANCE DATA	**Data Source**	Periodic meetings with non-governmental organizations and industry, attendance of conferences where DRL programs are discussed, site visits by DRL officers, embassy reporting and record keeping on assistance and cooperative projects. USAID Reports.
	Data Quality (Verification)	Data quality dependant on the number of businesses and NGOs involved in the program. Widespread interest in participation in DRL programs ensures that a sufficient source of information is available to verify data.
PAST PERFORMANCE	**2004**	1. Increasing numbers of companies are adopting and implementing codes of conduct; compliance with existing codes improved through PESP programs. In-country process in Indonesia has been re-started after hiatus caused by Bali bombings. Companies are proceeding in integration and implementation in many countries, Angola being one. New companies include Amerada Hess, BHP Billiton, and BC Group. 2. Harmonization program approved and notified. Funded initiatives include the China Training Initiative, a China working group project focused on Small to Medium Enterprises and developing a Chinese business school Corporate Social Responsibility curriculum, and a Toy Industry of America training initiative - all focused on developing sustainable, multi-stakeholder approaches to improving labor conditions in China.
	2003	1. Programs funded to educate workers on rights and pilot program developed to address labor conditions in select factories in China and in forty-two other countries. 2. Method to track labor violations not developed. Once this is developed, the Department will be able to track progress and more fully report on target two. 3. PESP projects showing progress in Central America.
	2002	1. Occidental Petroleum, Exxon Mobil, PaxChristi and the Government of Norway joined VPs. 2. First security managers' workshop conducted. 3. In-country briefings in Colombia. 4. Voluntary Principles and PESP programs contributed to greater respect for worker rights in Central America and Philippines. 5. PESP program contributed to workers empowerment enabling negotiation of agreed framework in Costa Rica and Guatemala.

I/P #8: LABOR DIPLOMACY AND ADVOCACY FOR WORKERS' RIGHTS (PART Program) *(continued)*

Indicator #5: Compliance with International Labor Obligations

JUSTIFICATION (VALIDATION): Compliance with international labor obligations is a strong indicator of respect for workers' rights and is a key indicator of a country's respect for human rights. Compliance is defined to mean whether or not a country has ratified and implemented the relevant International Labor Organization (ILO) conventions for the core labor standards. Core labor standards include the right to free association and to bargain collectively, elimination of child labor, elimination of forced labor, combating discrimination in employment in the workplace on the basis of ethnicity, religion, race or gender.

FY 2005 PERFORMANCE	**Target**	Formal complaints and petitions continue to decline. New Free Trade Agreements (FTAs) or other international trade or financial agreements expand number of trading partners implementing and enforcing worker rights.
	Results	New labor code in Oman and formation of first workers' committees in that country, new child labor law in United Arab Emirates (UAE), elections of first workers' committees in Bangladesh export processing zones.
	Rating	On Target
	Impact	The Department moves closer to the desired outcome of respect for internationally recognized worker rights worldwide. Countries that generally respect core internationally recognized worker rights tend to be more democratic, prosperous, and stable than those that do not.
PERFORMANCE DATA	**Data Source**	Department of State *Country Reports on Human Rights Practices (CRHRPs)*, International Confederation of Free Trade Unions (ICFTU) reports including *Annual Survey of Violations of Trade Union Rights*, ILO online *NATLEX* and *ILOLEX* databases and other ILO reports, Department of Labor's (DOL) online *WebMILS* database, and diplomatic and media reporting. The Department does not collect statistics on the number of formal complaints and petitions because the number of petitions double-counts the number of violations in some countries while undercounting it in others; the number is subject to manipulation for political purposes; and the absence of complaints may mistakenly give the impression of the absence of worker rights violations.
	Data Quality (Verification)	The *CRHRPs* and the ICFTU *Annual Survey* are periodic sources of systematically descriptive country-specific information about respect for core internationally recognized worker rights in law and practice, incorporating information from many other sources. The ILO's *NATLEX* provides comprehensive country-specific information about law but not about practice. DOL's *WebMILS* database, which seeks to provide country-specific information that integrates all publicly available sources of information regarding respect for worker rights, remains under development. Diplomatic and media reporting and *ILOLEX* documents are mostly occasional, generated in response to specific events, problems or complaints.
PAST PERFORMANCE	**2004**	Creation of trade unions in Bahrain, parliamentary approval of a law in Bangladesh allowing workers in export processing zones to organize, and rebirth of independent trade unions in Iraq.
	2003	Significant Human Rights and Democracy Fund and Department of Labor/Bureau of International Labor Affairs projects dealing with worker rights begun in China. Notable improvements in worker rights made in Cambodia. Continuing improvement in Bahrain and Saudi Arabia. For example, • Nineteen new labor unions were formed in Bahrain after the 2002 adoption of a groundbreaking labor law. • Labor committees authorized in Saudi Arabia. • Key ILO conventions ratified by Syria, Sudan and Lebanon. Labor clauses in all initial versions of the trade agreements were under negotiation: free trade agreements with the South African Customs Union, Thailand, Panama and the Andean Free Trade Agreement Group.
	2002	**Baseline:** 1. Established national plans for the elimination of child labor in Muslim countries. 2. Increased acceptance of ILO issues in the Muslim world.

ECONOMIC SUPPORT FUND (PART PROGRAM EFFICIENCY MEASURE)

Indicator #6: Percentage of Economic Support Funds (ESF) That Have Been Obligated Four Months After the Bureau of Western Hemisphere Affairs (WHA) Receives Its Final Line Item Allocations[1]

JUSTIFICATION (VALIDATION): WHA and USAID (as implementer) can improve the internal processing of ESF funds by tracking the amount of time it takes to obligate funds once WHA has received its final allocations. Moving the funds more efficiently means they can reach the intended beneficiaries more quickly. Since WHA is unable to predict when the appropriations bill will be signed and when it will receive the final line item allocations from the Deputy Secretary, WHA and USAID measure efficiency from the time the funds are available to be obligated for use in the field. Future targets will reflect WHA's desire to increase the percentage of funds obligated within a fixed period of time (4 months after submission of the 653(a) report).

FY 2005 PERFORMANCE	**Target**	50%.
	Results	10%.
	Rating	**Significantly Below Target**
	Impact	The amount of time it takes WHA and USAID to obligate funds once line item allocations have been received determines when ESF programs can be implemented. The sooner WHA is able to obligate funds, the faster the region will benefit from these programs.
	Reason for Shortfall	The target was not met until the sixth month after receipt of line item allocations due to the late issuance of new funding guidance and submission formats.
	Steps to Improve	This situation was unique and due to circumstances beyond WHA's control.
PERFORMANCE DATA	**Data Source**	This data is calculated by tracking dollar amounts in WHA and USAID obligation memos, which drive program implementation.
	Data Quality (Verification)	Internal processes and procedures ensure the reliability and accuracy of the data, which is calculated annually. The date of calculation varies as it is determined by the receipt of line item allocations.
PAST PERFORMANCE	**2004**	40%.
	2003	**Baseline:** 30%.
	2002	N/A.

1. *Moved in FY 2005 from Chapter Eight, "Economic Prosperity," Performance Goal 1, Indicator #5. The focus of projects covered under this indicator now primarily fall under democracy and human rights rather than economic development.*

Women work at selecting beans for exporting to the Mexican market at the Lafise Agri-Products in El Crucero, about 30 kilometers south of Managua, Nicaragua, May, 2005.

AP/Wide World Photo

STRATEGIC OBJECTIVE #2: ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS

STRATEGIC GOAL 8: ECONOMIC PROSPERITY AND SECURITY

Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation

I. Public Benefit

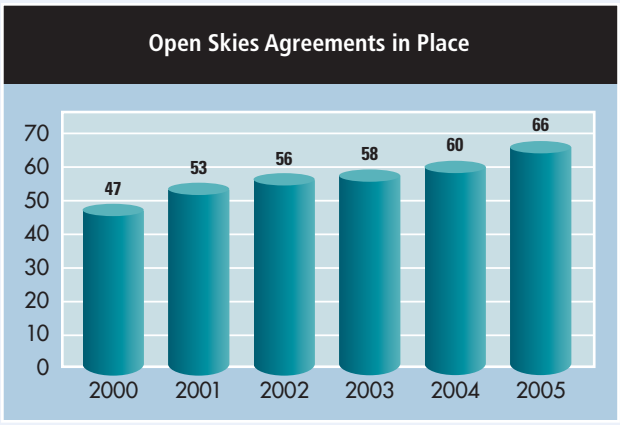
National security and global economic prosperity are inextricably linked and must be addressed jointly. Continued economic prosperity for the United States cannot be assured in the absence of prosperity, freedom, and economic opportunity worldwide. Our successes in opening markets through ambitious trade and investment agendas, in multiplying development efforts through private sector participation and recipient country accountability, and in supporting U.S. businesses through outreach and advocacy, build prosperity and security at home and abroad. We work closely with other agencies, businesses, labor groups, and NGOs to build a strong and dynamic international economic system that creates new opportunities for American business, workers, and farmers. We have made great strides in advancing national security and economic prosperity. As the war against terrorism has become central for U.S. foreign policy, we have focused on increasing U.S. economic security by supporting front-line states, tightening the noose around terrorist financing, increasing energy security, and improving the security of our transportation and information networks.

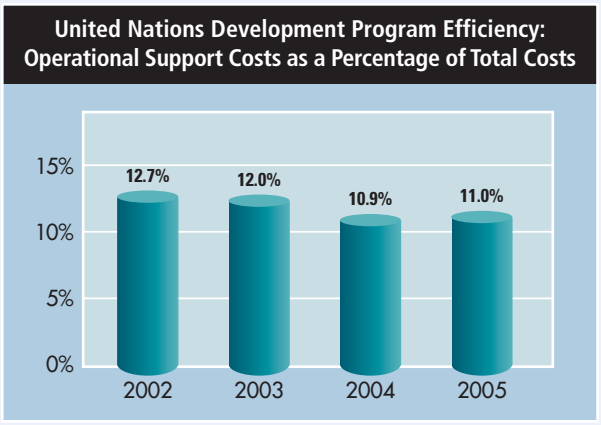
Under Secretary for Economic, Business, and Agricultural Affairs Josette Shiner and Japanese Deputy Foreign Minister Yabunaka answer questions at the State Department. State Department/Ann Thomas

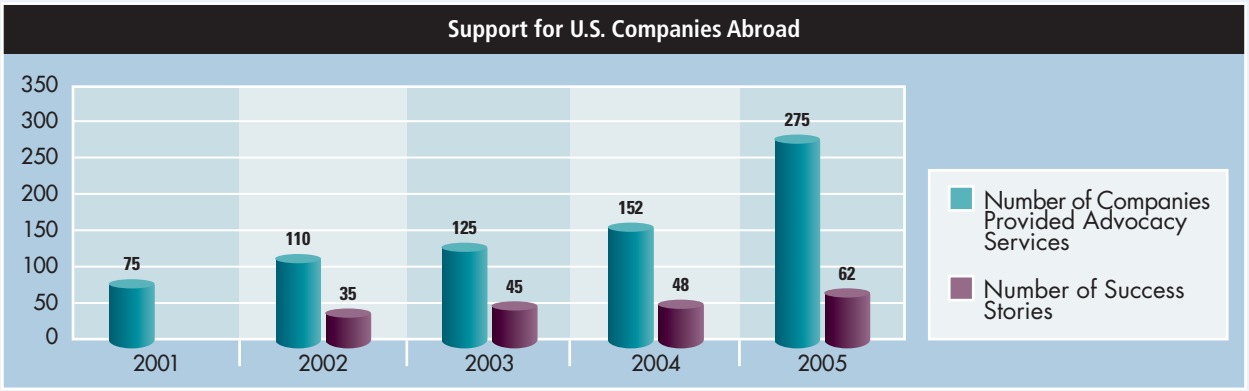
Greater prosperity abroad creates new jobs and higher incomes for Americans and citizens of other countries. Expanded trade is a powerful driving force for growth and development, and the Department is at the forefront of advancing our trade and investment agenda through bilateral, multilateral, and regional diplomatic efforts. We promote prosperity through market-expanding trade, aviation, telecommunication, and investment agreements, through international cooperation to promote flexible energy markets and sound financial markets, by fighting bribery and corruption, and through assisting developing countries to govern wisely and create favorable climates for trade and investment. Official development assistance can play an important role in helping countries on the road to economic prosperity and political stability. Our deep and comprehensive economic engagement with developing countries - through trade, investment, assistance, and debt relief - enhances the prosperity and security of those countries, and therefore our own.

Working closely with allies and major donors to assist countries recovering from conflict and natural disasters on the path to reconstruction and sustained economic growth is an important part of our efforts to expand the circle of economic prosperity. For example, the Department coordinated several successful donors' conferences in support of Iraq, negotiated a $32 billion debt relief package for Iraq and is assisting that country to conclude arrangements with non-Paris Club creditors. In addition to our work on Iraq, the Department works on reconstruction in post-conflict or post-disaster situations, serving the vital role of coordinating relevant agencies and donors. Beginning in December 2004, we coordinated U.S. Government reconstruction assistance after the Indian Ocean Tsunami with a dozen U.S. Government agencies, over fifty NGO and private sector groups, and fifteen top bilateral and multilateral donors.

II. Selected Performance Trends







III. Strategic Context

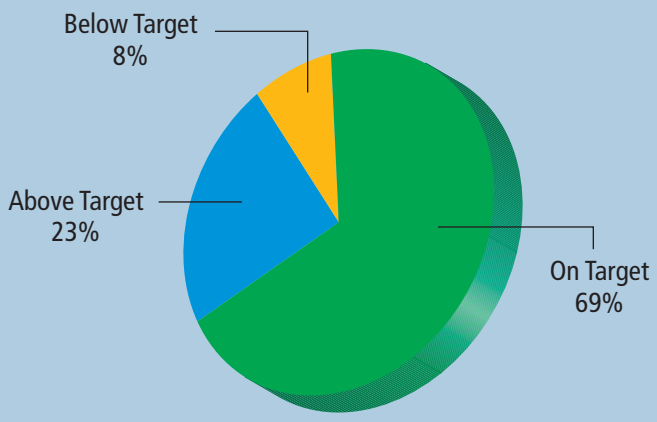
This strategic goal is supported by four performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Economic Prosperity and Security	Economic Growth and Development	Development Strategies	D&CP, ESF, DA	EB, IO	USAID, Treasury, DOC, USDA, EXIM, OPIC, TDA, USTR, IMF, World Bank, Regional Development Banks, UNDP, ILO, WTO, OECD, UNCTAD, UNICEF, FAO, G-8
	Trade and Investment	Create Open and Dynamic World Markets	D&CP, ESF, DA	EB	USTR, Treasury, DOC, DOT, USDA, TDA, USAID, WTO, OECD, international institutions, private sector and NGOs
	Secure and Stable Markets	Secure Energy Supplies	D&CP	EB	DOE, International Energy Agency, foreign governments
		Stable Financial Markets	D&CP	EB	Treasury, IMF, World Bank, OECD, Regional Development Banks
	Food Security and Agricultural Development	Accomplishment of this performance goal is the responsibility of USAID, and is therefore not reported in the Department of State's FY 2005 Performance Summary.			

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Economic Prosperity and Security strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION	
Significantly Above Target	0
Above Target	3
On Target	9
Below Target	1
Significantly Below Target	0
Total Number of Ratings	**13**

V. Performance Analysis

PERFORMANCE TRENDS. Much of the Department's performance in promoting economic prosperity depends on the success of its negotiations, whether in multilateral settings, in bilateral discussions with other countries, or on behalf of individual U.S. companies. Particularly noteworthy is the Department's success leading the United Nations to affirm that the promotion of economic freedom through anti-corruption efforts and improved investment climates is central to economic growth. However, in FY 2005, the Department's negotiations achieved mixed results overall. The Doha round of multilateral trade negotiations remained behind schedule due to the breakdown in talks in September 2003; in FY 2005, negotiations accelerated but remained short of an agreement. The Department conducted bilateral trade negotiations with five countries in FY 2005, none of which have reached a conclusion.

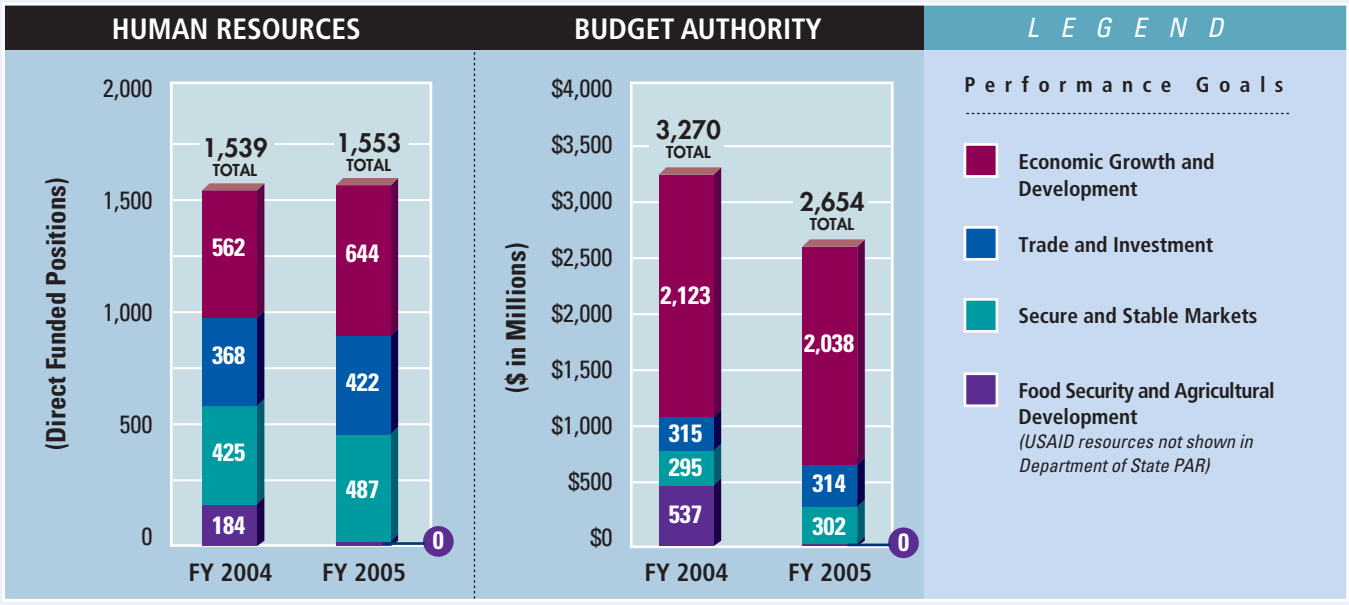
OUTCOME-LEVEL RESULTS. The Department remained actively engaged with other countries to press for fewer restrictions on private enterprise and more open markets as necessities for greater prosperity. Although it realized few tangible results toward these outcomes in multilateral settings, debt crisis countries and Millennium Challenge Account-eligible and threshold countries have continued to reform and remove barriers to entrepreneurship and economic freedom.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. Two results were significantly above target, although below-target results within the same indicators somewhat offset the gains in both cases. In its efforts to liberalize transportation, the Department successfully negotiated more open-skies agreements, but it did not meet its target for other types of transport liberalization. The Department also increased its advocacy on behalf of U.S. businesses by approximately 81%, although the success rate fell from 31.5% in FY 2004 to 22.5% in FY 2005.

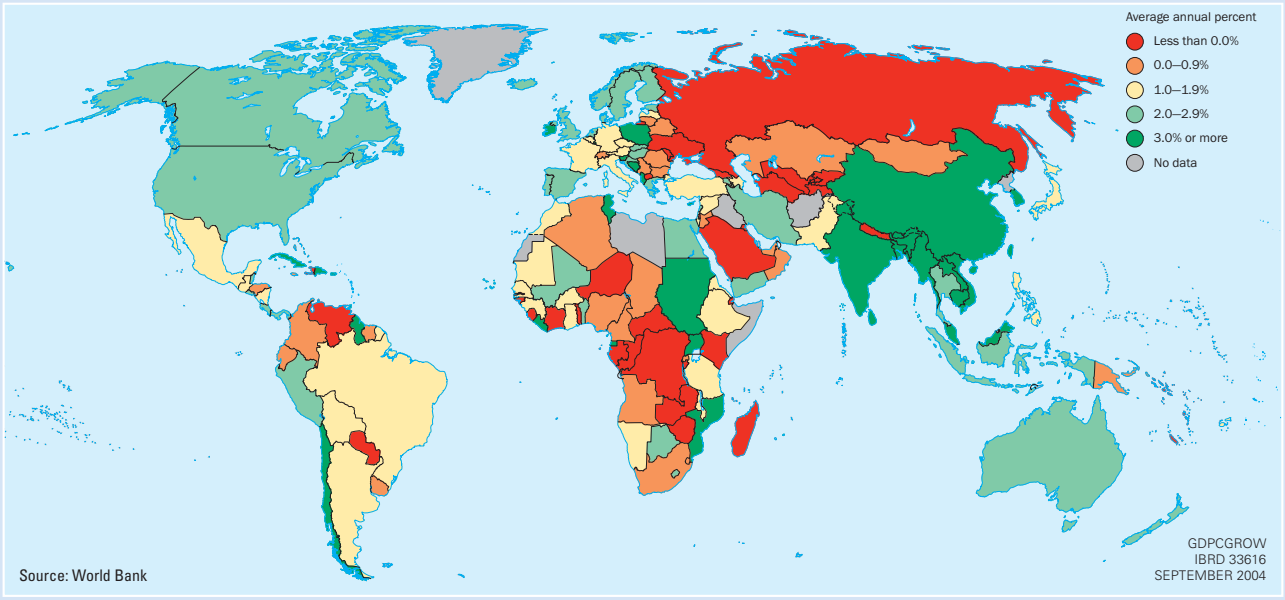
RESOURCES INVESTED. Much of the Department's activity on behalf of economic freedom and prosperity takes place within the context of international organizations. Overall, U.S. contributions to these organizations remained steady in FY 2005, although the

situations vary from organization to organization. U.S. funding for the Asia-Pacific Economic Cooperation forum increased by six percent, while the World Trade Organization received a larger increase of 19.5% (for a projected FY 2005 total of $22,223,000). Meanwhile, the Organization for Economic Cooperation and Development (OECD) received five percent less from the U.S. in FY 2005, for a projected total of $81,785,000.

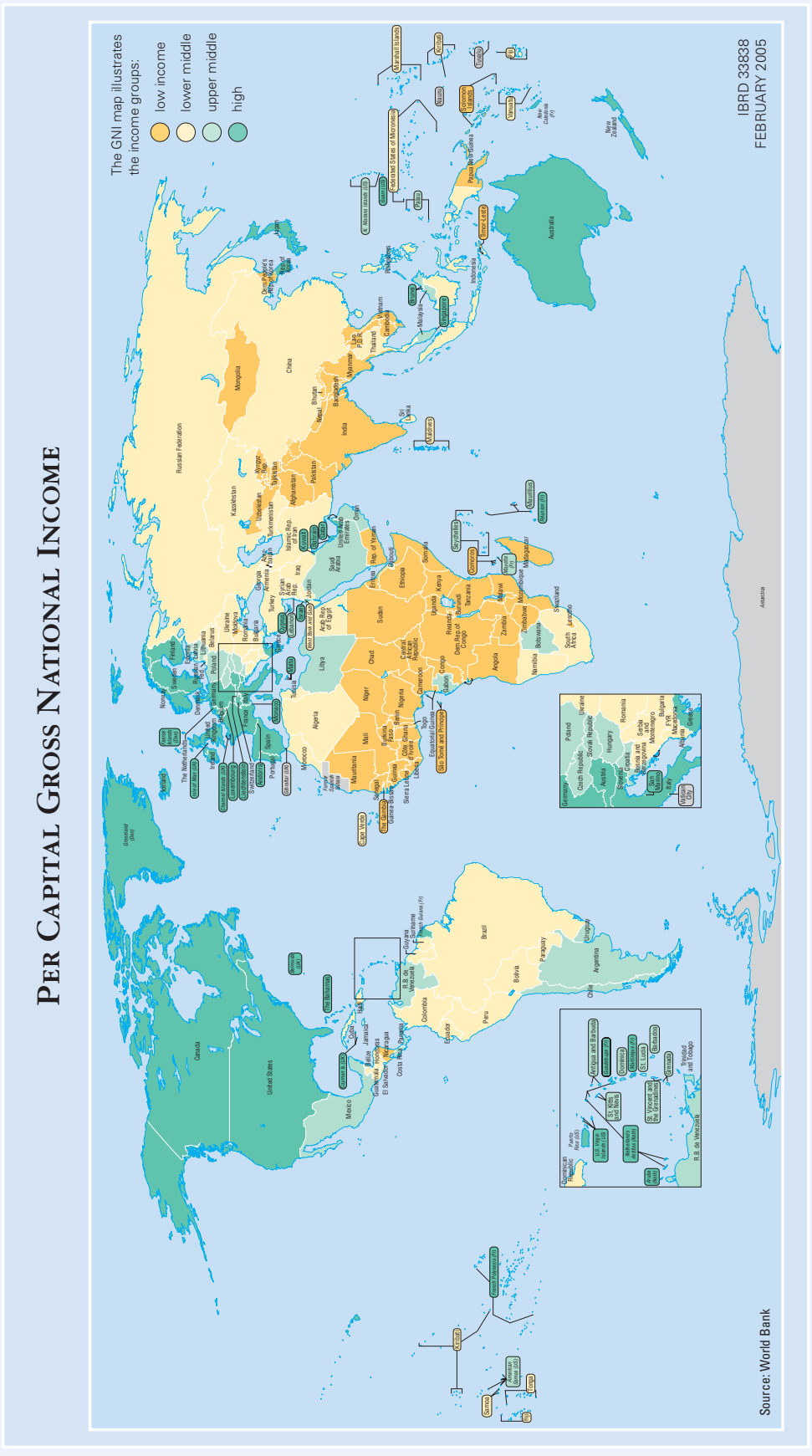
VI. Resources Invested



Annual Growth in Gross Domestic Product (2003 to 2004)



Per Capital Gross National Income



VII. Performance Results

PERFORMANCE GOAL 1

INSTITUTIONS, LAWS, AND POLICIES FOSTER PRIVATE SECTOR GROWTH, MACROECONOMIC STABILITY, AND POVERTY REDUCTION

INITIATIVE/PROGRAM (I/P) #1: DEVELOPMENT STRATEGIES

Indicator #1: Reduce the number of days to start a business in Millenium Challenge Account (MCA) eligible and threshold countries as reported in the World Bank's Annual "Doing Business" Report

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): A number of G8 initiatives, and overall U.S. Government development policy, work actively to reduce barriers to economic growth and are well reflected in the number of days to start a business measure. The work of the G8 and developing countries' focus on the World Bank's annual assessment of obstacles to growth, coupled with the rewards of the MCA combine to motivate changes in the business climate. This is but one of many indicators showing a commitment to future economic growth, however this particular indicator reflects the government's commitment to increase economic prosperity.

FY 2005 PERFORMANCE	Target	Lower the median number of days to start a business in Millenium Challenge Corporation (MCC) eligible and threshold countries by 5% to 43 days.
	Results	42 days.
	Rating	On Target
	Impact	A reduction in the number of days to start a business directly reflects the government's commitment to increase economic prosperity by removing obstacles to economic growth.
PERFORMANCE DATA	Data Source	The World Bank's "Doing Business" Report.
	Data Quality (Verification)	The World Bank's "Doing Business" Report is published annually and the index's methodology is well known and respected. However, there is a lag time in the publication of the annual data due to its collection being extensive and time consuming. The 2006 report reflects data as of January 2005 (2004 data). This is the most current data available to assess the progress in number of days to start a business.
PAST PERFORMANCE	2004	The target, determined in FY 2006, is different than what is currently being used, Average Developing Country Growth Competitiveness Index. Thus, new targets and results have been established. Baseline median days to start a business in MCC eligible and threshold countries are 45.
	2003	Index of 3.80 in Growth Competitiveness Index.
	2002	Index of 3.82 in Growth Competitiveness Index.

Indicator #2: Corporate Restructuring in Japan

NOTE: This indicator has been deleted, please see Appendix for details

I/P #2: SCIENCE-BASED DECISION-MAKING AND STANDARDS DEVELOPMENT

Indicator #3: Effectiveness of Contacts Between Science and Technology Communities and Policymakers

JUSTIFICATION (VALIDATION): Increased contacts between Science and Technology (S&T) communities and policymakers help to foster S&T international collaboration, including with Islamic nations, to encourage the use of sound science for decision-making, regulation, transborder movement of research materials, information, and equipment, and regulation of and increased trade in information technologies, agrobiotechnology commodities, energy and environmental technologies, and space products and services.

FY 2005 PERFORMANCE

Target	1. European Union (EU) barriers to ag-biotech field tests and commodities trade are eliminated. 2. World Summit on Sustainable Development activities in water and energy are fully ingrained in UNESCO program of work. 3. S&T ag-biotech initiative launched with Asia. 4. Exports of space imagery and satellite services continue to increase. 5. Low emission energy technology sales continue to rise. 6. The International Thermonuclear Experimental Reactor (ITER), a fusion energy project, begins construction.
Results	1. The EU declared field trials for agrobiotech crops permissible, but regulatory procedures and social aversion to biotech commodities persist. 2. The U.S. initiative for engineering and education at UNESCO was endorsed by 25 nations and unanimously accepted by the Executive Council in April and will be tracked into the UNESCO program of work in FY 2006-2007. 3. Major Asian nations — China and India, particularly — are moving briskly ahead to utilize agrobiotech in their food supplies. 4. Latest aerospace industry figures show a positive net trade balance for the sector of $31 billion for calendar year 2004, one of the best years ever. 5. Data on low emission energy technology sales no longer collected. 6. Six-party negotiations on ITER resolved a contentious issue over the site selection, agreeing that the facility will be built in France; ITER negotiations are now underway to implement formal agreement and begin construction in CY 2006.
Rating	1. On Target 2. On Target 3. On Target 4. Above Target 5. Data no longer collected. 6. Below Target
Impact	Overall, performance in this indicator is on target. Combined, these results are enhancing S&T links between the U.S. and other countries between S&T experts and policymakers in these countries. This could increase policymakers' regard for S&T work and trade in this area between countries.
Reason for Shortfall	ITER construction could not begin until siting issues resolved.
Steps to Improve	U.S. Government continues to press for ITER to be fully funded, and for resolution of the siting issue.

PERFORMANCE DATA

Data Source	The bureaus of International Organizations and Western Hemisphere Affairs and U.S. embassies report on progress in UNESCO and OAS programs for S&T, engineering and education, while regional bureaus and missions can follow developments in host countries. The specific, non-trade activities such as international S&T cooperation under this indicator are best measured by records kept by the Bureaus of Economic and Business Affairs, Oceans and International Environment and Scientific Affairs (OES), the Office of the Science and Technology Officer, regional bureaus, AID, NSF, and U.S. universities and laboratories, while trade flows will be amply measured by the Commerce, Agriculture, and Energy Departments, National Aeronautics and Space Administration, and private industry and trade associations. Finally, the Department of Energy will remain the principal participant and accountant for progress in the ITER program.
Data Quality (Verification)	Data is comprehensive and extensively crosschecked.

Continued on next page

I/P #2: SCIENCE-BASED DECISION-MAKING AND STANDARDS DEVELOPMENT *(continued)*

Indicator #3: *(continued)*

PAST PERFORMANCE	2004	1. U.S. aerospace sector experienced healthy growth in sales and exports. The Ground Positioning System (GPS) subsector, of particular concern to the U.S. Government because of the potential threat that Europe's Galileo could become a formidable competitor, also remained healthy, with worldwide sales exceeding $17 billion target. Agreement was reached with the EU on GPS-Galileo cooperation, partially defusing the competitive threat from Galileo. 2. Negotiators reached tentative agreement on procurement allocation, intellectual property rights, participant contributions and most other provisions of the international agreement. Site candidates are narrowed to two, but partners deadlocked over site decision.
	2003	1. Growth in GPS use and equipment exports are threatened by EU plans to implement a competing satellite positioning system, Galileo, which is not technically interoperable with GPS. 2. Announcement of U.S. reentry into the ITER project; US participates in discussions on procurement issues, intellectual property rights, participant contributions.
	2002	1. U.S. Government organized and sponsored four roundtables on biotechnology and nanotechnology issues. 2. Reforms were completed and published for International Trade in Armaments regulations governing scientific and environmental satellites. 3. U.S. Government launched a Task Force for International Energy Technology Cooperation supporting the President's climate change initiative.

India - Economic Engagement with an Important Emerging Market

India's economic engagement with the United States continues to grow in size and complexity. In fiscal year 2005, the Department launched several initiatives to build upon this enhanced relationship. For example, the Department established an Economic Dialogue, to expand cooperation with India on trade and commercial issues, environmental concerns and communications technologies. Separately, we launched an Energy Dialogue in May, 2005, focusing on key parts of energy security— demand and supply management, clean technologies, more efficient power plant systems, and preparedness in the event of supply disruptions. The Department also played a critical role in concluding an Open Skies Agreement with India in January, 2005. This breakthrough agreement liberalizes the aviation market between India and the United States.

Undersecretary Burns talks with Indian Foreign Secretary Shyam Saran, left, in New Delhi, India. AP/Wide World Photo

I/P #3: INTERNATIONAL ORGANIZATION ECONOMIC DEVELOPMENT POLICY AND OPERATIONAL ACTIVITIES

Indicator #4: Incorporation of the Central Principles of the Millennium Challenge Account (MCA) in the International Development Norm-Setting Process and UN Agency Activities

JUSTIFICATION (VALIDATION): This indicator was chosen because the language in UN economic development resolutions reflects prevailing policy norms. The types of UN programs and the nature of recipients' request for assistance will demonstrate the degree of acceptance of MCA principles.

FY 2005 PERFORMANCE	**Target**	Shift in focus of UN policy debate toward principles of economic freedom promotes policy changes at national levels. (Revised. See Appendix for explanation.)
	Results	During 2005, the United States sponsored 6 events and participated in 6 others on the MCA, entrepreneurship and poverty reduction, economic freedom, commercial law reform, regulatory reform, women's property rights, good governance and other topics at the 59th General Assembly. Language on economic freedom and Millennium Challenge Account principles was incorporated in the UN General Assembly, the UN Economic and Social Council (ECOSOC) and the UN Commission on the Status of Women resolutions. The September 2005 UN Summit Outcome Document reaffirmed the recommendations for policy at the national level on fighting corruption and improving the investment climate for private business.
	Rating	On Target
	Impact	Many UN members now recognize that good governance, rule of law, and economic freedom play a crucial role in economic development, although there is still some resistance.
PERFORMANCE DATA	**Data Source**	United Nations reports and publications.
	Data Quality (Verification)	Content of UN reports is widely regarded as accurate and reliable. Contents of resolutions are publicly available.
PAST PERFORMANCE	**2004**	The High Level segment of ECOSOC (July) adopted a Ministerial Declaration on Least Developed Countries that laid the foundation for economic freedom language in other UN resolutions, including language on improving the enabling environment for the private sector, promoting the efficiency of markets, and developing financial sectors within transparent regulatory and legal systems.
	2003	1. Discussions on UN economic development resources and Monterrey follow-up focused less on developed country obligations towards developing countries and more on developing country responsibilities for their own development, highlighting good governance, economic freedom, and investing in people as means to maximize effective use of resources. 2. UN funds and programs introduced new programs, within their mandates, focused on improving governance, economic policy formulations, sustainable development, public-private partnerships, making health and education systems more accessible, all within framework of enhanced climate to attract private investment and development assistance, including MCA.
	2002	1. Monterrey Consensus placed domestic resource mobilization at the heart of development financing, with emphasis on good governance and sound economic policy. The World Summit on Sustainable Development (WSSD) maintained the Monterrey view. ECOSOC and UN General Assembly resolutions adopted Monterrey language and discussed follow-up. 2. Monterrey linked resources to principles. World Food Summit: 5 years later incorporated U.S. Government objectives for reducing hunger. WSSD provided consistent mandates for UN development activities, including effective partnerships between recipients and donors. Efforts were undertaken to link traditional sector-specific activities to developing country central policy and regulatory frameworks.

ECONOMIC SUPPORT FUND (PART PROGRAM EFFICIENCY MEASURE)

Indicator #5: Percentage of Economic Support Funds (ESF) That Have Been Obligated Four Months After the Bureau of Western Hemisphere Affairs (WHA) Receives Its Final Line Item Allocations

MOVED. See Chapter Seven, "Democracy and Human Rights", Performance Goal 2, Indicator #6.

UNITED NATIONS DEVELOPMENT PROGRAM (UNDP) (PART PROGRAM EFFICIENCY MEASURE)

Indicator #6: Operational Support Costs as a Percentage of Total Costs

JUSTIFICATION (VALIDATION): The ratio provides a good measure of UNDP's overall management efficiency.

FY 2005 PERFORMANCE	**Target**	11%.
	Results	Preliminary estimates indicate continuing positive trend toward achieving FY 2005 target. 2005 data not available until the UNDP ends collection at the end of the calendar year.
	Rating	**On Target**
	Impact	Impact of 2004 results show that UNDP's efficiency gain represented a containment of operational support costs in absolute terms even through UNDP's program grew significantly.
PERFORMANCE DATA	**Data Source**	UNDP data shared with the State Department.
	Data Quality (Verification)	The data is verifiable. The audited biennial UNDP financial statements are publicly available documents, and can be accessed through the United Nations web site.
PAST PERFORMANCE	**2004**	10.9%.
	2003	12%.
	2002	**Baseline:** 12.7%.

U.S. Secretary of Commerce Donald Evans talks with China's Commerce Minister Bo Xilai, right, during a meeting in Beijing, China, January, 2005. *AP/Wide World Photo*

PERFORMANCE GOAL 2

INCREASED TRADE AND INVESTMENT ACHIEVED THROUGH MARKET-OPENING INTERNATIONAL AGREEMENTS AND FURTHER INTEGRATION OF DEVELOPING COUNTRIES INTO THE TRADING SYSTEM

I/P #4: CREATE OPEN AND DYNAMIC WORLD MARKETS

Indicator #1: Status of Negotiations on Open Markets for Services, Trade, and Investment

JUSTIFICATION (VALIDATION): These agreements expand the international framework to create a dynamic, free and open trade system. Substantial global trade liberalization results from multilateral, regional, and bilateral trade and investment agreements. Substantial continued growth in trade and investment validates this approach.

FY 2005 PERFORMANCE	**Target**	World Trade Organization (WTO) Doha negotiations completed January 1, 2005. Two new Bilateral Investment Treaties (BITs) concluded. One Free Trade Agreement (FTA) concluded.
	Results	Doha Round progressing with members actively engaged in negotiations. Model BIT publicly released. BIT negotiations with Pakistan underway; initial consultations on possible BIT held with Saudi Arabia and Algeria. Andean, Oman, United Arab Emirates (UAE) FTA negotiations on track. Central American-Dominican Republic FTA (CAFTA-DR) and Bahrain enactment expected. Australia FTA entered into force January 2005. Morocco FTA entry into force expected. FTA of the Americas (FTAA) continues slowly. U.S. and EU regulatory agencies work to share information and harmonize regulatory systems.
	Rating	Below Target
	Impact	Despite not meeting the 12/31/04 deadline of successfully concluding the WTO Doha Round, excellent progress was achieved on liberalizing global trade and opening markets for U.S. goods, services, and agriculture through FTAs and BITs. The challenge will be to successfully conclude the Doha Round by the end of 2006, so that the Department can notify Congress before Trade Promotion Authority expires in mid-2007.
	Reason for Shortfall	An impasse in the Doha Round Cancun Ministerial (September 2003) significantly slowed down the pace of the negotiations until a U.S.-brokered framework agreement in July 2004, after which negotiations intensified and are on track again.
	Steps to Improve	WTO members generally acknowledge that the original target date to conclude the Doha Round was overly ambitious, especially given the nature and complexity of the tariff cuts envisaged. The U.S. has urged WTO member states to make the necessary bold and ambitious tariff cuts for a successful Doha Round. President Bush at the UN General Assembly challenged other nations to meet the commitment to "eliminate all tariffs, subsidies, and quotas, as other nations do the same".
PERFORMANCE DATA	**Data Source**	World Trade Organization, U.S. Trade Representative (USTR).
	Data Quality (Verification)	Data on status of Doha Round is widely reported. Details publicly available through WTO and the USTR. Information on FTAs and BITs is publicly available from the USTR and the State Department.
PAST PERFORMANCE	**2004**	1. Successful WTO Doha Round framework agreement July 2004. 2. One BIT, with Uruguay, concluded by October 2004. 3. Concluded 4 FTAs (Australia, Bahrain, Morocco, Central America). 4. FTAA negotiations continue.
	2003	1. Two FTAs (Chile, Singapore) concluded. 2. WTO and FTAA negotiations continue. 3. FTA negotiations began with Central American Free Trade Area (CAFTA), Morocco, Southern African Customs Union (SACU), and Australia. 4. Notified Congress of intent to initiate FTA talks with Dominican Republic and Bahrain.
	2002	1. WTO launched new round in Doha. China and Taiwan joined WTO. Jordan FTA entered into force. Chile and Singapore FTA negotiations continued. 2. Morocco, CAFTA, SACU, and Australia identified as partners for FTAs. BIT discussions continued with Venezuela, Peru, Colombia, and South Korea. China took concrete steps to remove trade barriers and open its markets; some shortfalls remained in areas of interest.

I/P #4: CREATE OPEN AND DYNAMIC WORLD MARKETS *(continued)*

Indicator #2: Number of Market-Opening Transportation Agreements in Place

JUSTIFICATION (VALIDATION): These Open Skies agreements are key to expanding a dynamic and open system of aviation services. Bilateral and multilateral aviation agreements are the primary mechanisms for aviation liberalization. Service for passengers and cargo are implemented by airlines pursuant to Air Transport Agreements. Maritime agreements help open restricted foreign markets.

FY 2005 PERFORMANCE	**Target**	1. Conclude two bilateral Open Skies agreements (or Multilateral accessions). 2. Conclude three liberalizing (non-Open Skies) agreements.
	Results	Concluded six bilateral Open Skies agreements and one liberalizing (non-Open Skies) agreement.
	Rating	1. **Significantly Above Target for Open Skies agreements.** 2. **Below Target for liberalizing (non-Open Skies) agreements.**
	Impact	The six Open Skies agreements represent a commercially important step forward toward the strategic goal of aviation liberalization. They included agreements with such significant markets as India and Thailand. U.S. airlines and other stakeholders have strongly welcomed these agreements, including the one non-Open Skies agreement with Mexico.
	Reason for Shortfall	Prior to negotiations it is difficult to predict whether partner countries will agree to full Open Skies or a lesser standard of liberalization. It is good news that more countries opted for Open Skies and less than forecast would accept only limited liberalization.
	Steps to Improve	The Department continues to pursue Open Skies agreements wherever possible and to seek incremental liberalization of bilateral air services agreements with those countries not yet prepared to accept full Open Skies.
PERFORMANCE DATA	**Data Source**	Signed agreements.
	Data Quality (Verification)	Information gathered through primary data collection and is fully reliable.
PAST PERFORMANCE	**2004**	1. Open Skies agreements concluded with Indonesia, Tonga, Madagascar, and Gabon. 2. Liberalized agreements concluded with China and Vietnam, and original agreement with Indonesia. 3. Shipping agreement concluded with China.
	2003	1. Concluded three bilateral Open Skies agreements: Jamaica, Albania, and Thailand (all cargo Open Skies); and one multilateral accession: Samoa. 2. Liberalized two (non-Open Skies agreements): Hong Kong and Thailand.
	2002	Five additional bilateral Open Skies agreements plus three other liberalized agreements concluded.

Panamanian President Martin Torrijos, right, receives credentials of William Alan Eaton, left, the new U.S. Ambassador to Panama, at the Presidential Palace in Panama City, Panama, September, 2005.

AP/Wide World Photo

I/P #4: CREATE OPEN AND DYNAMIC WORLD MARKETS *(continued)*

Indicator #3: Number of Countries Allowing Commercial Use of Agricultural Biotechnology and Global Acreage of Biotech Crops Under Cultivation

JUSTIFICATION (VALIDATION): Science-based regulatory regimes in place to determine safety of agricultural biotechnology products. Strong regulatory system provides public confidence; provides strong foundation for policy decision to permit commercialization of biotechnology-derived crops. Countries that commercialize biotechnology-derived crops most likely to permit entry of biotechnology-derived products from other countries.

FY 2005 PERFORMANCE	**Target**	Three more countries begin to commercialize ag-biotech.
	Results	Based upon full year data for CY 2004, ag biotech acreage was trending at a 15-20% rate of growth in the first 3 months of FY 2005. China nears commercialization of biotech rice variety. French farmers plant biotech maize in relatively large quantities for the first time. The Spanish interministerial biotechnology commission approved Roundup Ready biotech corn seed for cultivation in Spain.
	Rating	On Target
	Impact	Global acreage continues to grow at a tremendous rate. More than 90 percent of farmers benefiting from biotech crops now reside in the developing world.
PERFORMANCE DATA	**Data Source**	International Service for the Acquisition of Agri-biotech Applications. U.S. Department of Agriculture grain Reports.
	Data Quality (Verification)	The information is publicly available, gathered through primary data collection, and cross-referenced with other sources for accuracy.
PAST PERFORMANCE	**2004**	14 countries were producing biotechnology products. Australia approved the commercialization of biotechnology-derived canola. Malaysia and Thailand are taking steps toward putting biosafety frameworks in place that would allow for the commercialization of biotechnology-derived crops. Philippines approved a second biotech corn event. Brazil legalized its biotech soybean crop and approved biotech cotton. Total acreage increased 20%.
	2003	1. The Philippines and Brazil commercialized ag-biotech. 2. Biotech acreage continued to expand.
	2002	1. India commercialized transgenic cotton. 2. Philippines and Brazil took initial steps toward commercializing ag-biotech.

I/P #4: CREATE OPEN AND DYNAMIC WORLD MARKETS *(continued)*

Indicator #4: Number of Countries Removed from the Special 301 Priority Foreign Country or Priority Watch List Due to Improvements in Their Intellectual Property Regimes

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): Economies improving intellectual property regimes benefit from increased foreign investment and provide enhanced protection of U.S. companies' intellectual property.

FY 2005 PERFORMANCE	**Target**	Two countries removed
	Results	Taiwan was removed from Priority Watch List during an out-of-cycle review. Bahamas was removed from the Priority Watch List at the conclusion of the 2004 Special 301 Review.
	Rating	On Target
	Impact	Economies improving intellectual property regimes benefit from increase foreign investment and provide enhanced protection of U.S. companies' intellectual property.
PERFORMANCE DATA	**Data Source**	U.S. Trade Representative Special 301 Reports.
	Data Quality (Verification)	The information is publicly available and cross-referenced with multiple sources for accuracy.
PAST PERFORMANCE	**2004**	One country removed
	2003	Two countries removed
	2002	Three countries removed

A Look to History: Economic Prosperity and Security

By the late nineteenth century, China only held a small percentage of U.S. foreign commerce, but American traders envisioned lucrative markets with the country. The acquisition of the Philippines in 1898, and its proximity to mainland China, inaugurated the development of a new American policy for East Asia. Even as the United States gained a foothold in the region, European incursions in China threatened to cut off access. Accordingly, Secretary of State John Hay proposed in 1899 that nations interested in China should maintain the principle of free trade—the "open door Secretary Hay's commitment to the "open door" policy led the United States by degrees into much expanded participation in the activities of East Asia.

U.S. Secretary of Commerce Juanita Kreps signs papers at the Canton trade fair in China on May 14, 1979.

State Department photo

I/P #4: CREATE OPEN AND DYNAMIC WORLD MARKETS *(continued)*

Indicator #5: Adoption of U.S. Telecom, Information Technology, and Radio Communication Proposals/Positions and Standards/Recommendations Favorable to U.S. Businesses in International Telecommunications Agreements and Declarations

JUSTIFICATION (VALIDATION): The successful implementation of agreements, adoption of standards and allocation of spectrum in a manner compatible with the U.S., increases U.S. companies' ability to export telecom equipment.

FY 2005 PERFORMANCE	**Target**	1. Prepare for World Radiocommunications Conference (WRC) 2007. 2. U.S. proposals on convergence technologies for cable, telephony, and broadband adopted in the International Telecommunications Union (ITU). 3. Western Hemisphere countries adopt U.S. Wireless Local Network standards. 4. Inter-American Telecommunications Commission (CITEL) endorses the U.S. digital television standard and key countries, including Brazil, adopt it.
	Results	1. CITEL has completed all preliminary views on WRC agenda items. 2. ITU continuing work on convergence technology for cable, telephony and broadband and U.S. Government is actively participating. 3. CITEL Working Group is developing an Implementation Guide for digital television (DTV) in the Americas.
	Rating	On Target
	Impact	The successful international implementation of these agreements and standards in FY 2005 is enhancing U.S. companies' ability to export telecom equipment.
PERFORMANCE DATA	**Data Source**	ITU, CITEL, APEC, WRC, and Advanced Television Systems Committee (ATSC).
	Data Quality (Verification)	The ITU, CITEL, APEC, WRC, and ATSC provide reliable, publicly available information on their programs and initiatives.
PAST PERFORMANCE	**2004**	Mexico adopted the U.S. DTV standard in July, and CITEL adopted an outline of an implementation guide for countries to use when implementing DTV, with a technical attachment on the U.S. DTV standard.
	2003	Colombia takes leadership on CITEL working group on DTV, promising faster progress. 3G spectrum allocation. U.S. Government joint e-government summit promotes U.S. e-gov services and equipment. Adoption of the majority of U.S. proposals at the World Radiocommunication Conference.
	2002	1. U.S. Government promoted the U.S. DTV standard bilaterally with key countries Argentina and Brazil. ITU Agreement reached on standards for next generation interactive cable and interim electric numbering system arrangements. U.S. Government begins planning for an e-government conference. 2. Most of U.S. proposed reforms to make ITU more efficient, private sector-oriented were enacted in Plenipotentiary Conference.

President Bush and Mexican President Vicente Fox, left, chat prior to a luncheon at the 2005 World Summit at the United Nations headquarters in New York, September, 2005.

AP/Wide World Photo

I/P #5: SUPPORT FOR U.S. BUSINESSES

Indicator #6: Number of Companies for whom Advocacy Services were Provided. Number of Commercial Advocacy Successes in Helping U.S. Companies Win Foreign Tenders; Enforce Contract Agreements; Gain Fair Treatment; and/or Enter New Foreign Markets

JUSTIFICATION (VALIDATION): This indicator measures the direct support Bureau of Economic and Business Affairs (EB) provides to U.S. business in exporting goods and services as well as managing overseas investments.

FY 2005 PERFORMANCE	**Target**	Advocacy services provided for 185 company-specific cases; 80 advocacy success stories.
	Results	Advocacy services provided for 275 company-specific cases; 62 advocacy success stories.
	Rating	1. **Significantly Above Target** 2. **Below Target**
	Impact	Advocacy support ensures transparency and fair play so that U.S. companies can compete on a level playing field.
	Reason for Shortfall	Advocacy success stories is below target because the Department's Economic and Business Bureau (EB) Advocacy Database is not fully operational to provide count of final success stories. Numerous tenders competitions are pending final approvals by foreign government; five defense advocacy cases (tender competitions) nearing completion.
	Steps to Improve	The Department will incorporate effective "success story" count mechanism in EB Advocacy Database during FY 2006.
PERFORMANCE DATA	**Data Source**	Information from U.S. businesses, regional bureaus and embassies; EB Advocacy Databases; and Department of Commerce Advocacy Center Databases.
	Data Quality (Verification)	Reliability and completeness of performance data is ensured through primary collection of data and extensive cross-referencing with other sources where necessary.
PAST PERFORMANCE	**2004**	1. Advocacy services provided for 152 companies. 2. 48 advocacy success stories.
	2003	1. Advocacy services provided for 125 companies. 2. 45 advocacy success stories.
	2002	1. Advocacy services provided for 110 companies. 2. 35 advocacy success stories.

U.S. Ambassador to Japan, Tom Schieffer, left, is welcomed by Mitsuhiro Nakamura, right, representing Japan's Ministry of Foreign Affairs, in Narita, near Tokyo, April, 2005.

AP/Wide World Photo

I/P #6: INTEGRATING ENVIRONMENTAL PROTECTION AND TRADE

Indicator #7: Trade Agreements That Enhance International Protection and Preservation of the Environment while Promoting Liberalized Trade

JUSTIFICATION (VALIDATION): Environmental Cooperation Agreements (ECAs) and workplans complement Free Trade Agreement (FTA) environment chapters by building trading partners' environmental capacity. WTO-CTE discussions are an important mechanism to address trade and environment linkages. Regional development bank environmental practices are critical tools to ensure improved environmental performance in conjunction with development investment.

FY 2005 PERFORMANCE

Target	1. Organization for Economic Cooperation and Development (OECD) countries undertake discussions to expand common guidelines to include issues addressed by World Bank safeguard policies, such as impact on indigenous peoples, involuntary resettlements, etc. 2. FTAs with the five Southern African Customs Union (SACU) countries of southern Africa, the Dominican Republic and the thirty-four countries of the western hemisphere that will comprise the Free Trade Area of the Americas (FTAA) are completed, each containing satisfactory environmental provisions. 3. Framework environmental side arrangements are negotiated and concluded with the five SACU countries of Southern Africa, the Dominican Republic, and the countries of the FTAA area. 4. Work plans to be developed to promote mutually supportive trade and environmental policies and build capacity to implement domestic environmental laws in the five Central American Free Trade Agreement (CAFTA) countries, the Dominican Republic, Morocco and Bahrain. 5. Measurable progress in executing projects under Jordan, Singapore and Chile work plans. 6. Progress continues in the WTO on how to reduce harmful fish subsidies. UN Food and Agriculture Organization (FAO) Committee on Fisheries endorses ecolabeling guidelines for fisheries. Implementation work begins.
Results	1. The 2003 OECD Recommendation on Common Approaches on the Environment and Officially Supported Export Credits is due to be reviewed next year, including discussion of whether to include impact on indigenous people, etc. The interface between environment and development policy will be the topic of an OECD meeting in 2006 in order to lay the basis for a Strategic Alliance between the Environment and Development Cooperation communities. Inter-American Development Bank (IDB) and the International Finance Corporation (IFC) are reviewing environmental standards and processes at the behest of the U.S. and others. The Millennium Challenge Corporation (MCC) released interim environmental guidelines for its funding. 2. Faced with slow progress in the SACU and FTAA negotiations, USTR has stepped up the pace of other bilateral and regional FTA negotiations. FTA with Australia entered into force January 2005. U.S., most countries in Central America, and Dominican Republic ratify DR-CAFTA, allowing it to enter into force January 1, 2006. Substantial progress in negotiating FTA, including robust environment chapter, with Andean countries, as well as Oman, Thailand, and the UAE. Negotiations on U.S.-Panama FTA continuing. 3. Environmental cooperation agreement with Central American countries and the Dominican Republic signed February 18, 2005. ECA negotiations with Andean countries nearing conclusion. Panama poised to join Dominican Republic-Central America-U.S. ECA upon concluding a bilateral FTA. Environmental cooperation mechanism negotiations with Oman successfully concluded, proceeding on track with Thailand, Oman and UAE. 4. ECA work program negotiations with DR and Central America nearly concluded. Work programs with Singapore concluded; work programs with Morocco and Bahrain are under development. 5. Projects undertaken to implement U.S./Chile Environmental Cooperation Work Program in several areas, including enforcement of environmental laws, protected area management and ecotourism. Workshops on environmental laws and enforcement conducted with Jordan, Bahrain, Oman, UAE, and SACU countries. Projects to promote cleaner production initiated with Morocco, which hosts global conference on environmental enforcement and compliance. Cleaner production and environmental impact assessment projects planned with Bahrain, Oman and UAE. U.S. and Thailand collaborate toward development of a regional wildlife enforcement network, in support of U.S. Coalition Against Wildlife Trafficking initiative. 6. WTO fisheries subsidies discussions continue. Ecolabeling guidelines endorsed March 2005. APEC Live Reef Foodfish Trade project completed; functional scheme for an FAO guideline-consistent ecolabel for reef fish trade is outlined.
Rating	1. On Target 2. On Target 3. On Target 4. On Target 5. Above Target 6. On Target

Continued on next page

I/P #6: INTEGRATING ENVIRONMENTAL PROTECTION AND TRADE *(continued)*

Indicator #7: *(continued)*

FY 2005 PERFORMANCE *(continued)*

Impact

Strengthening environmental and social safeguards for development projects helps ensure that donor funds are efficiently and effectively used. Harmonizing donor policies and procedures also ensures efficient use of funds and a streamlined process for accessing and using funds.

Robust environmental provisions in FTAs, complemented with robust environmental cooperation agreements and work programs help to ensure that trade and environmental protection are mutually supportive, and to ensure a level playing field for free trade.

Reductions in subsidies that contribute to overfishing and broadly implemented ecolabeling schemes are two key economic tools for ensuring sustainable fisheries. APEC Economies implementing reef fish ecolabeling scheme encompass the majority of trade in both foodfish and ornamental fish from reef ecosystems.

PERFORMANCE DATA

Data Source	OES directly tracks events, in collaboration with EB, USTR, U.S. Government technical agencies and non-governmental partners. The OECD website (*http://www.oecd.org/*) provides information on these activities.
Data Quality (Verification)	Accuracy, quality, and reliability of performance data are verified by direct OES participation in targeted activities.

PAST PERFORMANCE

2004

1. FTA negotiations and environmental cooperation arrangements completed with Morocco, Australia, and Bahrain.
2. U.S.-Dominican Republic-Central America Free Trade Agreement signed; Environmental Cooperation Agreement concluded in 2003 revised to include Dominican Republic; U.S. proposes Environmental Cooperation Work Program outline to Central America and Dominican Republic.
3. U.S. Chile Environmental Cooperation Agreement enters into force, negotiations for Work Program concluded and project work initiated. U.S. and Jordan held Joint Forum on environmental cooperation, approved Plan of Action. Work Program consultations begin with Singapore.
4. Negotiations begin with Panama for bilateral FTA; discussions held as to whether Panama would join the Dominican Republic-U.S. environmental cooperation agreement. Several rounds of FTA and environmental cooperation agreement negotiations conducted with Andean countries. SACU FTA negotiations and discussions on environmental cooperation mechanism conducted; however, FTA negotiations suspended. Thailand FTA negotiations conducted; Department begins development of proposed environmental memorandum of understanding.
5. The WTO Committee on Trade and Environment continued its discussions.
6. OECD Member States agree on common approaches to environmental standards for export credit agencies.

2003

1. Fisheries subsidies negotiations in WTO continue.
2. FAO adopts work plan on eco-labeling and other non-tariff trade measures.
3. The amended South Pacific Tuna Access Treaty is submitted to the Senate and advice and consent to ratification is provided.
4. U.S. expands technical domestic fisheries rules relating to sea turtles; notifies foreign governments that their programs may need to adopt comparable changes in order to export shrimp to the U.S.
5. NAFO makes limited progress towards establishing a fair process for access to stocks.
6. Singapore and Chile FTAs are concluded with satisfactory environmental provisions.
7. Environmental Cooperation Agreement with Chile and an MOI on Environmental Cooperation with Singapore are signed.

2002

1. An environmental review of proposed Singapore and Chile FTAs is conducted.
2. World Summit on Sustainable Development Joint Plan of Implementation concluded with satisfactory trade and finance provisions.
3. Most OECD Export Credit Agencies agree to voluntarily adopt environmental standards for export credit agency-supported projects.
4. OECD, FAO, and APEC discuss non-tariff trade measures, such as food safety, rules of origin and eco-labeling.
5. Several countries decertified pursuant to shrimp/turtle import law provide credible evidence of an enhanced program and are re-certified.
6. U.S. access to fisheries stocks regulated by Northwest Atlantic Fisheries Organization is limited.

PERFORMANCE GOAL 3

SECURE AND STABLE FINANCIAL AND ENERGY MARKETS

I/P #7: SECURE ENERGY SUPPLIES

Indicator #1: World Emergency Oil Stocks

JUSTIFICATION (VALIDATION): Oil is the major energy import for the U.S. and an adequate supply is key for the U.S. and global economies. Increasing world oil stocks increases ability to withstand possible oil shocks.

FY 2005 PERFORMANCE	**Target**	International Energy Agency and non-International Energy Agency emergency oil stocks are at or above FY 2004 levels.
	Results	International Energy Agency members held stocks of 114 days of imports, prior to September 2nd emergency release of stocks to counter supply disruptions of Hurricane Katrina.
	Rating	On Target
	Impact	Healthy oil stock allowed for a robust response to oil supply disruptions caused by Hurricane Katrina, calming markets ensuring continued supplies of oil.
PERFORMANCE DATA	**Data Source**	International Energy Agency data.
	Data Quality (Verification)	International Energy Agency data is widely regarded as reliable and accurate and is available to the public.
PAST PERFORMANCE	**2004**	International Energy Agency members held stocks of 113 days of imports.
	2003	1. During FY 2003, International Energy Agency stocks have been in the range of 112-116 days of imports. 2. China (a non- member) actively engaged with the Agency, APEC, and the United States to create emergency oil stock reserves and has formulated a plan for holding significant stocks.
	2002	1. Higher stock levels in the United States, Japan, and South Korea (a new IEA member). 2. Increased overall International Energy Agency stocks to 114 days of net oil imports as of 12/21/02. 3. China (a non-member) actively engaged with the Agency, APEC, and the United States to create emergency oil stock reserves and has formulated a plan for holding significant stocks.

A tanker delivers crude oil to the Strategic Petroleum Reserve on the U.S. Gulf Coast.

AP/Wide World Photo

I/P #8: STABLE FINANCIAL MARKETS		
Indicator #2: Percentage of Debt Crisis Countries on International Monetary Fund (IMF) Programs Successfully Reforming		
JUSTIFICATION (VALIDATION): Successful completion of reform programs is key to nations achieving long-term financial stability.		
FY 2005 PERFORMANCE	**Target**	60% of Paris Club agreement countries are successfully reforming through IMF Programs.
	Results	83% of countries having an active Paris Club agreement are effectively following or have successfully completed an IMF program. (Based on IMF and Paris Club status as of September 30, 2005).
	Rating	**Above Target**
	Impact	U.S. Government debt relief program has provided effective leverage to encourage countries in financial crisis to adopt solid fiscal and monetary policies that have resulted in individual country and international financial stability.
PERFORMANCE DATA	**Data Source**	International Monetary Fund and Paris Club.
	Data Quality (Verification)	Information is widely reported on and widely regarded as accurate.
PAST PERFORMANCE	**2004**	78% of 69 countries had an active Paris Club agreement.
	2003	74% of 73 countries had an active Paris Club agreement.
	2002	63% of 70 countries had an active Paris Club agreement.

PERFORMANCE GOAL 4

ENHANCED FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

The U.S. Agency for International Development is reporting results for this goal.

STRATEGIC OBJECTIVE #2: ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS

STRATEGIC GOAL 9: SOCIAL AND ENVIRONMENTAL ISSUES

Improve health, education, environment, and other conditions for the global population

I. Public Benefit

Strengthening international cooperation to ensure stable, prosperous societies is critical to U.S. national security. Disease, poverty, displacement, lack of education, and environmental degradation destroy lives, ravage societies, destabilize regions, and cheat future generations of prosperity. By integrating economic growth with social development and environmental stewardship worldwide, we are extending to the international community the basic values American citizens hold dear: prosperity in balance with sustainable management of our land-based and marine natural resources, healthy lifestyles, an informed society, and cooperation to advance research frontiers and stimulate innovation.

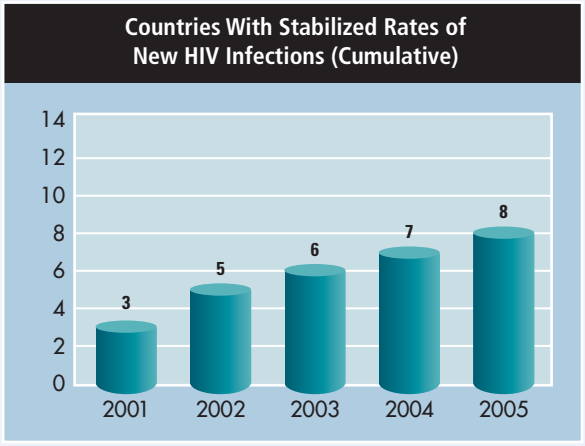
U.S. health sector investments have improved health and well being for women, men, and children worldwide. Results include the rapid expansion of HIV/AIDS treatment, prevention, and care services in high-priority countries and improved quality of life for persons living with and affected by HIV/AIDS; more couples being able to decide the number and spacing of their children; more women having access to skilled care at childbirth; more children being immunized and surviving common childhood illnesses; expanded access to effective prevention and treatment measures for infectious diseases like malaria and tuberculosis; greater international engagement to address Avian Influenza; better preparedness against the threat of bioterrorism; and significant progress in eradicating polio worldwide.

Children participate in a rally in New Delhi, India for debt relief and resources for education, July, 2005.
AP/Wide World Photo

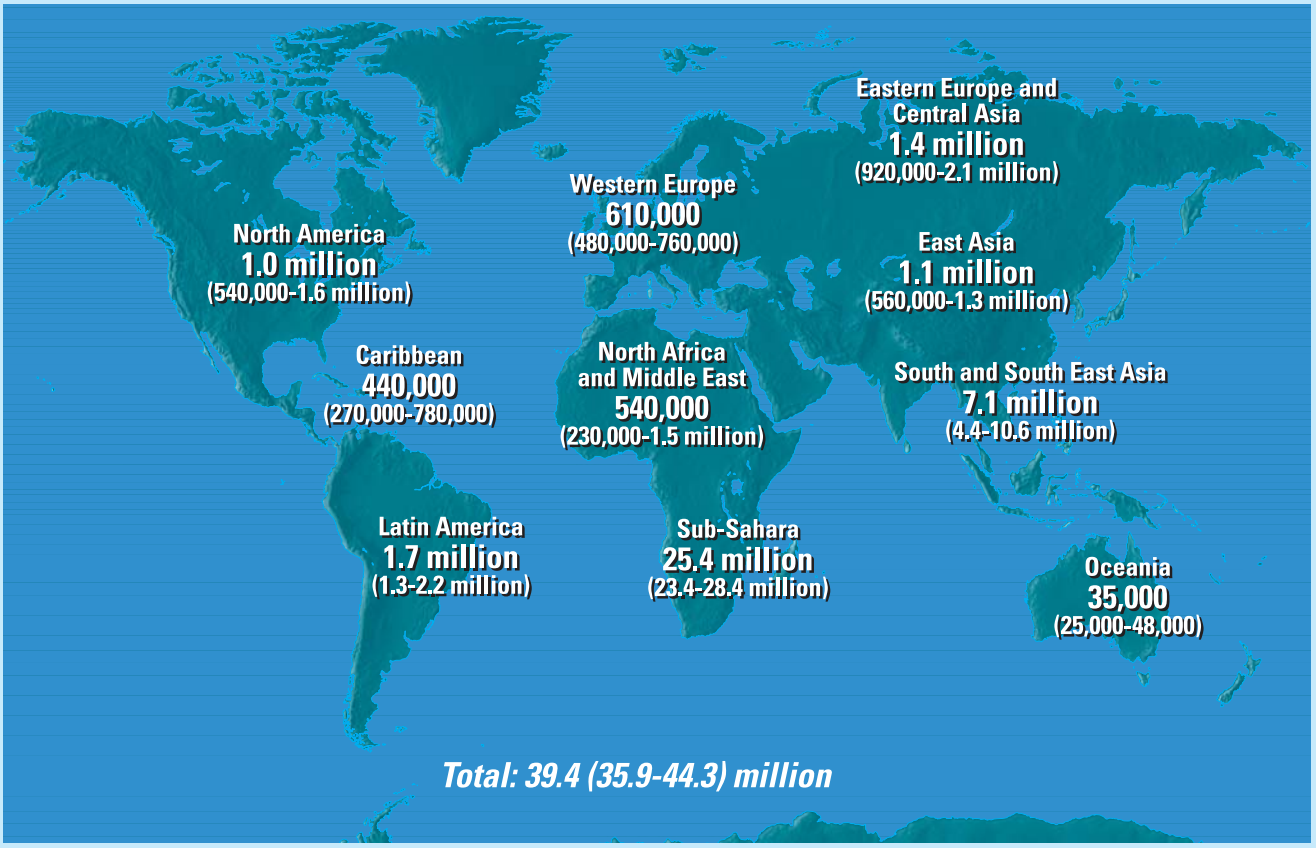
Investments in basic education have provided millions of people with the literacy and numeracy skills that are needed to live and work productively in today's world. Improvements in higher education help to ensure a stable, high-skilled work force, provide opportunity for economic betterment, and create an informed society that will both demand and participate constructively in democratic institutions.

Sound governance of natural resources not only protects the planet, it is a key condition for sustainable growth and a key attribute of democratic governance. By promoting access to clean drinking water and clean, modern energy, by sustainably managing fisheries, forests, and other flora and fauna, by keeping dangerous chemicals and other pollutants out of terrestrial and marine environments, by increasing resilience to climate variability and change, and by improving the environmental capacity of trade partners, we are promoting economic prosperity in sustainable harmony with nature. These initiatives reduce the strains on society that lead to conflict and even terrorism, while inculcating democratic values of participatory decision-making, rule of law, and transparency.

II. Selected Performance Trends



Adults and Children Estimated to be Living with HIV/AIDS, End 2004



Source: UNAIDS

III. Strategic Context

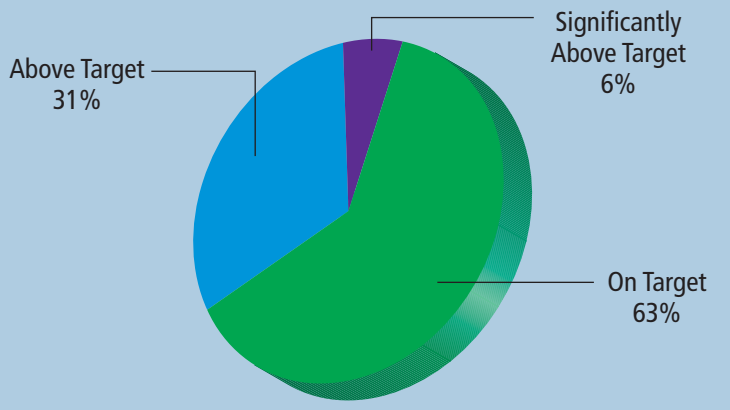
This strategic goal is supported by four performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Social and Environmental Issues	Global Health	Global Health	D&CP, GHAI, CS&H, ESF	S/GAC, OES, IO	Global Fund, HHS, USAID, DOD, DOL, EPA, CDC, NSC, CEQ, Commerce, UN, UNAIDS, WHO, private sector entities
		Combating Bioterrorism	D&CP	PM, OES, IO	HHS, DHS, DOD, Commerce, CIA, NSC, HSC, UN, WHO
		Population	D&CP	PRM	UNFPA, UN Population Division, USAID, HHS
	Environmental Protection	Institutionalizing Sustainable Development	D&CP, ESF	OES	USAID, EPA, USDA, NOAA, DOE, Smithsonian Institution, civil society and private sector organizations
		Marine Resources	D&CP, ESF, IO&P	OES	DOC National Oceanic and Atmospheric Administration, USAID, USDA, DOE, DOI USFWS, EPA, NSF, NRC, NASA, DOD, USTR, USCG, NGOs, international organizations, and International Coral Reef Initiative Partners
		Conservation of Protected Areas and Tropical Forests	D&CP ESF	OES, AF, WHA	USAID, USDA, Treasury Department, USDA-Forest Service, NGOs, international organizations
		Global Climate Change and Clean Energy	D&CP, IO&P, ESF	OES, STAS	DOE, EPA, CEQ, CEA, NOAA, NASA, USAID, Treasury, USDA, NSF, DOC, DOI, DOT, DOD
		Science and Technology Cooperation	D&CP, ESF	OES, STAS, EB	USAID, USDA, DOE, DOC, DOI, EPA, NSF, NRC, NASA, DOD, USPTO, USTR, private sector entities
	Access to Quality Education	Accomplishment of this performance goal is the responsibility of USAID, and is therefore not reported in the Department of State's FY 2005 Performance and Accountability Report.			
	Migration Policies and Systems	Effective and Humane Migration Policies and Systems	MRA, ERMA	PRM	IOM, DHS

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Social and Environmental Issues strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION	
Significantly Above Target	1
Above Target	5
On Target	10
Below Target	0
Significantly Below Target	0
Total Number of Ratings	**16**

V. Performance Analysis

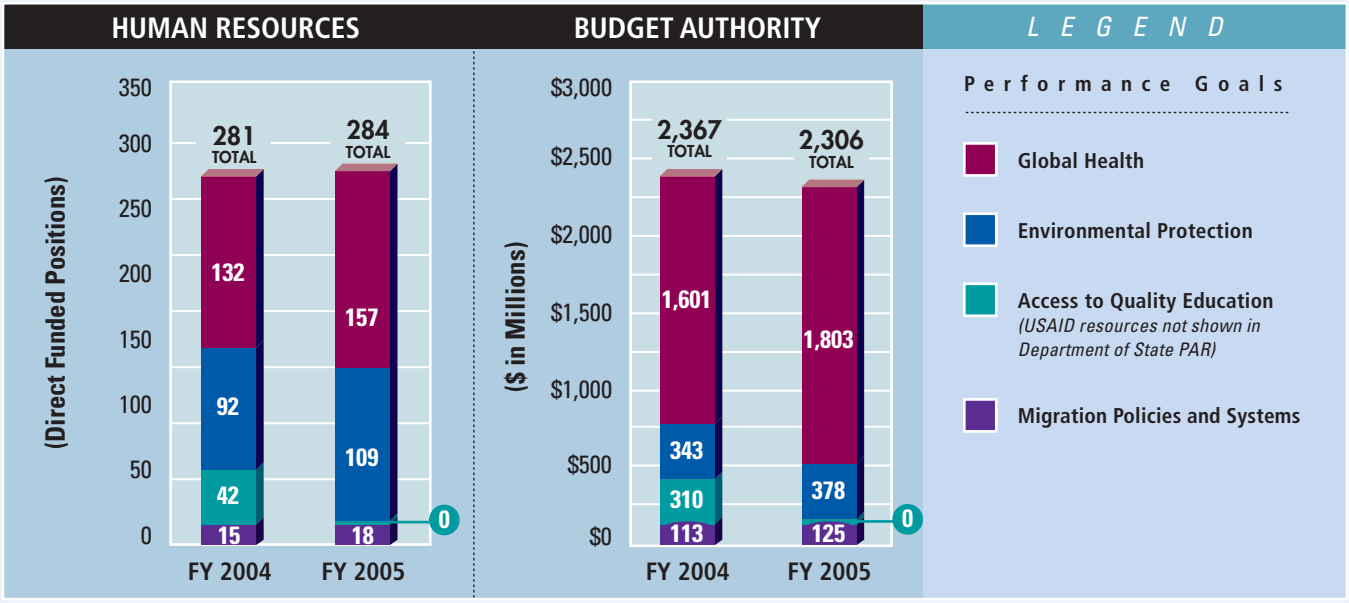
PERFORMANCE TRENDS. Performance under the President's Emergency Program for AIDS Relief (PEPFAR) has exceeded expectations for treatment (235,000 were treated during the first half of 2005, versus the June 2005 target of 200,000). In addition, more than 120 million people have been reached with HIV/AIDS prevention messages/programs, exceeding the year one goal of reaching 47.8 million people with prevention messages/programs by 250 percent. The percentage of the world's population with access to tuberculosis care and treatment continued its steady three-year increase from 63% to 75%. There has also been an unmistakable trend toward more effective implementation of treaties and agreements on natural resources management (marine, forest, climate, etc), as demonstrated by an increase in partners, cooperation, transparency, standards, and assessments.

OUTCOME-LEVEL RESULTS. The Department has made significant progress toward PEPFAR's five-year goals of supporting treatment for 2 million people infected with HIV, prevention of 7 million new HIV infections, and care for 10 million people infected and affected by HIV/AIDS, including orphans and vulnerable children. As a result of the U.S. Water for the Poor Initiative (launched at the 2002 World Summit on Sustainable Development), over 12 million people have received improved access to water and more than 12 million people have received improved access to adequate sanitation. Other outcome-level results were achieved in FY 2005 in sustainable development and climate change.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. The Department significantly exceeded its performance target for international cooperation to reduce persistent organic pollutants, an important global health issue. We expected twenty additional countries to ratify the Stockholm Convention in 2005 and 31 actually did so, bringing the number of States-Parties to 110 countries, a remarkably fast pace for a global environmental agreement. There were no results significantly below target in this strategic goal area in 2005.

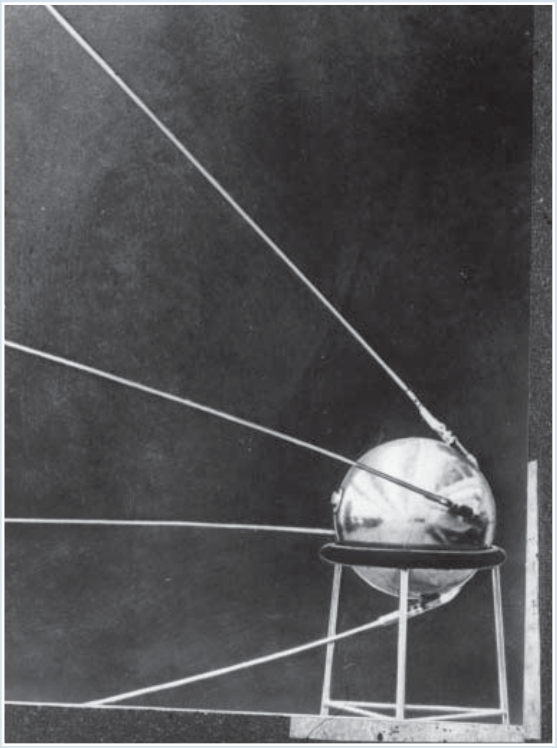
RESOURCES INVESTED. The U.S. Government continued to invest significant resources in social and environmental programs in 2005. In FY 2005, the Department allocated an estimated 9.1% of its budget to this strategic goal, or $2.3 billion. This represents a slight decrease of 3% from FY 2004.

VI. Resources Invested



A Look to History: Social and Environmental Issues

The introduction of nuclear power during the final stages of World War II signaled the emergence of high technology as a potent factor of international diplomacy. After the Soviet Union successfully launched its Sputnik satellite in 1957, the Department of State deepened engagement on science and technology, and an Office of International Scientific and Technological Affairs was established in 1965. In 1973 Congress broadened the legislative mandate of the Department to include environment, conservation, population, fisheries and wildlife, and other responsibilities, leading to the creation of the Bureau of Oceans and International Environmental and Scientific Affairs.



This first official picture of the Soviet satellite Sputnik I was issued in Moscow on October 9, 1957. AP Photo

VII. Performance Results

PERFORMANCE GOAL 1

IMPROVED GLOBAL HEALTH, INCLUDING CHILD, MATERNAL, AND REPRODUCTIVE HEALTH, AND THE REDUCTION OF ABORTION AND DISEASE, ESPECIALLY HIV/AIDS, MALARIA, AND TUBERCULOSIS

INITIATIVE/PROGRAM (I/P) #1: GLOBAL HEALTH – PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF (PART PROGRAM)

Indicator #1: The Number of People Receiving HIV/AIDS Treatment in the 15 Focus Countries

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): The Emergency Plan targets $10 billion in funding to integrate and scale-up national HIV/AIDS prevention, treatment, and care services in 15 of the most affected countries: Botswana, Cote d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Vietnam, Zambia. This is a direct, objective measure of the output of a key aspect of the President's Emergency Plan for AIDS Relief: treatment of individuals.

FY 2005 PERFORMANCE	**Target**	470,000
	Results	Data collected for the first half of FY 2005 shows that the Emergency Plan is supporting treatment to 235,000 individuals. The Emergency Plan is on target to achieving its FY 2005 treatment goal. Updated end of FY 2005 result data will be available no later than November 30, 2005.
	Rating	On Target
	Impact	With its severe social, economic, and political consequences, HIV/AIDS presents a security threat and violates a basic principle of development that each generation do better than the one before. HIV/AIDS treatment mitigates the consequences of HIV/AIDS by dramatically improving health and therefore productivity. With every person receiving treatment, life is extended, families are held intact, and nations move forward with development.
PERFORMANCE DATA	**Data Source**	Semi-annual and annual progress reports to the Office of the Global AIDS Coordinator from each of the focus countries reporting numbers of people receiving support for treatment in each country.
	Data Quality (Verification)	Progress reports are reviewed and analyzed by officials from the Office of the Global AIDS Coordinator.
PAST PERFORMANCE	**2004**	As of September 30, 2004, the Emergency Plan was supporting treatment for 155,000 individuals with only 8 months of funding. These data are used as the baseline for future performance measurement.
	2003	N/A
	2002	N/A

I/P #1: GLOBAL HEALTH – PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF *(continued)*

Indicator #2: Estimated Number of HIV Infections Prevented in the 15 Focus Countries

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): This is a direct, objective measure of the high-level impact of the President's Emergency Plan for AIDS Relief. It is applied consistently across the 15 targeted countries and provides the best single indication of overall progress toward the desired outcome.

FY 2005 PERFORMANCE	**Target**	1,000,000.
	Results	Information on prevention services provided during FY 2005 in the 15 focus countries will be available no later than November 30, 2005.
	Rating	On Target
	Impact	Reduced HIV transmission is a primary factor in winning the war against HIV/AIDS. Preventing new HIV infections will dramatically decrease burdens of the disease on individuals, families, and nations.
PERFORMANCE DATA	**Data Source**	Semi-annual and annual progress reports to the Office of the Global AIDS Coordinator from each of the focus countries reporting numbers of people receiving prevention services in each country. Country bi-annual reports from UNAIDS reporting prevalence rates. Country demographic health surveys reporting HIV/AIDS prevalence rates.
	Data Quality (Verification)	Progress reports are reviewed and verified by officials from the Office of the Global AIDS Coordinator.
PAST PERFORMANCE	**2004**	During the first 8 months of 2004 funding: 24,041,800 individuals were reached by community outreach HIV/AIDS prevention programs. 130,073,400 persons were reached by mass media HIV/AIDS programs that promote abstinence and being faithful. 11,899,900 individuals were reached by community outreach programs that promote other prevention strategies and 76,620,600 individuals were reached by mass media HIV/AIDS prevention programs that promote other prevention strategies. Counts cannot be added because the same individuals may be reached by more than one prevention program. In addition, 1.2 million women were reached with prevention of mother to child transmission services, of whom 125,100 received mostly short-course antiretroviral preventive therapy, averting an estimated 23,766 infections of newborns. 2004 prevalence rates unavailable for focus countries, but will be available for at least 5 focus countries by the end of the 2005 calendar year. Based on September 30, 2004 reports, more than 120 million people have been reached with prevention messages/programs, exceeding the Year One June 2005 goal of reaching 47.8 million people with prevention messages/programs by 250 percent.
	2003	N/A
	2002	N/A

Liberian refugee schoolgirls signal thumbs up at the Bududuram Refugee Settlement in Ghana.

State Department Photo

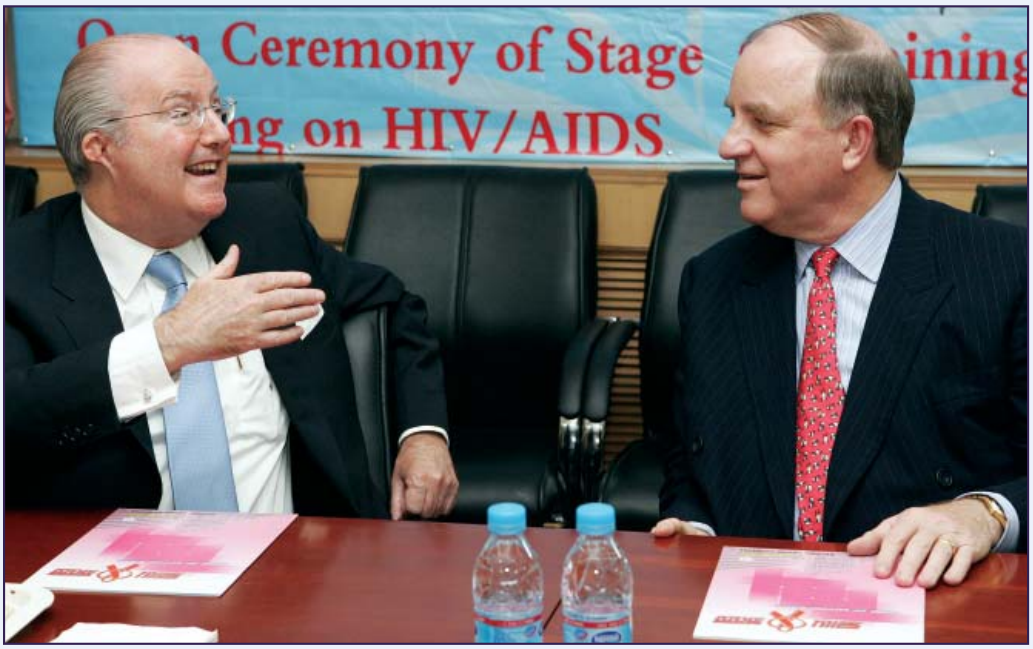
I/P #1: GLOBAL HEALTH – PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF *(continued)*

Indicator #3: The Number of People Receiving HIV/AIDS Care and Support Services in the 15 Focus Countries, Including Orphans and Vulnerable Children

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): This is a direct, objective measure of the success of a key input in the President's Emergency Plan for AIDS Relief and is applied consistently across the 15 targeted countries in the program.

FY 2005 PERFORMANCE	**Target**	2,600,000
	Results	As of March 30, 2005, 2 million people were receiving care and support services, exceeding the goal of providing services to 1.15 million people by June 2005. The program is on track to exceed the FY 2005 goal of providing care to 2,600,00 people. Updated end of FY 2005 result data will be available no later than November 30, 2005.
	Rating	Above Target
	Impact	Care for people infected and affected by HIV/AIDS, including orphans and vulnerable children, mitigates the severe pain and debilitating symptoms caused by HIV/AIDS as well as its social and economic consequences.
PERFORMANCE DATA	**Data Source**	Semi-annual and annual progress reports to the Office of the Global AIDS Coordinator from each of the focus countries reporting number of people receiving care services in each country.
	Data Quality (Verification)	Progress reports are reviewed and verified by officials from the Office of the Global AIDS Coordinator.
PAST PERFORMANCE	**2004**	1.7 million people received care and support services.
	2003	N/A
	2002	N/A



U.S. Global AIDS Coordinator Randall Tobias, right, chats with U.S. ambassador to China, Clark T. Randt as they visited the Youan Hospital in Beijing, China, June, 2005.

AP/Wide World Photo

I/P #1: GLOBAL HEALTH *(continued)*

Indicator #4: Status of World Health Organization (WHO) International Health Regulations

JUSTIFICATION (VALIDATION): This indicator tracks the progress of the WHO International Health Regulations (IHRs), an important measure of WHO and global abilities to respond to public health emergencies of international concern. Because the IHR process is a lengthy one, an indicator focusing on IHR status provides flexibility to use this indicator for more than one year, allowing data to be tracked and compared between years for trend analysis.

FY 2005 PERFORMANCE	**Target**	1. Revised IHRs are submitted to the 58th World Health Assembly (WHA) and approved by the member states. 2. Revised IHRs, when implemented, will prevent or protect against international spread of disease, whether of natural or deliberate occurrence, with a minimum interference with world trade and travel. Countries are reporting outbreaks sooner and requesting international help, where necessary, to contain infectious disease outbreaks.
	Results	The U.S. achieved its objective of participating in the revision and adoption of new IHRs in 2005. This was accomplished through two final negotiating sessions of one week in February and two days in early May just prior to the WHA. The 58th WHA approved by consensus the revised IHRs. In June 2005, the WHO Director General notified all World Health Organization (WHO) member states that the IHRs will enter into force on June 15, 2007.
	Rating	On Target
	Impact	WHO Member States will have legally binding reporting and response requirements levied upon them by the IHRs, including mandatory reporting of H5N1 avian influenza or any other novel subtype of influenza. The IHRs provide the legal framework for sharing urgent public health and epidemiological information of an outbreak across international borders and joint action to contain and mitigate its impact. WHO maintains an effective, proactive Global Outbreak Alert and Response Network, and a pool of human and technical resources for rapid identification, confirmation, and response to outbreaks of international importance.
PERFORMANCE DATA	**Data Source**	WHO, Department of Health and Human Services (Centers for Disease Control and Prevention), other governments, media or informal sources.
	Data Quality (Verification)	IHRs and other relevant documents are subject to public review on the WHO website (www.who.int/en).
PAST PERFORMANCE	**2004**	A technical review of the revised IHRs at global, regional, and sub-regional level has taken place. The U.S. participated in a number of these review meetings. A revised draft of the IHRs has been submitted to member states for review and consideration at the Intergovernmental Working Group in November 2004.
	2003	1. WHO strengthened its activities related to global and national-level disease surveillance and undertook major efforts with governments in limiting and controlling SARS. 2. Work continued on revising the WHO International Health Regulations with the target for adoption in 2005 of revised regulations.
	2002	WHO continued consultation and elaboration of approach and gaining international consensus.

Indicator #5: Number of High Risk Countries or Regions With National Plans to Combat Malaria

NOTE: This indicator has been deleted, please see Appendix for details

Indicator #6: Percentage of World Population with Access to Tuberculosis Care and Treatment

NOTE: This indicator has been deleted, please see Appendix for details

I/P #1: GLOBAL HEALTH *(continued)*

Indicator #7: Establishment of International Agreements and Programs That Minimize Use of Toxic Substances that Adversely Impact Human Health

JUSTIFICATION (VALIDATION): This indicator directly measures the extent and effectiveness of international cooperation to protect human health and the environment from persistent organic pollutants (POPs). POPs are chemicals that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of living organisms and are toxic to humans and wildlife. POPs circulate globally and can cause damage wherever they travel. Ratification and implementation of international agreements to minimize use and promote sound management of chemicals, such as the Stockholm Convention on persistent organic pollutants, are essential to reduce global risks to human health and the environment from exposure to chemicals.

FY 2005 PERFORMANCE	**Target**	An additional 20 countries ratify the Persistent Organic Pollutants Convention and develop national plans to phase out the use of POPs.
	Results	In FY 2005, an additional 31 countries ratified the POPs Convention and prepared plans for its implementation. These ratifications increase the number of Parties to 110 countries, a remarkably fast pace for a global environmental agreement.
	Rating	**Significantly Above Target**
	Impact	An even greater number of countries than anticipated have taken steps to reduce or eliminate the use and release of POPs. Because POPs can travel far from their source of release, this provides human health and environmental benefits in the United States and all over the world.
PERFORMANCE DATA	**Data Source**	Stockholm Convention website (*http://www.pops.int/)* contains information from UN depository regarding treaty ratification.
	Data Quality (Verification)	Data are reliable and complete and subject to public review via the Stockholm Convention website and regular POPs conferences.
PAST PERFORMANCE	**2004**	The Convention entered into force on May 17, 2004. Seventy-nine States-Parties had ratified the POP Convention by the end of 2004. States-Parties participated in a workshop on implementation of the Stockholm Convention on Persistent Organic Pollutants in developed countries in Neuchâtel, Switzerland, from June 16-18, 2004.
	2003	U.S. proposes new global actions to address mercury pollution, another toxic substance of global environmental and health concern.
	2002	1. General terms of reference for the creation of a pharmaceutical and biotech industry anti-terrorism code of conduct were developed. 2. U.S. submits the POPs Convention to Congress for ratification. 30 other countries ratify the agreement.

Indicator #8: Number of Targeted Countries Using Market-Based Approaches for Delivering Point of Use Technologies for Treating Water at the Household Level

JUSTIFICATION (VALIDATION): Access to potable water is a significant factor in reduction of diarrheal disease, which impacts malnutrition, dehydration, and child health. Market-based approaches can deliver point-of-use technologies more efficiently than the public sector.

FY 2005 PERFORMANCE	**Target**	10.
	Results	14.
	Rating	**Above Target**
	Impact	Reduction of diarrheal disease in targeted communities.
PERFORMANCE DATA	**Data Source**	U.S. Centers for Disease Control (CDC).
	Data Quality (Verification)	Confidence in the data quality is high. CDC conducts site visits to verify whether activities are or are not taking place in the targeted communities.
PAST PERFORMANCE	**2004**	8.
	2003	6.
	2002	3.

I/P #2: COMBATING BIOTERRORISM

Indicator #9: Status of the Global Health Security Action Group (GHSAG)

JUSTIFICATION (VALIDATION): Because GHSAG is a relatively new initiative (begun in November 2001), its sustainability impacts its ability to achieve its goals of promoting greater health security among the eight member nations and beyond. This indicator can be used for multiple years, allowing data to be tracked and compared between years for trend analysis.

FY 2005 PERFORMANCE	**Target**	GHSAG develops "lessons learned" and strategies for sharing with countries outside of GHSAG. GHSAG lab network develops safe and secure transport protocols, ensures that biosafety procedures are in place at all GHSAG labs, and promotes voluntary adoption of improved standards. GHSAG implements bioterrorism-related training programs and simulations for both GHSAG and non-GHSAG members. GHSAG develops rapid response methodologies for preventing and responding to bioterrorism.
	Results	GHSAG members are developing lab network coordination and protocols by implementing workshops on electron microscopy, plague, tularemia, and environmental sampling. At the same time, the GHSAG lab network is continuing work on the issue of transportation of infectious substances. GHSAG conducted a pandemic influenza exercise and is preparing for a radio-nuclear exercise for GHSAG members. GHSAG conducts tests and drills of the GHSAG Emergency Contact Network on a quarterly basis. Different GHSAG members take the lead on conducting the various tests and drills. GHSAG has developed a consolidated risk guidance document that is available for use by GHSAG members (Canada, France, Germany, Italy, Japan, Mexico, UK, and USA).
	Rating	On Target
	Impact	GHSAG Members are better prepared for dealing with both deliberate and naturally occurring disease outbreaks.
PERFORMANCE DATA	**Data Source**	Statement from GHSAG Ministerial Meeting in Paris, France: *http://www.state.gov/g/oes/rls/or/2004/40812.htm*
	Data Quality (Verification)	Data are reliable, of high quality, and verified by OES direct participation in GHSAG activities.
PAST PERFORMANCE	**2004**	GHSAG has completed a successful international anthrax workshop to test lab procedures, developed plans with WHO for distribution of smallpox vaccination training materials, and initiated work both with governments and private sector institutions to strengthen preparedness and response capabilities for pandemic influenza.
	2003	GHSAG has formed technical working groups. In December 2002, GHSAG formed a new technical working group on Pandemic Influenza. During the GHSAG working meeting in September 2003 in Ottawa, GHSAG members decided to add SARS to the topic of the Influenza technical working group. GHSAG has tested Incident Scale. GHSAG members were prepared to submit Terms of Reference for GHSAG Ministerial Meeting in November 2003.
	2002	General terms of reference for the creation of a pharmaceutical and biotech industry anti-terrorism code of conduct were developed.

Undersecretary of State for Democracy and Global Affairs Paula Dobriansky, left, talks to United Kingdom Minister of State for Environment Elliot Morley at the 10th International Convention on Climate Change in Buenos Aires, Argentina, December, 2004.

AP/Wide World Photo

I/P #3: POPULATION

Indicator #10: Management Reforms at UNFPA

JUSTIFICATION (VALIDATION): The Department's collaboration with the United Nations Population Fund (UNFPA) focuses on promoting human rights in reproductive health care, especially voluntarism, and strenghtening the performance of that agency. Ensuring financial transparency, operational accountability, and management reform are important first steps for institutional reform and to establish a foundation for promoting efficiency gains.

FY 2005 PERFORMANCE	**Target**	UNFPA reforms methods of monitoring and evaluating 3 country programs.
	Results	The Technical Advisory Program (TAP) is building capacity at the regional and national levels in at least 3 countries through multiple Country Support Teams by providing technical support and expertise from specialized agencies in the UN, further promoting monitoring and evaluation.
	Rating	On Target
	Impact	The country support team in Amman, in collaboration with the League of Arab States, provided support in the area of population. The country support team in Harare worked with 14 countries on Poverty Reduction Strategies (PRS).
PERFORMANCE DATA	**Data Source**	Executive Board of the United Nations Development Progam and of the United Nations Population Fund, *United Nations Population Fund Technical Advisory Program, 2006-2007* DP/FPA/16. Goss Gilory Inc. Management Consultants, Evaluation of the UNFPA Technical Advisory Program Final Report.
	Data Quality (Verification)	The documents provide both an internal and external review of the performance of the TAP and have been reviewed by UNFPA's Executive Board.
PAST PERFORMANCE	**2004**	Implementation of UNFPA's new monitoring and evaluation system, the Technical Advisory Program, began in October 2003. Assessment of this method is ongoing.
	2003	Department special teams conducted 2 monitoring trips to China, a UNFPA program country, in FY 2003.
	2002	**Baseline:** One independent Department team visited China to assess the UNFPA program there.

Secretary Rice and Thailand Deputy Prime Minister Surakiart Sathirathai, back row left, pose with Thai and foreign school children at Bang Sak school July, 2005. The school was devastated by the December 2004 tsunami and was rebuilt as part of U.S. reconstruction efforts in Pang-nga province, southern Thailand.

AP/Wide World Photo

PERFORMANCE GOAL 2

PARTNERSHIPS, INITIATIVES, AND IMPLEMENTED INTERNATIONAL TREATIES AND AGREEMENTS THAT PROTECT THE ENVIRONMENT AND PROMOTE EFFICIENT ENERGY USE AND RESOURCE MANAGEMENT

I/P #4: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT

Indicator #1: Extent to Which Key Institutions and Processes Highlight Energy, Water, and Domestic Good Governance Issues and Adopt Approaches that Support the Implementation of Sustainable Development Projects

JUSTIFICATION (VALIDATION): Although not a direct quantitative measure, this indicator does measure the existence of institutional frameworks and an increase in activities dedicated to address these issues.

FY 2005 PERFORMANCE

Target	1. Energy fora including the World Energy Forum and the World Energy Council focus on public/private partnerships to implement sustainable development objectives. 2. Within the Commission on Sustainable Development, activities are centered on the development and implementation of partnerships and capacity building of key sustainable development areas included in the Johannesburg Plan of Implementation and Agenda 21. 3. Strengthened international consensus for U.S.-supported positions on sustainable development.
Results	1. As a result of active U.S. engagement, a number of key fora highlighted public/private partnerships in the energy sector. The December 2004 Energy for Development Conference underscored the importance of public-private partnerships for energy and sustainable development, as did the 2nd International Forum on Partnerships for Sustainable Development (Morocco, March 2005), which highlighted energy partnerships as one of two its focal areas. In addition, the Organization for Economic Cooperation and Development (OECD) Committee on Science and Technology Policy adopted U.S. proposals to focus on energy efficiency during a workshop to be hosted by the Government of South Africa in November 2005 and to incorporate partnerships in the workshop's agenda. 2. The thirteenth session of the UN Commission on Sustainable Development (CSD 13) concluded the CSD's first-ever 2-year "Implementation Cycle." Over 70 new public-private partnerships were registered with the UN during the two-year cycle, and the CSD Learning Center provided capacity building to over 500 participants at CSD 13. In addition, CSD 13 established a non-negotiated "Matrix of Policy Options and Practical Measures," an implementation-oriented tool for sharing best practices and lessons learned on increasing access to safe water and sanitation. The decisions adopted at CSD 13 strengthened national commitments to improve domestic good governance, defined collective actions to increase access to safe water and basic sanitation, and strengthened the mandate of UN Water as a tool for UN agency coordination on water and sanitation. Several of the CSD's implementation-oriented outcomes, including the matrix of policy options, have strong parallels to the package of outcomes first floated in an August 2004 U.S. Government non-paper. 3. In the run-up to CSD 13, two months after U.S.-EU consultations based on a U.S. non-paper, the EU released a paper which mirrored many U.S. proposals, calling for CSD 13 to be organized with the aim of delivering "policy options" and specific commitments to action, rather than a "traditional" negotiating session. At CSD 13, the U.S. worked with several EU member states (including, e.g., The Netherlands, Sweden, the United Kingdom) and developing countries (including Ethiopia, El Salvador, and Indonesia) in launching new public-private partnerships on water and sanitation. The EU continues to push, however, for lengthy negotiations and global norm-setting.
Rating	1. **Above Target** 2. **Above Target** 3. **On Target**
Impact	As international institutions and processes focus more on promoting partnerships and capacity building, they become more effective in facilitating practical approaches to advance sustainable development: • Over 70 new public-private partnerships were registered with the UN during the two-year cycle. • The CSD 13 Learning Center provided capacity building to over 500 participants at CSD 13. • As a result of the U.S. Water for the Poor Initiative (launched at the 2002 World Summit on Sustainable Development), over 12 million people have received improved access to water and more than 12 million people have received improved access to adequate sanitation.

PERFORMANCE DATA

Data Source	Published record of events including: UN Partnerships Database: *www.un.org/esa/sustdev/partnerships.* Commission on Sustainable Development documents including Chair's Summary of CSD 13; EU and G77 press releases and news articles; USAID data, and direct OES observation through participation in events.
Data Quality (Verification)	Data is of high quality and objectively verified by direct OES participation in events.

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I/P #4: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT *(continued)*

Indicator #1: *(continued)*

PAST PERFORMANCE

2004

1. The CSD's 12th Session (April 2004) consisted of a first-ever non-negotiating "Review Session" focused on water, sanitation, and human settlements. It drew record levels of participation from governments, civil society, and private sector organizations and boosted momentum for action to carry out the Johannesburg Plan of Implementation.
2. CSD 12's "Learning Center" provided capacity building through 18 courses, each of which drew an average of 25 to 30 participants representing a cross-section of stakeholders. CSD 12's "Partnerships Fair" drew an average of about 42 people each to fifty presentations and still more to 28 information desks, 18 poster exhibits, five video displays, and six thematic dialogues.
3. Developing countries and other stakeholders supported the CSD's new meeting format and they participated actively in the "Learning Center" and "Partnerships Fair" activities and numerous side events. Most engaged constructively in plenary dialogues to highlight domestic action and needs on water, sanitation, and human settlements.
4. U.S. launched "SDP.gov," an Internet-based clearinghouse of information on U.S. sustainable development partnerships.
5. CSD focuses efforts on implementing the water elements of the Johannesburg Plan of Implementation and other internationally agreed development goals relating to water.
6. Capacity-building Institute at CSD 12 presents 8-12 classes, each with 10-20 issue experts and multi-stakeholder participants; CSD 12 Partnership Fair highlights 20 partnerships.
7. Key developing countries (e.g., Brazil, South Africa, India, and Indonesia) support implementation and partnerships focused CSD reforms.
8. The third Global Water Alliance meeting among donors took place. The CSD resulted in the building of capacity and development of partnerships on water and sanitation. A multi-donor process for developing and supporting the implementation of national level plans on water was established. Global Forum for Sustainable Energy established procedures to facilitate better coordination between all World Summit for Sustainable Development energy partnerships. Global Village Energy Partnership identified new host organization for technical secretariat and transfers responsibilities. World Energy Congress highlighted all World Summit for Sustainable Development energy partnerships at its biannual conference.
9. Water development plans were completed for the Niger and Senegal. Regional meetings on water continued on the Okavango, Niger, Sava, and Nile. China intensified cooperation with MRC. Data sharing among Nepal, India and Bangladesh expanded to include information sharing on flood mitigation strategies. Global Village Energy Partnership hosted Asia regional workshops.
10. Market-based program for manufacturing and distributing point-of-use technologies for disinfecting water at the household level established in two additional countries. Activities were underway to support national level development and implementation of water plans in one country. Market-based energy access national and/or sub-national plan were developed in two countries, through the Global Village Energy Partnership.

2003

1. U.S. discussion paper on CSD reform influenced CSD Secretariat's proposed plan of work, which now focuses on implementation.
2. Bilateral and regional meetings in key regions (Europe, Latin America) emphasized need for implementation, not new norm-setting. Europeans remained wedded to norm-setting approach in high-level multilateral meetings, although some began supporting U.S.-led partnerships and Oceans, Environment and Science Initiative programs focusing on good domestic governance and implementation.
3. Nile Basin Initiative established regional advisory committees to implement sub-regional development projects on water and energy. Global Village Energy Partnership hosted regional workshops in Africa and Latin America linking energy access issues to country Poverty Reduction Strategy Papers. China, as "dialogue partner" with the MRC, began sharing data on water levels and rainfall from two monitoring stations in Yunnan.
4. Market-based program for manufacturing and distributing point-of-use technologies for disinfecting water at the household level established in Haiti and Malawi. Local program expanded to the national level in Madagascar. Country Global Village Energy Partnership teams established in Zambia and Mexico.

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I/P #4: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT *(continued)*

Indicator #1: *(continued)*

PAST PERFORMANCE *(continued)*

2002

1. The Johannesburg Plan of Implementation called for reform of the Commission on Sustainable Development to place more emphasis on implementation at all levels, including promoting and facilitating multi-stakeholder partnerships, and contained the strongest language to date on domestic good governance as a foundation for sustainable development.
2. U.S. continued to promote multi-stakeholder partnerships to advance international development. WSSD was the first UN conference recognizing partnerships as an official outcome.
3. The Johannesburg Plan of Implementation underscored the need to accelerate access to water and energy services in order to realize the Millennium Development Goals. New international targets goals on access to sanitation and the development of national water plans were adopted. Global Village Energy Partnership, a public-private partnership dedicated to increasing access to modern energy services, was launched.
4. Regional: Legal framework on the Sava River reached. Secretariat established for the Nile Basin Initiative. Niger basin riparians engaged in regional discussions to identify challenges and opportunities. Information sharing system established by the Mekong River Commission. Ad hoc water-related meetings occurring in the Araks/Kura, Hindu-Kush, Okavango, and Caucasus. Plan to share flood forecasting information among South Asian countries developed; project to identify flood mitigation strategies launched.
5. National/local: Market-based program for manufacturing and distributing point-of-use technologies for disinfecting water at the household level established in Rwanda.

Indicator #2: Key Developing Countries Build Capacity for Good Domestic Environmental Governance

JUSTIFICATION (VALIDATION): This measure of domestic capacity directly relates to the desired outcome of institutionalized sustainable development. The key assumption is that countries with good domestic environmental governance will be more likely to promote sustainable development.

FY 2005 PERFORMANCE

Target

2-3 key developing countries or emerging economies demonstrate measurable improvements in the effectiveness of domestic environmental enforcement programs, compliance with environmental laws, and national systems for public participation, access to information and access to justice on environmental matters.

Results

1. International Law Enforcement Academy (ILEA) in Gaborone debuts revised Principles of Environmental Laws and Enforcement (PELE) workshop for southern Africa countries. South Africa launched "Green Scorpions" unit integrating environmental inspectors from all levels of government; and Swaziland strengthened its environmental agency's enforcement authority. U.S. and UK partner built Green Scorpions' inspection, investigation and prosecution capacity.
2. PELE workshops conducted in Amman and Manama for Arab countries. Jordan asserted leadership in developing regional environmental enforcement network.
3. United Nations Environment Program (UNEP) launched global capacity programs for Green Customs and Multilateral Environmental Agreement (MEA) enforcement and compliance, with U.S. Government technical support. NAFTA environment commission approved US-proposed green customs program. OES supported environmental judicial training program in Paraguay. International Network on Environmental Compliance and Enforcement (INECE) and EPA developed training featuring a water case study and integrating environmental law, enforcement policy, inspection, prosecution and performance measurement; delivered at World Conservation Congress, CSD, and INECE's 7th global enforcement conference in Marrakech. INECE conference underscored role of environmental enforcement in good governance and rule of law.
4. Convention on International Trade in Endangered Species (CITES) emphasized enforcement to combat illegal trade in endangered species, Thailand proposed regional CITES enforcement network. Department mobilized the Department of Justice (DOJ), the U.S. Fish and Wildlife Service (USFWS), and NGOs to assist; launched global Coalition Against Wildlife Trafficking, with initial focus on Southeast Asia in support of Thai leadership.
5. Department-supported American Bar Association (ABA) Rule of Law project prompts Shenyang, China to implement measures providing public access to environmental information, while legislature considers related legislation.

Rating

Above Target

Impact

Improved environmental governance in developing countries is an essential prerequisite to progress toward sustainable development, while reinforcing democracy and rule of law.

PERFORMANCE DATA

Data Source	OES monitors events through direct participation in capacity-building activities, U.S. Government agency reports on results, and reporting from U.S. embassies and the press on outcomes.
Data Quality (Verification)	Data quality in measuring capacity-building outputs is high, and verified through OES and other U.S. Government direct participation in events. The capacity to measure outcomes such as improvements in good environmental governance is not highly developed in most of the developing world. OES must therefore rely on anecdotal data on improvements in good governance within specific countries, until countries environmental governance systems develop sufficiently to include the capacity to measure governance improvement outcomes.

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I/P #4: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT *(continued)*

Indicator #2: *(continued)*

PAST PERFORMANCE	**2004**	1. Department supported EPA training on Principles of Environmental Enforcement in Brazil, environmental legislation and enforcement capacity building in Central America. U.S. Government interagency team integrated training on environmental law, enforcement and anti-corruption into new workshop on "Principles of Environmental Laws and Enforcement"; advised UNEP to ensure that global environmental training for judges focuses on practicalities of domestic environmental law adjudication. Department supported first North America integrated training on traffic in hazardous waste, ozone-depleting substances, and endangered species on the U.S./Mexico border, including a focus on mechanisms to combat corruption. Department-led interagency team advised UNEP on development of global Green Customs initiative. INECE and the World Bank Institute promoted national-level environmental enforcement and compliance performance measures. EPA expert conducted workshops in Argentina and Uruguay to promote environmental enforcement performance indicators, with Department support. 2. Free Trade Agreements with Chile, Jordan, Morocco, Bahrain and Singapore committed these countries to effective enforcement of environmental laws, and cooperative efforts to improve legal and enforcement capacity and public participation. 3. Department supported training and regional network-building to strengthen interdiction of illegal trade in endangered fauna and flora in the Amazon, at the Bangkok ILEA, and in South Asia. Thailand launched wildlife enforcement initiative. Brazilian officials arrested 11 wildlife traffickers and seized 1,000 wildlife items. ILEA Gaborone hosted USFWS for wildlife enforcement training for second year in a row.
	2003	1. U.S. Government interagency teams explored and developed partnerships with civil society, private sector organizations, and governments to promote good domestic governance. 2. U.S.-Chile Free Trade and Environmental Cooperation Agreements included focus on capacity-building for environmental enforcement, compliance and public access to information. 3. U.S. funded efforts to promote public participation and access to information on environmental matters in Baltic states and Chile. 4. U.S. funded course for Southeast Asian representatives on enforcement of laws on trade in endangered species at International Law Enforcement Academy in Bangkok.
	2002	1. U.S. Government efforts at the World Summit for Sustainable Development successfully led to inclusion in the Johannesburg Plan of Implementation of the strongest language to date on domestic good governance as a foundation of sustainable development. 2. EnviroLaw Conference in South Africa focused on importance of domestic good governance as a foundation for sustainable development. 3. First environmental crime course held at International Law Enforcement Academy in Budapest. 4. U.S. funded ABA Rule of Law program to engage government and civil society stakeholders in improving environmental law in China.

Sustainable Forest Management

Since the President's Initiative Against Illegal Logging was launched in July 2003, the Department has initiated and co-sponsored the Africa Ministerial on Forest Law Enforcement and Governance to address illegal logging and the export of illegally harvested timber. In FY 2005, Russia hosted a similar ministerial for the Eurasia region. The Department's Liberia Forest Initiative, launched in 2004, continued work in partnership with the U.S. Agency for International Development, U.S. Department of Agriculture Forest Service, and Conservation International to help reform the Liberian forest sector in the post conflict era. The U.S. convinced the UN Security Council to extend timber sanctions for one year (by unanimous vote) to enable the initiative to take hold. The U.S. Government has concluded four new debt-for-nature swaps under the Tropical Forest Conservation Act, which will generate $30 million for forest conservation over 10-20 years in Colombia, Jamaica and Panama.

Logs cut from the Brazilian Amazon, August, 2005. AP/Wide World Photo

I/P #5: MARINE RESOURCES

Indicator #3: Status of Marine Resources Agreements

JUSTIFICATION (VALIDATION): Under the UN Fish Stocks Agreement (UNFSA), the U.S. must be party to relevant treaties and agreements whose mandate includes stocks for which the United States fishes. Such treaties also must be broadly ratified by other affected parties to be effective.

FY 2005 PERFORMANCE

Target	1. The Western and Central Pacific fisheries convention enters into force and Japan and Korea join as Parties. 2. U.S. -Russia agreements on science and enforcement are concluded. 3. Parties adopt and implement regional sea turtle conservation measures. 4. Indian Ocean Memorandum of Understanding (MOU) implements regional sea turtle/habitat conservation programs and measures. 5. Canada hosts UNFSA implementation review meeting. 6. U.S. judge is elected to the International Tribunal for the Law of the Sea; U.S. begins implementation of the Law of the Sea, including a review of domestic and international policies and practice. 7. U.S. negotiates an oil spill response agreement with the U.K. on behalf of the British Virgin Islands.
Results	1. Convention entered into force in June 2004. Korea and Japan became Parties to the Convention as of October 2004 and July 2005, respectively. 2. Negotiations for science and enforcement agreements rolled into a comprehensive fisheries management agreement to be concluded as a "package deal" including ratification of 1990 U.S.-Soviet Union boundary treaty. 3. Parties to the Inter-American Convention for the Protection and Conservation of Marine Turtles (IAC) adopted a resolution on leatherback sea turtle conservation and began reviewing biological data and conservation priorities for other turtle species. 4. The Indian Ocean – South-East Asian Marine Turtle MOU identified areas for attention/improvement following compilation of national reports on turtle and habitat distribution, and national and regional conservation activities. The MOU Secretariat established a website with conservation tools and coordinating capabilities, and the MOU Signatories initiated an awareness and education campaign within the entire agreement region. 5. Canada hosted the St. John's Conference on the Governance of High Seas Fisheries and the UN Fish Stocks Agreement in May 2005. 6. The U.S. did not accede to the Treaty. Because accession was a prerequisite to the election of a US judge, there was no U.S. judge elected, and U.S. implementation of the Treaty could not begin. 7. Oil spill response negotiations have been successfully completed.
Rating	1. On Target 2. On Target 3. On Target 4. On Target 5. On Target 6. Below Target 7. On Target

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I/P #5: MARINE RESOURCES *(continued)*

Indicator #3: *(continued)*

FY 2005 PERFORMANCE *(continued)*	**Impact**	1. Accession of Japan and Korea, the two major distant water fishing nations in the Pacific, ensures that the Western and Central Pacific Fisheries Commission (WCPFC) will include all major players in Pacific fisheries, a necessary precondition to the adoption of binding measures for the effective conservation and management of Pacific fish stocks covered by the Convention. 2. Conclusion of a comprehensive fisheries management agreement with Russia would improve conservation and management of transboundary fish stocks in the North Pacific Ocean and Bering Sea, and ensure Russian ratification of the 1990 maritime boundary treaty, as entry into force of the two agreements would be linked. 3. The leatherback resolution, the first conservation-oriented action of the IAC, addresses the highest-priority species within the mandate of the agreement and highlights actions to mitigate immediate threats. 4. All signatories now have an inventory of conservation activities across the region, and coordination at the regional, sub-regional national and local levels are greatly facilitated. 5. Initiatives coming out of the St. John's Conference are spurring efforts to improve the effectiveness of regional fisheries management organizations and will feed into the UN Fish Stocks Agreement review conference in 2006. 6. Because the US did not accede to the Treaty, the goal has not been met. 7. Oil spill response agreement with UK improves the U.S. Government's ability to respond to emergencies in the Caribbean region.
	Reason for Shortfall	U.S. accession to Law of the Sea Treaty was a prerequisite to the election of a US judge and U.S. implementation of the treaty; because U.S. did not accede, target could not be reached.
	Steps to Improve	The Administration strongly supports immediate, favorable action by the Senate.to consent to ratify the Law of the Sea Treaty.
PERFORMANCE DATA	**Data Source**	Bureau of Oceans and International Environmental and Scientific Affairs will track, including with information from Inter-American Tropical Tuna Convention and Western and Central Pacific Fisheries Commission secretariats.
	Data Quality (Verification)	Accuracy, quality, and reliability of performance data are certain and verified by direct participation in targeted activities.
PAST PERFORMANCE	**2004**	1. Administration submits Inter-American Tropical Tuna Commission (IATTC) Convention to the Senate for advice and consent. 2. Amendment to U.S.-Canada albacore treaty enters into force. 3. U.S. and Canada successfully conclude an agreement on Pacific hake stocks; Administration submits new Agreement to Senate. 4. Extension of 1988 U.S.-Russia agreement submitted to Congress; two parties begin consideration of new related agreements on science and enforcement.
	2003	1. The third WCPFC Preparatory Conference was held; Japan participated for the first time. 2. Renegotiation of Convention IATTC concluded. 3. The package of amendments to the U.S.-Canada Albacore Treaty is submitted to the Senate. 4. Negotiations began toward a U.S.-Canada agreement on Pacific hake stocks. 5. Extension of 1988 U.S.-Russia Agreement was underway.
	2002	**Baseline:** 1. The second WCPFC Preparatory Conference was held; one more State ratified the Convention. 2. U.S. and Canada reached agreement to amend albacore tuna treaty. 3. The U.S. and Canada agreed to undertake new efforts to negotiate an agreement on Pacific hake stocks. 4. U.S. and Russia agreed in principle to extend 1988 Mutual Fisheries Agreement until 2008.

I/P #5: MARINE RESOURCES *(continued)*

Indicator #4: Partnerships to Build Capacity for the Sustainable Use and Protection of Marine Resources

JUSTIFICATION (VALIDATION): The development of partnerships to address key environmental, science and technology issues is an important tool for promoting sustainable natural resource management while protecting U.S. interests.

FY 2005 PERFORMANCE

Target	1. U.S. conducts law enforcement training and capacity building work in Caribbean region. 2. Work begins in United Nations Food and Agriculture Organization (FAO) and Asia Pacific Economic Cooperation (APEC) on a mechanism to promote closer cooperation on aquaculture issues in the Americas. 3. Countries adopt the implementation plan for an integrated and sustained earth observation system as created by Group on Earth Observations. 4. With U.S. support and an expanded number of government and private partners, the International Coral Reef Initiative (ICRI) becomes more effective in conservation of the world's coral reefs as evidenced by establishment of additional national coral reef committees and new or expanded marine protected areas. 5. International Council for the Exploration of the Seas (ICES) and the North Pacific Marine Science Organization (PICES) produce ecosystem status reports on the North Atlantic and North Pacific; data will be used to better manage marine resources in the two regions. 6. Conference convened in the Wider Caribbean to develop a regional protocol for the handling of cruise ship-based pollution. 7. 1996 Protocol to the London Dumping Convention is ratified.
Results	1. The United States conducted a fisheries management and enforcement workshop in conjunction with the First Ministerial Meeting on Transboundary Cooperation in the Gulf of Honduras in December 2004. 2. FAO and APEC conducted projects to design and implement an aquaculture network for the Americas; APEC ocean-related ministers called for the implementation of the network during 2005. 2006 APEC project approved to solicit funding for 2-3 years start-up costs for initial network staffing. 3. Under the Earth Observation partnership, agreement was reached on a 10-year implementation plan for a comprehensive, coordinated and sustained terrestrial, atmospheric, and marine Global Earth Observation System of Systems (GEOSS), and the corresponding international coordination mechanisms. 4. The ICRI general meeting April 2005 approved improved guidelines specific to coral reef conservation. 5. PICES published the North Pacific Ecosystem Status Report in 2005. Additionally, in response to the first request for PICES Advice (made by the U.S.), PICES produced a report entitled "Fisheries and Ecosystem Response to Recent Regime Shifts." With this precedent, PICES hopes to follow the example of ICES in becoming the regional international scientific advisory body. ICES produced the first volume of "ICES Advice", its new integrated report series that combines advice from its three advisory committees due to the introduction of integrated advice under the Ecosystem Approach. 6. The US supported the establishment of a joint MEPC (International Maritime Organization Marine environment policy group) and LC (London Convention) working group that will focus on the enforcement and gaps in the current agreements coverage regarding ship pollution. The working group should meet in the Spring of 2006. The U.S. financially supported the scientific and technical meeting for the Caribbean environment program, which addressed the volume and impact of ship traffic in the Caribbean. The U.S. provided continued support for the White Water to Blue Water (WW2BW) partnership initiative to promote integrated coastal and marine resource management in the wider Caribbean, including supporting WW2BW partnerships between a cruise line and the Globe program to improve environmental education for passengers and a grant from a cruise line to a Panamanian NGO for support of environmental research. 7. The 1996 Protocol to the London Dumping Convention has not yet been ratified.
Rating	1. On Target 2. On Target 3. On Target 4. On Target 5. On Target 6. On Target 7. Below Target

Continued on next page

I/P #5: MARINE RESOURCES *(continued)*

Indicator #4: *(continued)*

FY 2005 PERFORMANCE *(continued)*	**Impact**	U.S. leadership on multilateral efforts to improve the status of marine resources advances the goal of improving living conditions worldwide. Specifically: 1. Coordinated fisheries management and stronger enforcement will reduce illegal fishing and improve the sustainability of key Caribbean fish resources such as spiny lobster and queen conch, for which the US is both a harvester and the major market. 2. Once under way, the aquaculture network for the Americas can lead to better prices and market access for producers and to safer, higher quality products for consumers. 3. We will markedly improve global capacity to evaluate climate change, and predict weather emergencies and other natural disasters. 4. Improved conservation of the world's threatened coral reefs. 5. PICES and ICES are productively working towards increasing the effectiveness of their advisory input towards management of marine resources in their respective regions using an ecosystem approach. 6. White Water to Blue Water (WW2BW) partnership initiative is improving national capacity for integrated management of coastal and marine resources in the wider Caribbean, including sound marine transportation, particularly of cruise ship traffic. 7. U.S. ratification will take longer than anticipated.
	Reason for Shortfall	Development of implementing legislation took longer than anticipated.
	Steps to Improve	U.S. is considering appropriate timing of legislation and ratification.
PERFORMANCE DATA	**Data Source**	OES tracks events and relies on reporting from WW2BW Steering Committee, UNEP Caribbean Environmental Program and other WW2BW partners, Artic Council working groups.
	Data Quality (Verification)	Confidence in accuracy, quality and reliability of performance data is high based on OES direct involvement in program activities.
PAST PERFORMANCE	**2004**	The WW2BW conference resulted in 100 partnerships.
	2003	Significant progress was made through WW2BW to energize partnerships to address integrated approaches to watershed and marine ecosystem management. Improved regional capacity and collaboration among and between governments, international organizations, NGOs, universities and the private sector occurred through increased consultations and networking, creation of an international steering committee for the initiative, and improved U.S. Government inter-agency coordination. Department set aside $1.3 million towards WW2BW-related projects and the FY 2004 Miami partnership conference, designed to foster 10 new public-private partnerships.
	2002	The White Water to Blue Water Initiative (designed to promote regional cooperation and strengthen developing country capacity to address land-based sources of marine pollution, promote sustainable fisheries, agricultural and forestry practices, challenges associated with tourism; and degradation of coastal areas) was launched as one of the U.S. Government deliverables at the World Summit on Sustainable Development, generating international interest in both this initiative and cross-sectoral approaches to integrated management of watersheds and marine ecosystems.

I/P #6: CONSERVATION OF PROTECTED AREAS AND TROPICAL FORESTS

Indicator #5: Status of Agreements and Programs Related to Forest Conservation

JUSTIFICATION (VALIDATION): Specific recommendations are contained in the statement from the conference. Bolivia, Peru, and Brazil update and revise action plans to fully satisfy Convention on International Trade in Endangered Species (CITES) Appendix II listing requirements.

FY 2005 PERFORMANCE	**Target**	1. Tropical Forest Conservation Agreement (TFCA) agreements concluded with Guatemala, Costa Rica, and Ecuador. 2. The six Congo Basin Forest Partnership (CBFP) regional partners agree to protect 11 areas of tropical forests for permanent management thorough national legislation. 3. Presidential Initiative Against Illegal Logging (PIAIL) generates political commitments from four countries, one per region, identified as strategic targets under this initiative. 4. The Convention on Biological Diversity (CBD) program of work and other fora develop plans for increased capacity building in developing countries on protected area designation and management.
	Results	1. TFCA- Review for Guatemala nearly complete. Ecuador and Costa Rica on hold due to political issues. 2. CBFP- The regional conservation treaty for Central Africa is pending ratification by the 6 regional partners' respective legislators. 3. PIAIL- Russia has hosted preparatory meetings and will host the Europe and North Asia Forest Law Enforcement and Governance Ministerial in November 2005. Liberia commits to reform its forest sector under the Liberia Forest Initiative. 4. CBD develops tool kits for the identification, designation, management, monitoring and evaluation of national and regional systems of protected areas. The Third International Union for the Conservation of Nature and Natural Resources World Conservation Congress, held in Bangkok November 17-15, 2004, adopted resolutions directing the IUCN secretariat to expand its capacity building activities related to protected areas. The Man in the Biosphere program designated 19 new biosphere reserves, 13 of which are in developing countries, in October 2004. In October 2004, the Ramsar Wetlands Convention's regional center in Panama launched its study to assess the capacity needs of developing countries in the western hemisphere with respect to designating and maintaining protected areas.
	Rating	1. **TFCA – Below Target** 2. **CBFP – On Target** 3. **PIAIL – On Target** 4. **PA – Above Target**
	Impact	1. TFCA: consequences are less tropical forests conserved or sustainably used. 2. CBFP: cooperative efforts is more likely to conserve and sustainably use the earth's second largest tropical forest area. 3. PIAIL: political commitment is essential to improve governance in the forest sector. 4. PA: conservation of protected areas is necessary for continuation of the richness of the earth's biodiversity.
	Reason for Shortfall	TFCA - Time it is taking the targeted countries to qualify with the U.S. Treasury.
	Steps to Improve	TFCA – Work continues on the countries listed above as well as other selected tropical forest countries.
PERFORMANCE DATA	**Data Source**	Conference documents and action plans newly created and submitted to CITES.
	Data Quality (Verification)	The Bureau of Oceans and International Environmental and Scientific Affairs, Office of Ecology and Terrestrial Conservationreviews source documents and verifies their validity.
PAST PERFORMANCE	**2004**	1. Tropical Forest Conservation Agreement agreements concluded with Jamaica and Colombia. 2. All FY 2003 Central Africa Regional Program for the Environment (CARPE) funds were committed to projects that implemented the CBFP objectives. Development of proposed training approach and schedule were developed. Training of senior forest officials carried out in U.S. New funds committed by other partners for 11 landscapes. 3. CBD Seventh Conference of Parties adopted concrete recommendations to conserve biological diversity in protected areas.
	2003	1. U.S. Government launched President's Initiative Against Illegal Logging with up to $15 million first-year commitment. 2. TFCA agreement concluded with Panama.
	2002	1. TFCA agreements concluded with Peru and the Philippines. 2. Secretary Powell launched CBFP with 29 partners at WSSD. U.S. committed $50 million over 4 years. 3. WSSD reaffirms the importance of protected areas in sustainable development.

I/P #7: GLOBAL CLIMATE CHANGE AND CLEAN ENERGY

Indicator #6: Status of Bilateral Regional, and Global Climate Change Partnerships and Initiatives[1]

JUSTIFICATION (VALIDATION): Partnerships with key countries provide a platform for advancing U.S. interests on climate change, and implement the President's instruction to actively promote international cooperation on climate change.

FY 2005 PERFORMANCE	**Target**	1. Establish partnerships with additional targeted countries as necessary and strengthen existing partnerships, with particular emphasis on activities and deliverables related to international initiatives on adaptation, science, and energy technologies. 2. Continued implementation of U.S. initiatives on earth observation, carbon capture and storage, and the hydrogen economy.
	Results	1. Each of the existing bilateral partnerships involves multiple discrete initiatives, and we are meeting timelines and deliverables established in previous years in order to continue advancing them. Cooperative activities under the bilateral partnerships now total over 400, and within each partnership the number of activities has tended to grow at a gradual and manageable pace. Reviews of partnerships are ongoing, and activities are being adjusted to enhance effectiveness. The U.S. initiated its 15th bilateral working group on climate change with the implementation of the "U.S.-Germany Working Group on Energy, Development, and Climate Change." 2. The U.S. announced the launch of a new Asia-Pacific Partnership on Clean Development and Climate Change that currently encompasses countries that in addition to the U.S. represent approximately 50% of global economic activity and greenhouse gas emissions (China, India, Japan, Australia, South Korea). 3. Work on multilateral partnerships focused on observation, carbon capture and storage, and the hydrogen economy continues to develop with international meetings and workshops. 4. Second Asian regional workshop on climate and energy convened, working in collaboration with a number of bilateral partners as well as with APEC.
	Rating	Above Target
	Impact	Our climate change partnerships assist key developing countries to build capacity on a full range of technical aspects that are essential to permit them to undertake meaningful commitments to address global climate change, while advancing the development of new technologies to mitigate greenhouse gas emissions and address global climate change in a manner consistent with economic growth.
PERFORMANCE DATA	**Data Source**	Decisions and reports of the United Nations Framework Convention on Climate Change (UNFCCC); internal and external reviews of activities under bilateral and regional programs and partnerships. OES tracks events through reporting on bilateral activities.
	Data Quality (Verification)	Global climate change is by definition a multilateral challenge. OES tracks progress through development of work plans for multilateral initiatives, reporting on bilateral activities, and participation in UNFCCC work.
PAST PERFORMANCE	**2004**	Partnership with Brazil established. 13 other existing partnerships (involving multiple discrete initiatives) meet timelines and deliverables established in previous years. Reviews of partnerships are ongoing, and activities are being adjusted to enhance effectiveness.
	2003	New partnerships announced with Australia, Canada, the EU, India, and China. Implementation of existing partnerships with Japan, Central American countries, Italy, India and Australia begins. Key working groups established, specific projects and project-related activities agreed and begun (e.g. Italy 20+ projects relating to climate science and technology; Japan 30+ projects in science, technology and policy cooperation identified for potential implementation; Australia 10 projects identified and initiated). Timelines and deliverables established or in process.
	2002	New partnerships announced with Australia, Canada, the EU, India, and China. Implementation of existing partnerships with Japan, Central American countries, Italy, India and Australia begins. Key working groups established, specific projects and project-related activities agreed and begun (e.g. Italy 20+ projects relating to climate science and technology; Japan 30+ projects in science, technology and policy cooperation identified for potential implementation; Australia 10 projects identified and initiated). Timelines and deliverables established or in process.

[1] *Climate change partnerships defined as officially established bilateral relationships on climate change.*

I/P #8: SCIENCE AND TECHNOLOGY COOPERATION

Indicator #7: Status of Science and Technology Agreements

JUSTIFICATION (VALIDATION): Science and Technology (S&T) collaboration supports technological advances that create key conditions for sustainable development and improved environmental protection.

FY 2005 PERFORMANCE

Target	1. Develop new partnerships with Central Asia and Central America. 2. Renew partnerships with Brazil, Argentina. 3. Significant implementation of new partnerships in North Africa and South Asia. 4. Significantly advance U.S. science agenda in international forums, such as United Nations Educational, Scientific and Cultural Organization (UNESCO), OECD, APEC and G-8. 5. Streamline processes for negotiating S&T agreements and subsidiary arrangements.
Results	1. New partnerships: Central Asia S&T cooperation agreement with Kazakhstan expired in 2000; we are now exploring possible renewal or standalone projects. In Europe, agreement negotiations with Ukraine were proposed, but have not yet begun. In Central America, there were no new framework S&T cooperation agreements, but there was one significant project with Caribbean partners on tsunami and other natural hazard warning/mitigation. 2. The U.S.-Brazil S&T agreement is up for renewal in 2006. The U.S.-Argentina S&T agreement is up for renewal in 2007. There was activity under both agreements and a strong intent to renew. 3. In North Africa, there was very strong progress. The Tunisia S&T cooperation agreement was signed in 2004 and there was growing activity during 2005. The Algeria and Morocco S&T agreements were finalized and are now ready for signature. There have been discussions with Libyan officials about potential areas for S&T cooperation once diplomatic relations are reestablished. Bilateral cooperation discussions with all four countries have included areas for regional collaborations. In South Asia, Pakistan shared funding for a range of S&T cooperation projects under the 2004 S&T agreement. This has been so successful in 2004-05 that funding will be expanded (U.S. funding administration will shift from State/OES to USAID in FY 2006). In India, a S&T cooperation agreement was signed and many areas of cooperation are projected. Regional tsunami warning and mitigation projects and either underway or planned. 4. International fora: The OECD Committee on Science and Technology Policy emphasized energy efficiency, science education, and sustainable development technologies. There was major U.S. participation in the UNESCO Science Committee and APEC Science Ministerial. Recent G-8 themes have emphasized sustainable development and climate change science. 5. There were no major changes in the processes of negotiating S&T agreements. Streamlining has occurred in the U.S. Government interagency coordination and clearance process, as the number of agreements and partner countries has grown.
Rating	On Target
Impact	The results cited above are the building blocks of the promotion of international S&T cooperation. The steadily increasing quantity and intensity of US collaborations in S&T with international partners has benefited the U.S. Government technical community, used the influence of US dominance in S&T to gain support for US interests and positions internationally, and strengthened US trade in an increasingly knowledge-based global economy.

PERFORMANCE DATA

Data Source	Status of S&T agreements, U.S. Government technical agency collaborations, and multilateral S&T projects are derived from Science and Technology Cooperation officers in the State Department and in overseas embassies. See *www.state.gov/g/oes/stc* for more information.
Data Quality (Verification)	Confidence in data quality and reliability is high, since source data are reviewed by a number of different international organizations and are widely published and disseminated.

Continued on next page

I/P #8: SCIENCE AND TECHNOLOGY COOPERATION *(continued)*

Indicator #7: *(continued)*

PAST PERFORMANCE	**2004**	1. Biannual report to Congress on U.S.-China S&T cooperation delayed due to incomplete data from U.S. Government agencies; final submissions received September; will form the basis for policy review second or third quarter FY 2005. 2. One new S&T agreement negotiated: Tunisia, June 22, 2004. Five S&T agreements renewed. Sixteen S&T agreements under negotiation (C-175 Authority obtained), includes Algeria and Morocco. Twelve S&T agreements planned (no C-175 Authority, in clearance, or being drafted).
	2003	1. Established new S&T agreements in Bangladesh, Pakistan, and the Philippines. 2. Renewed Ukraine S&T Agreement for 1 year to allow time to negotiate a new 5-year agreement. 3. Conducted S&T assessments in Maghreb (Morocco, Algeria, and Tunisia). 4. Initiated S&T dialogue with Baltic States (Estonia, Latvia, and Lithuania), Kazakhstan, Norway, and Switzerland. 5. Expanded S&T relationships under existing agreements with Italy, Japan, South Korea, and Vietnam by adding new topics and partnerships. 6. Achieved record levels for Embassy Science Fellows Program. 7. Agreements with several additional states stalled due to lengthy negotiation over IPR negotiations, liability, and taxation issues.
	2002	Policy review was conducted of the S&T activities under the U.S.-China S&T agreement.

PERFORMANCE GOAL 3

BROADER ACCESS TO QUALITY EDUCATION WITH EMPHASIS ON PRIMARY SCHOOL COMPLETION

The U.S. Agency for International Development is reporting results for this goal.

PERFORMANCE GOAL 4

EFFECTIVE AND HUMANE MIGRATION POLICIES AND SYSTEMS

I/P #9: EFFECTIVE AND HUMANE MIGRATION POLICIES AND SYSTEMS

Indicator #1: Percentage of Initiatives Agreed Upon at Regional Migration Dialogues that are Implemented

JUSTIFICATION (VALIDATION): Tracking the number of activities implemented under the auspices of migration dialogues is a good indicator because it is the most quantifiable measure of governments' political financial commitment to the success of these dialogues.

FY 2005 PERFORMANCE	**Target**	Seventy percent of activities agreed to in the Regional Conference on Migration in North and Central America (RCM) are implemented.
	Results	Approximately 80% (17 of 21) activities agreed to by RCM member states have been implemented or are in the process of implementation in FY 2005. Nearly 100% of the activities agreed upon by members of the Intergovernmental Consultations on Asylum, Refugee and Migration Policies in Europe, North America and Australia have been implemented or are in the process of implementation.
	Rating	On Target
	Impact	An increased number of governments committed to pursuing regional migration dialogues helps pave the way for humane and effective migration regimes for the 150 million migrants in the world today.
PERFORMANCE DATA	**Data Source**	The Department's Bureau of Population, Refugees, and Migration is the only U.S. Government entity to track the activities implemented under the migration dialogues.
	Data Quality (Verification)	The Bureau participates in migration dialogues, and tracks the implementation of follow-on activities. Results reported in 2004 and 2005 correspond to specific migration dialogues rather than the aggregate, which the indicator targets. For example, 80% of activities agreed to at the RCM were implemented, but that percentage does not reflect activities agreed to in other migration dialogues such as the South American Conference on Migration. Some regional dialogues are more productive than others. The targets for FY 2006 and FY 2007 include nascent dialogues (such as the West Africa Regional Consultative Process) that should become increasingly productive.
PAST PERFORMANCE	**2004**	Over 90% of the activities agreed upon by members of the Intergovernmental Consultations on Asylum, Refugee and Migration Policies in Europe, North America and Australia have been implemented. Over 75% of the activities agreed by Regional Conference on Migration in North and Central America member states have been implemented. Shorter-term activities were conducted in a reasonable timeframe, while implementation of longer-term initiatives is underway. While the activities of more nascent regional dialogues are difficult to quantify, considerable progress is being made in establishing these fora and developing specific goals and activities of the groups.
	2003	**Baseline:** Approximately 75% of the activities agreed upon in the RCM, the IGC, and the Southern African dialogues were implemented.
	2002	N/A

Migration and Anti-Trafficking

In FY 2005, the Department continued to support a successful U.S. Government-funded anti-trafficking project in Ghana. The project identifies, returns and assists children trafficked to work in fisheries in Ghana's Upper Volta and Central regions. Activities include documentation, counseling, transportation, family tracing and reunification, as well as activities to facilitate the reintegration of the returned children. The International Organization for Migration (IOM) implements this project, and has assisted several hundred Ghanaian children over the past two years. This IOM project is a stellar example of community efforts to stop the trafficking cycle and rehabilitate child victims.

State Department Photo

STRATEGIC OBJECTIVE #2: ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS

STRATEGIC GOAL 10: HUMANITARIAN RESPONSE

Minimize the human costs of displacement, conflicts, and natural disasters

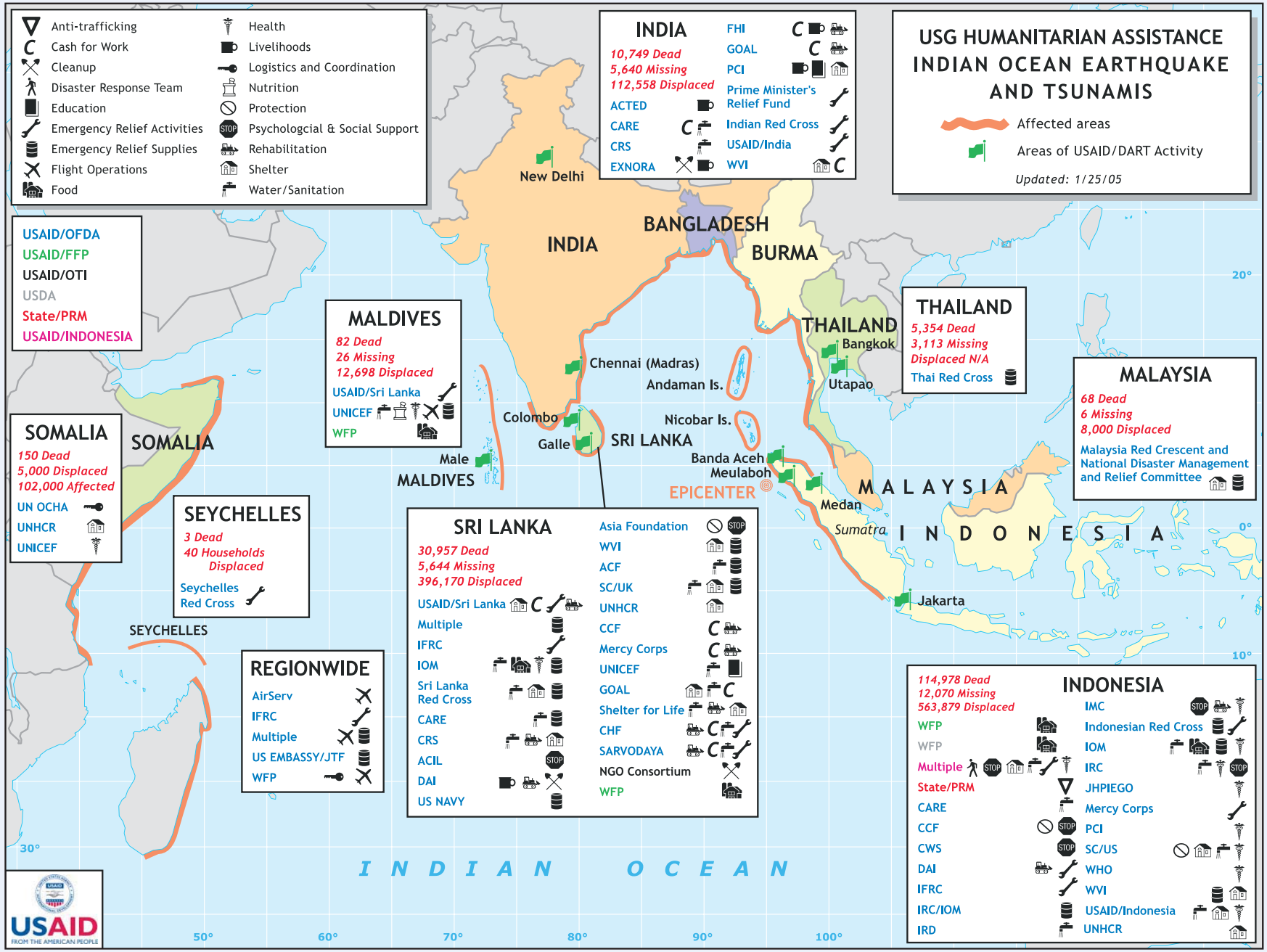
I. Public Benefit

The United States' commitment to humanitarian response demonstrates America's compassion for victims of armed conflict, landmines, forced migration, human rights violations, widespread health and food insecurity, and other threats. The strength of this commitment derives from both our compassion and our responsibility as a global leader. The U.S. Government's response to natural and human-made disasters around the world complements our efforts to promote democracy and human rights. In addition to saving lives and alleviating human suffering, humanitarian programs support the objectives of the U.S. National Security Strategy by addressing crises with potential regional (or even global) implications, fostering peace and stability, and promoting sustainable development and infrastructure revitalization.

The Department of State leads international efforts to prevent and respond to humanitarian crises. We provide substantial resources and guidance, channeled through international and nongovernmental organizations for worldwide humanitarian programs, to save lives and minimize suffering in the midst of crises, increase security, promote responsibility-sharing, and coordinate funding and implementation strategies. The Department actively participates in the multilateral response to humanitarian crises and regularly monitors and evaluates humanitarian programs to ensure that the needs of refugees, internally displaced persons (IDPs), and other victims of conflict or natural disasters are met. Our financial support for demining activities makes areas safe for the return of refugees and IDPs. The Department's management and support of overseas refugee admissions programs provide an important durable solution for refugees, and serve as a leading model for other resettlement countries. The United States leadership and humanitarian support to disasters and complex emergencies provides a positive standard for the donor community and hope for a better future for the people suffering as a result of natural or human-made disasters.

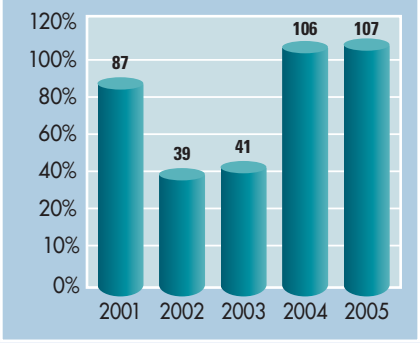
Trucks carry U.S. humanitarian aid through the Libyan desert on a 2,800 kilometer journey to refugee camps in Chad.

State Department Photo

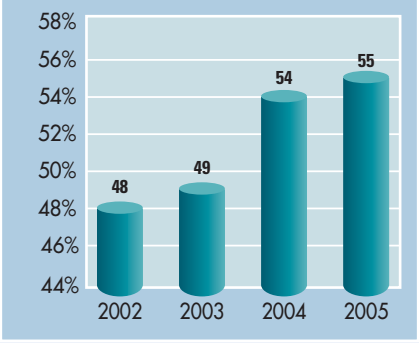

Anti-trafficking
Cash for Work
Cleanup
Disaster Response Team
Education
Emergency Relief Activities
Emergency Relief Supplies
Flight Operations
Food
Health
Livelihoods
Logistics and Coordination
Nutrition
Protection
Psychologcial & Social Support
Rehabilitation
Shelter
Water/Sanitation
USAID/OFDA
USAID/FFP
USAID/OTI
USDA
State/PRM
USAID/INDONESIA
INDIA
10,749 Dead
5,640 Missing
112,558 Displaced
ACTED
CARE
CRS
EXNORA
FHI
GOAL
PCI
Prime Minister's Relief Fund
Indian Red Cross
USAID/India
WVI
USG HUMANITARIAN ASSISTANCE
INDIAN OCEAN EARTHQUAKE AND TSUNAMIS
Affected areas
Areas of USAID/DART Activity
Updated: 1/25/05
New Delhi
INDIA
BANGLADESH
BURMA
THAILAND
Bangkok
Utapao
THAILAND
5,354 Dead
3,113 Missing
Displaced N/A
Thai Red Cross
MALDIVES
82 Dead
26 Missing
12,698 Displaced
USAID/Sri Lanka
UNICEF
WFP
Chennai (Madras)
Andaman Is.
Nicobar Is.
Colombo
Galle
SRI LANKA
Male
MALDIVES
Banda Aceh
Meulaboh
EPICENTER
Medan
Sumatra
MALAYSIA
INDONESIA
MALAYSIA
68 Dead
6 Missing
8,000 Displaced
Malaysia Red Crescent and National Disaster Management and Relief Committee
SOMALIA
150 Dead
5,000 Displaced
102,000 Affected
UN OCHA
UNHCR
UNICEF
SOMALIA
SEYCHELLES
3 Dead
40 Households Displaced
Seychelles Red Cross
SEYCHELLES
SRI LANKA
30,957 Dead
5,644 Missing
396,170 Displaced
USAID/Sri Lanka
Multiple
IFRC
IOM
Sri Lanka Red Cross
CARE
CRS
ACIL
DAI
US NAVY
Asia Foundation
WVI
ACF
SC/UK
UNHCR
CCF
Mercy Corps
UNICEF
GOAL
Shelter for Life
CHF
SARVODAYA
NGO Consortium
WFP
REGIONWIDE
AirServ
IFRC
Multiple
US EMBASSY/JTF
WFP
Jakarta
INDONESIA
114,978 Dead
12,070 Missing
563,879 Displaced
WFP
WFP
Multiple
State/PRM
CARE
CCF
CWS
DAI
IFRC
IRC/IOM
IRD
IMC
Indonesian Red Cross
IOM
IRC
JHPIEGO
Mercy Corps
PCI
SC/US
WHO
WVI
USAID/Indonesia
UNHCR
INDIAN OCEAN
20°
10°
0°
30°
50°
60°
70°
80°
90°
100°
USAID
FROM THE AMERICAN PEOPLE

II. Selected Performance Trends

Refugees Resettled in the U.S. as a Percentage of the Regional Ceilings Established by Presidential Determination



Non-U.S. Contributions to the World Food Program



Cost Per Refugee Arrival in the United States

III. Strategic Context

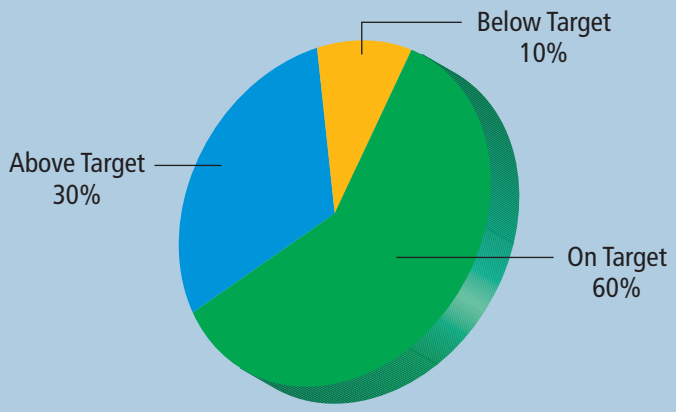
This strategic goal is supported by two performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Humanitarian Response	Assistance for Refugees and Other Victims	Refugee Assistance	MRA, ERMA	PRM	UNHCR, UNRWA, ICRC, IOM, other international and nongovernmental organizations, USAID
		Protection	MRA, ERMA	PRM	UNHCR, UNRWA, ICRC, IOM, other international and nongovernmental organizations, USAID
		Refugee Admissions to the United States	MRA, ERMA	PRM	DHS, HHS, UNHCR, IOM, NGOs
		Humanitarian Demining	NADR	PM	DoD, USAID, NGOs, the UN and other international organizations and donor states
		World Food Program Donor Base	D&CP, IO&P, MRA, ERMA	IO & PRM	USAID, WFP, other WFP donors
		Partner Accountability	MRA, ERMA	PRM	UNHCR, UNRWA, ICRC, IOM, other international and nongovernmental organizations
	Disaster Prevention and Response Through Capacity Building	Accomplishment of this performance goal is the responsibility of USAID, and is therefore not reported in the Department of State's FY 2005 Performance Plan.			

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Humanitarian Response strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION	
Significantly Above Target	0
Above Target	3
On Target	6
Below Target	1
Significantly Below Target	0
Total Number of Ratings	**10**

V. Performance Analysis

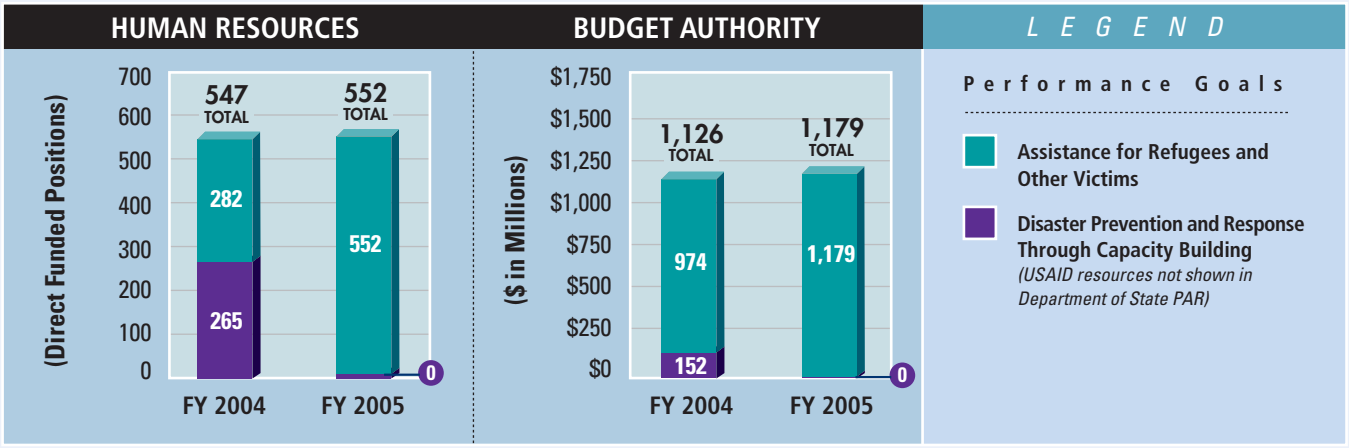
PERFORMANCE TRENDS. Three significant performance trends in the area of Humanitarian Response are worthy of note: (1) administrative and program management costs have declined over a four-year period; (2) the range and impact of the Department's response to crises and disasters has increased – for example, in FY 2005, the Department assisted refugees, asylum seekers, and displaced persons in dozens of countries worldwide; and (3) inter-agency and international cooperation have increased, as evidenced by the unprecedented scale and complexity of the Indian Ocean Tsunami relief and reconstruction program.

OUTCOME-LEVEL RESULTS. The Department made demonstrable progress toward high-level outcomes such as assisting and protecting refugees, carrying out humanitarian demining operations, and responding to humanitarian crises. All of the programs in these areas performed at or above target in FY 2005, with the exception of our efforts to prevent global acute malnutrition, which was rated below target.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. There were no results significantly above or below target, although the Department continues to face challenges in reducing crude mortality rates and improving the nutritional status of children in complex humanitarian emergencies. The Department alone cannot affect these outcomes and works in close partnership with host governments, other U.S. Government agencies, international organizations and non-governmental organizations to achieve the desired outcomes.

RESOURCES INVESTED. Although performance has improved in Humanitarian Response, funding levels for some activities have declined. For example, funding for migration and refugee assistance, which is provided to international organizations such as the UN High Commissioner for Refugees (UNHCR) and the International Committee of the Red Cross (ICRC), declined by 2% from $780 million to $763 million.

VI. Resources Invested



The Tsunami

A devastating, 9.0 magnitude earthquake off the west coast of Northern Sumatra triggered massive tsunamis which caused catastrophic damage and flooding in many countries in South and Southeast Asia on December 26th, 2004. In May 2005, President Bush signed a supplemental budget bill that included $857 million to support relief, rehabilitation and reconstruction in tsunami-affected countries and to reimburse U.S. Government relief efforts. These funds are directed towards a wide array of activities, such as the provision of food, water, and relief supplies; cash-for-work cleanup programs; construction of emergency shelters; and provision of sanitation, medical necessities, child protection and psychosocial trauma support. Local infrastructure rebuilding is being carried out through block grants, involving the diverse elements within communities in planning and decision-making for local investments. U.S. Government infrastructure programs are helping countries to build back better, improving the construction standards for homes, roads and public buildings and ensuring access for disabled populations to public buildings reconstructed with U.S. Government funding.

Thai monks sit in front of the flags of Tsunami victims' countries during the memorial service for Tsunami victims at a stadium in the worst-hit Southern province of Phang Nga, Thailand. January, 2005. AP/Wide World Photo

VII. Performance Results

PERFORMANCE GOAL 1

EFFECTIVE PROTECTION, ASSISTANCE, AND DURABLE SOLUTIONS FOR REFUGEES, INTERNALLY DISPLACED PERSONS, AND CONFLICT VICTIMS

INITIATIVE/PROGRAM (I/P) #1: REFUGEE ASSISTANCE

Indicator #1: Crude Mortality Rates (CMR)

JUSTIFICATION (VALIDATION): The crude mortality rate is the mortality rate from all causes of death for a defined population. It is an accepted indicator of the extent to which the international community is meeting minimum standards of care (see *www.sphereproject.org*) and by extension the overall impact and performance of the international relief system (*www.smartindicators.org*). Criteria developed by UNHCR and the Sphere Project establish regional CMR thresholds for emergency response based on long-term CMR data in these areas.

FY 2005 PERFORMANCE	**Target**	Complex humanitarian emergencies do not exceed a CMR of 1/10,000 people/day. Support efforts to improve data collection, e.g., expand pilot data collection effort to other countries and partner organizations, and to take other measures to address any problems of excess mortality.
	Results	1. Where data are available, CMR does not exceed regional emergency thresholds in over 98% of targeted refugee sites. In FY 2005, CMR was reported above the regional emergency threshold in four sites (three in Chad and one in Kenya) out of over 225 refugee camps and settlements worldwide. There has been a decline in CMR among Sudanese refugees from Darfur, although it remains an issue of concern in selected sites in Chad. 2. The Complex Emergencies Database (CE-DAT) is operational and contains data on mortality, nutritional status, morbidity and vaccination coverage for sixteen pilot countries. It is expanding data coverage and improving its online interface.
	Rating	On Target
	Impact	The Department's contributions to international humanitarian efforts saved refugee lives, as indicated by CMR below emergency thresholds. In a few cases, CMR exceeded emergency thresholds. In complex humanitarian crises, this is typically due to high rates of malnutrition, outbreaks of disease, and in some cases, insecurity in refugee camps and settlements. In some Sudanese refugee camps in Chad, for example, severe acute malnutrition (including Kwashiorkor) and outbreaks of Hepatitis E caused deaths at a rate that exceeded acceptable levels. In these cases, the Department will target funding and programming to address these major causes of death and bolster health and nutrition services.
PERFORMANCE DATA	**Data Source**	Reports from Complex Emergencies Database, WHO, UN Office for the Coordination of Humanitarian Affairs (UNOCHA), WFP, UNHCR, and non-governmental organizations. Bureau of Population, Refugees, and Migration (PRM) program officers in Washington and refugee coordinators in the field collect data from these sources.
	Data Quality (Verification)	The Department actively monitors Crude Mortality Rates reported by UNHCR, the International Committee of the Red Cross (ICRC), and other international and non-governmental organizations. Refugee coordinators and program specialists monitor performance in the field and through regular consultations with partners in Washington and Geneva. The Complex Emergencies Database provides accessible, high quality data in an increasing number of countries, as well as information regarding the methodology, accuracy and reliability of the data reported.
PAST PERFORMANCE	**2004**	In June 2004, CMR exceeded 2/10,000/day among Sudanese refugees in Chad. The Center for Research on the Epidemiology of Disasters has created an online Complex Emergencies Database to track data on CMR and nutritional status.
	2003	Available data from partners and refugee coordinators shows that CMR did not exceed 1/10,000 people/day in refugee populations targeted by PRM.
	2002	Where data were available, refugee crisis did not exceed a CMR of 1/10,000 people/day. State/PRM and USAID developed tools and conducted a training workshop to measure and track CMR and under-five child nutritional status under the Standardized Monitoring and Assessment of Relief and Transitions initiative.

I/P #1: REFUGEE ASSISTANCE *(continued)*

Indicator #2: Nutritional Status of Children Under 5 Years of Age

JUSTIFICATION (VALIDATION): Nutritional status is a basic indicator for assessing the severity of humanitarian crisis, together with Crude Mortality Rate. In emergencies, weight loss among children 6-59 months is used as a proxy indicator for the general health and well being of the entire community. Global acute malnutrition (GAM) is the term used to include all malnourished children whether they have moderate wasting, severe wasting or edema, or some combination of these conditions. GAM is defined as weight-for-height ratios that are less than 2 standard deviations below the mean (Z score of less than -2), or less than 80% median weight-for-height, or the presence of nutritional edema. (See *www.sphereproject.org*)

FY 2005 PERFORMANCE	**Target**	In complex humanitarian emergencies, less than 10 percent of children under five suffer from global acute malnutrition.
	Results	In 7% of targeted sites (16 sites out of over 225 refugee camps and settlements worldwide), more than 10% of children under age five suffered from global acute malnutrition. During FY 2005, GAM rates exceeded 10 percent in eleven camps in Chad, seven camps in Ethiopia, and one camp in the Central African Republic. For example, GAM rates among Sudanese refugees in Chad have declined since FY 2004; however, they remain at serious levels (around 15%), according to May 2005 surveys. The Department is working with UNHCR and other international and nongovernmental organizations to ensure that less than 10% of children under age five suffer from global acute malnutrition in refugee camps.
	Rating	Below Target
	Impact	Elevated rates of GAM directly contribute to increased rates of morbidity and mortality in children under five years of age. Malnutrition may also threaten refugee protection in terms of camp security, vulnerability to exploitation, and in extreme cases, involuntary return.
	Reason for Shortfall	1. Inadequate resources for the World Food Program's (WFP) refugee feeding operations frequently result in reduced food rations or pipeline breaks. 2. Malnutrition may be endemic in refugee hosting communities, where food security, water, sanitation and health conditions are poor; an influx of refugees may strain existing coping mechanisms and resources. 3. The natural/environmental conditions of refugee sites may pose logistical challenges to relief agencies in providing food and other basic services (as in Chad).
	Steps to Improve	1. Work with WFP, UNHCR, and non-governmental partners to develop an urgent and coordinated emergency response to reduce GAM to below 10 percent in all refugee sites. 2. Prioritize funding therapeutic and supplementary feeding, as well as other health and nutrition programs in refugee sites where GAM exceeds acceptable levels. 3. Address urgent food pipeline breaks through cash contributions to WFP's refugee operations. 4. Work with other donors to increase support to WFP and address the global food shortfall. 5. Work with host governments and development actors to improve food security over the long-term.
PERFORMANCE DATA	**Data Source**	Reports from CE-DAT, WHO, UNOCHA, WFP, UNHCR, and nongovernmental organizations.
	Data Quality (Verification)	CE-DAT provides information regarding the methodology, accuracy and reliability of the data reported. PRM routinely monitors the nutrition surveillance and feeding programs of international and non-governmental organizations through refugee coordinators in the field and specialists based in Washington and Geneva.
PAST PERFORMANCE	**2004**	In 8% of targeted sites (20 sites out of over 225 refugee camps and settlements worldwide), more than 10% of children under age five suffered from global acute malnutrition. For example, in June 2004, surveys conducted by the Centers for Disease Control and Prevention found that 36-39% of children under age five, among Sudanese refugees in Chad, suffered from global acute malnutrition. The Department and USAID continued supporting new tools/measures to improve data collection and reporting on nutritional status.
	2003	**Baseline:** 1. In humanitarian crises where Department funds were provided, at least 90% of children under age five had weight-for-height ratios that were greater than or equal to 2 standard deviations below the mean (Z score of greater than or equal to 2), or greater than 80 percent median weight-for-height, and an absence of nutritional edema. 2. Kakuma refugee camp in Kenya was one exception where slightly less than 90% of children under age five had weight-for-height ratios that were greater than or equal to 2 standard deviations below the mean (Z score of greater than or equal to 2), or greater than 80 percent median weight-for-height, and an absence of nutritional edema. An anthropometric survey of Kakuma camp by the International Rescue Committee in January 2003 found that 12.5 percent of Somali Bantu children and 14.3 percent of other children under age five suffered from acute malnutrition. 3. PRM and USAID continued to support the development of tools and measures to improve data collection and reporting on nutritional status.
	2002	N/A

I/P #2: PROTECTION

Indicator #3: Percentage of Partners Receiving Funding That Have Adopted a Code of Conduct That Contains All of the Internationally Accepted "Common Elements" To Protect Against Exploitation of Beneficiaries

JUSTIFICATION (VALIDATION): Adoption of standard codes of conduct for protection represents partners' commitment to eradicate exploitation, and can help spur awareness of protection issues among all staff. The U.S. Government believes that implementing codes of conduct is an important step toward promoting a universal protection mandate for refugees and vulnerable populations.

FY 2005 PERFORMANCE	Target	100% of all overseas partners have instituted codes of conduct, 100% have developed awareness training, 100% have implemented reporting and follow-up mechanisms, and 90% of investigations are launched within 60 days of a case report of exploitation.
	Results	100% of all overseas partners have instituted codes of conduct, 100% have developed awareness training, 100% have implemented reporting and follow up mechanisms and corrective actions are taken in response to case reports.
	Rating	On Target
	Impact	Humanitarian partner organizations improve institutional efforts to prevent and respond to exploitation. Protection of refugees and other vulnerable populations is improved as the threat of exploitation in humanitarian operations is reduced.
PERFORMANCE DATA	Data Source	Codes of Conduct and reporting on anti-exploitation mechanisms submitted to PRM by NGO partners and shared by international organizations.
	Data Quality (Verification)	PRM tracks codes of conduct and their implementation by partner organizations through monitoring at headquarters and in the field.
PAST PERFORMANCE	2004	All of PRM's NGO partners operating overseas are required to sign codes of conduct in order to receive funding. All international organizations have adopted the Inter Agency Standing Committee common elements in developing codes of conduct.
	2003	All of PRM's NGO partners operating overseas are required to sign codes of conduct in order to receive funding. All international organizations have adopted the Inter Agency Standing Committee common elements in developing codes of conduct.
	2002	PRM did not have monitoring mechanisms in place in FY 2002. This indicator was established to take effect in FY 2003.

I/P #3: REFUGEE ADMISSIONS TO THE U.S. (PART PROGRAM)

Indicator #4: Refugees Resettled in the U.S., as a Percentage of the Ceiling[1]

JUSTIFICATION (VALIDATION): This indicator measures the effectiveness of the refugee admissions program overall. To the extent that the Bureau of Population, Refugees and Migration (PRM) has control of the process, it also measures PRM's performance in managing the program.

FY 2005 PERFORMANCE	Target	100% of the regionally allocated ceiling of 50,000 refugees. This number is set by the President for each fiscal year.
	Results	107% of the regionally allocated ceiling of 50,000 refugees (53,813) have been resettled to the U.S. as of September 30, 2005.
	Rating	Above Target
	Impact	Refugees and their families achieved a durable solution and started new lives in communities across the United States.
PERFORMANCE DATA	Data Source	The Department's Refugee Processing Center collects data on refugee arrivals in the U.S.
	Data Quality (Verification)	The Department's Refugee Processing Center collects, records, and analyzes data on refugee admissions to the United States using the Worldwide Refugee Admissions Processing System (WRAPS).
PAST PERFORMANCE	2004	106%. 52,868 refugees were resettled in the U.S., surpassing the allocated ceiling of 50,000.
	2003	Out of a ceiling of 70,000 refugees, 28,422 (or 41%) were resettled.
	2002	Out of an allocated ceiling of 70,000 refugees, 27,113 were resettled. This number was significantly affected by developments since the events of 9/11.

[1] *The ceiling is established by Presidential determination each year through consultations with voluntary agencies, Congress, the Department of Homeland Security, and the Department of Health and Human Services.*

Indicator #5: Square meters of Land Cleared in U.S. Program Countries (PART Program)

NOTE: This indicator has been deleted. Please see Appendix for details

I/P #4: HUMANITARIAN DEMINING

Indicator #6: Countries Reaching Sustainment of End State/Cumulative Budget Authority

JUSTIFICATION (VALIDATION): The Department oversees bilateral humanitarian mine action programs worldwide by supporting national programs through strategic planning, capacity development, mine action training, victim's assistance and mine risk education. This indicator captures the total level of national programs that have been assisted and graduated to either self-sustainment or attainment of mine impact-free status compared against the total mine action budget of the U.S. Department of State Humanitarian Mine Action program.

FY 2005 PERFORMANCE	**Target**	1. 15 countries/$442 million. 2. Measure: 3.4 . This target has been revised. Please see Appendix for details.
	Results	1. 16 countries/$442 million. 2. Measure: 3.6.
	Rating	Above Target
	Impact	Accelerates strategic objective to graduate mine-affected countries to either self-sustainment or attainment of mine impact-free status
PERFORMANCE DATA	**Data Source**	Department reporting from nation-partners, implementing partners, and U.S. Embassies of the successful completion of host-nation strategic and national objectives.
	Data Quality (Verification)	The Department of State oversees humanitarian mine action programs worldwide and works with national partners and implementing partners to track levels of self-sustainment and the attainment of mine impact-free status.
PAST PERFORMANCE	**2004**	1. 14 countries/$373 million. 2. Measure: 3.8.
	2003	1. 12 countries/$328 million. 2. Measure: 3.7.
	2002	1. 9 countries/$258 million. 2. Measure: 3.4.

Burundi Repatriation

The Department continues to support the voluntary repatriation of Burundi refugees, who fled to surrounding countries during sporadic violence over the past 35 years. More than 250,000 Burundi refugees have returned since the UN's voluntary repatriation program started from Tanzania in March 2002, and the UN plans to help another 50,000 more return before the end of 2005. Repatriation assistance includes transport from refugee camps to refugees' home villages, as well as three months of food rations, and basic supplies like plastic sheeting, buckets, pots, tools, and soap. Some 238,000 Burundi refugees remain in Tanzanian camps.

Burundi refugee women load luggage onto transport trucks in preparation for a convoy to depart for their home country, May 2005.
State Department Photo

I/P #5: WORLD FOOD PROGRAM DONOR BASE

Indicator #7: Percentage of Non-U.S. Donors to the World Food Program (WFP)

JUSTIFICATION (VALIDATION): The effectiveness of multilateral organizations can be compromised by over-reliance on contributions from a single donor. More contributors and greater contributions from existing contributors are needed to keep WFP's crisis response capacity at its current level. WFP operates on a calendar year, while the U.S. Government operates on a fiscal year.

FY 2005 PERFORMANCE	**Target**	1. WFP has sufficient funds to carry out its work, with contributions from many donor countries and the private sector. 2. Number of donors to WFP increased by three, and non-U.S. contributions increased to more than 50% of total.
	Results	As of September 26, 2005, there were four new donors: Azerbaijan, Liechtenstein, Namibia, and Trinidad and Tobago. As of September 26, 2005, WFP had received $2.08 billion in contributions, of which $934 million were from the United States. Non-U.S. Government contributions were 55% of total contributions.
	Rating	Above Target
	Impact	Contributions to WFP enable it to provide both emergency and development food aid to people in need.
PERFORMANCE DATA	**Data Source**	Documents prepared by WFP for the Executive Board's annual session and available on WFP's website.
	Data Quality (Verification)	The performance indicator can be easily tracked and verified through WFP's accounting, which is available to the Department.
PAST PERFORMANCE	**2004**	As of October 4, 2004, there were seven new donors: Madagascar, Guatemala, Ecuador, United Arab Emirates, Iran, Pakistan, and Zimbabwe. As of October 4, 2004, WFP had received $1.562 billion in contributions, of which $718 million were from the United States. Non-U.S. Government contributions were 54% of total contributions.
	2003	As of September 22, 2003, WFP had nine new donors: Cameroon, El Salvador, Greece, Kuwait, Malta, Marshall Islands, Qatar, Russia, and Vietnam. As of September 22, 2003, non-U.S. Government contributions to WFP totaled $877 million, compared to $871 million as of December 31, 2002 (an increase of 0.7%).
	2002	**Baseline:** Of the $1.8 billion, U.S. contributions were 52% and non-U.S. Government contributions were 48%.

Humanitarian Mine Actions

In FY 2005, approximately 22 mine-affected countries in the U.S. Humanitarian Demining Program received assistance to clear land and infrastructure of dangerous mines. This assistance helped restore food production, livelihoods, key transportation corridors, and most importantly, a sense of public safety. These countries also witnessed the safe return of tens of thousands of refugees and internally displaced persons. In many countries, mine action also served as a vital tool of engagement, supporting peace-building initiatives and demonstrating U.S. resolve to protect victims of conflict. In 2005, thousands of victims of landmines and other war-associated injuries continued to regain their ability to participate in social and economic activities as a result of physical rehabilitation and other forms of assistance in many countries, including Afghanistan, Angola, Cambodia, Laos, and Vietnam.

U.S Ambassador William Wood watches two soldiers test mine detectors donated by the U.S. Government during a ceremony in Bogota, Colombia, October, 2004. AP/Wide World Photo

I/P #6: PARTNER ACCOUNTABILITY

Indicator #8: Percentage of International Organization and NGO Partners That Take Corrective Action Within One Year of Receiving "Critical Recommendations" in Financial Audits

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): Financial transparency is essential to ensuring responsible programming and effective oversight.

FY 2005 PERFORMANCE	**Target**	95% of PRM's overseas partners have taken corrective action in response to any "critical recommendations" in financial audits conducted of their organizations.
	Results	95% of PRM's overseas partners have taken corrective action in response to any "critical recommendations" in financial audits conducted of their organizations.
	Rating	On Target
	Impact	Partner organizations demonstrate a commitment to accountability and to improving their financial performance on behalf of beneficiaries and taxpayers. The U.S. Government has confidence that its resources for humanitarian response are being used wisely and responsibly.
PERFORMANCE DATA	**Data Source**	Financial audit reports of the Department's partner organizations.
	Data Quality (Verification)	Periodic external audits are conducted on all PRM's NGO and non-UN international partners (e.g., ICRC and IOM). Data on states, local governments, and non-profit organizations comes from OMB A-133 audits. UN organizations are audited by the UN Board of Auditors.
PAST PERFORMANCE	**2004**	95% of our partners have taken corrective action in response to any "critical recommendations" in financial audits conducted of their organizations.
	2003	95% of our partners have taken corrective action in response to any "critical recommendations" in financial audits conducted of their organizations.
	2002	N/A

UN HIGH COMMISSIONER FOR REFUGEES (PART PROGRAM EFFICIENCY MEASURE)

Indicator #9: Ratio of Total Value of Non-Expendable Items Procured by Headquarters in One Year to Total Value of Recorded Non-Expendable Property Procured by Headquarters in that Year (Inventory Control)

JUSTIFICATION (VALIDATION): This indicator measures the UN High Commissioner for Refugees' (UNHCR) efficiency of tracking procurements through implementation of its Management Systems Renewal Project (MSRP).

FY 2005 PERFORMANCE	**Target**	Tracking items procured at headquarters, the ratio is 1.5:1.
	Results	Continuing its 2004 performance, UNHCR is on track to achieve its 2005 target; final results will be available after the close of the calendar year.
	Rating	On Target
	Impact	Equipment and supplies (e.g., computers, telecommunications equipment, office supplies) essential for UNHCR's humanitarian response are procured efficiently, increasing the timeliness and performance of response efforts, and generating cost savings that allow greater resources to be spent directly on refugee programs.
PERFORMANCE DATA	**Data Source**	UNHCR calendar year financial statements.
	Data Quality (Verification)	The Department monitors UNHCR's implementation of the Management Systems Renewal Project and tracks its results (including efficiency) as part of the U.S. Government-UNHCR Framework for Cooperation.
PAST PERFORMANCE	**2004**	1.5:1 (Ratio A:B, where A=$2.3m and B=$1.5m).
	2003	1.8:1 (Ratio A:B, where A=$38.7m and B=$21.8m).
	2002	2.4:1 (Ratio A:B, where A=$36.2m and B=$14.8m).

REFUGEE ADMISSIONS TO THE U.S. (PART PROGRAM EFFICIENCY MEASURE)

Indicator #10: Total Average Cost per Refugee Arrival in the U.S.

JUSTIFICATION (VALIDATION): This indicator measures the efficiency of the U.S. Refugee Program overall. Declining per capita costs reflect the Department's efforts to manage the program effectively and in the interests of U.S. taxpayers.

FY 2005 PERFORMANCE	**Target**	$3,700.
	Results	$3,568.
	Rating	On Target
	Impact	Relevant U.S. Government agencies and partner organizations used available resources efficiently to maximize benefits to refugees.
PERFORMANCE DATA	**Data Source**	The Department tracks program costs; the Department's Refugee Processing Center collects data on refugee arrivals in the U.S.
	Data Quality (Verification)	The Bureau's Admissions Office and Comptroller track financial reports from implementing partners. Partners are audited in accordance with OMB Circular A-133 to verify compliance with U.S. Government requirements.
PAST PERFORMANCE	**2004**	$3,500.
	2003	$4,428.
	2002	**Baseline:** $4,445 per refugee in the U.S.

A Look to History: Humanitarian Response

In 1975, a Coordinator for Humanitarian Affairs was established with a small staff in the Deputy Secretary of State's office. By 1977, the function was upgraded to the Bureau of Human Rights and Humanitarian Affairs , an office that grew in stature and influence under the Carter Administration. On March 5, 1977, President Carter nominated Patricia M. Derian to be Coordinator for Humanitarian Affairs. Overall, the bureau improved policy coordination on humanitarian issues such as human rights, refugees, and prisoners of war.

Civilian war refugees from occupied Europe are shown at Fort Ontario, Oswego, NY., August 5, 1944. AP Photo

HUMANITARIAN MIGRANTS TO ISRAEL (PART PROGRAM EFFICIENCY MEASURE)

Indicator #11: Reduction in Time Migrants from the Former Soviet Union Stay at Absorption Centers, Thereby Reducing Cost

JUSTIFICATION (VALIDATION): Humanitarian migrants leave absorption centers when able to secure permanent housing. Leaving absorption centers reflects their ability to make this critical step toward achieving self-sufficiency and integration into Israeli society. Reduction in the amount of time spent in absorption centers represents efficiency in reaching this goal.

FY 2005 PERFORMANCE	**Target**	2% reduction in average cost . Target Average Cost: $6,123.
	Results	The United Israel Appeal reports on a calendar year basis; its report for 2005 is pending.
	Rating	**On Target**
	Impact	Humanitarian Migrants from the former Soviet Union secure housing and take steps to become self-sufficient in a timely way, resulting in time and cost savings. The United Israel Appeal demonstrates program efficiency.
PERFORMANCE DATA	**Data Source**	Reports from the United Israel Appeal, as well as reporting from the Department's staff monitoring visits.
	Data Quality (Verification)	Grant–specific site visits are conducted at least once a year by PRM/Washington staff. PRM's refugee coordinator in Amman also conducts site visits.
PAST PERFORMANCE	**2004**	467 days or $6,248 (a 25% reduction).
	2003	**Baseline:** Average stay is 601 days or $8,041.
	2002	N/A

Indicator #12: Countries Reaching Sustainment of End State/Cumulative Budget Authority

NOTE: This indicator has been combined with Indicator #6 in this section (I/P #5). Please see Appendix for details.

PERFORMANCE GOAL 2

DISASTER PREVENTION AND RESPONSE THROUGH CAPACITY BUILDING

The U.S. Agency for International Development is reporting results for this goal.

STRATEGIC OBJECTIVE #3: PROMOTE INTERNATIONAL UNDERSTANDING

Throughout the world, the public face of the United States generates strong opinions, positive and negative. These public attitudes directly affect our ability to achieve our foreign policy and development assistance objectives. The Department leads the effort to shape these U.S. perceptions by relating this public face to our values as a nation and our history as a people.

U.S. values and interests drive our policies. Moreover, the values we espouse of political and economic freedom and the non-negotiable demands of humanity are increasingly recognized as universal rather than culturally specified. Successful public diplomacy will need to communicate and translate this intersection of values, interests, and policy while listening carefully to international publics. To this end, we must maintain a continuous dialogue, mindful of regional context and cultural traditions, on the substance of U.S. ideals and their relationship to specific policies. Through this dialogue, the Department will work to paint a realistic picture of the United States, one that enables audiences to make informed judgements about our policies, our society, and the relationship of both to their own interests.

STRATEGIC GOAL 11: PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

Increase understanding for American values, policies, and initiatives to create a receptive international environment

I. Public Benefit

The exchange of information, persons, and ideas is fundamental to the security of the United States. Public Diplomacy and Public Affairs functions are premised on the knowledge that public opinion profoundly influences official decision-making almost everywhere in the world today.

The Department's public diplomacy activities promote better appreciation and understanding for American values abroad and greater receptivity for U.S. policies among international publics. Public diplomacy provides a range of capabilities, from rapid turnaround to long term programming directed at improving understanding of and support for U.S. policy, encouraging and empowering moderates, offering productive and attractive alternatives to those who preach violence, and discouraging indoctrination in extremism.

Under Secretary of State for Public Diplomacy and Public Affairs Karen Hughes chats with Turkish children as she gives them books during her visit to Istanbul, Turkey, September, 2005. AP/Wide World Photo

The Department's strategic framework for public diplomacy has three components. First, we will offer a positive vision of hope, rooted in the President's freedom agenda. Second, we will work to isolate and marginalize the extremists and undermine their appropriation of religion. Third, we will foster a sense of common values and common interests between Americans and people of different countries, cultures and faiths.

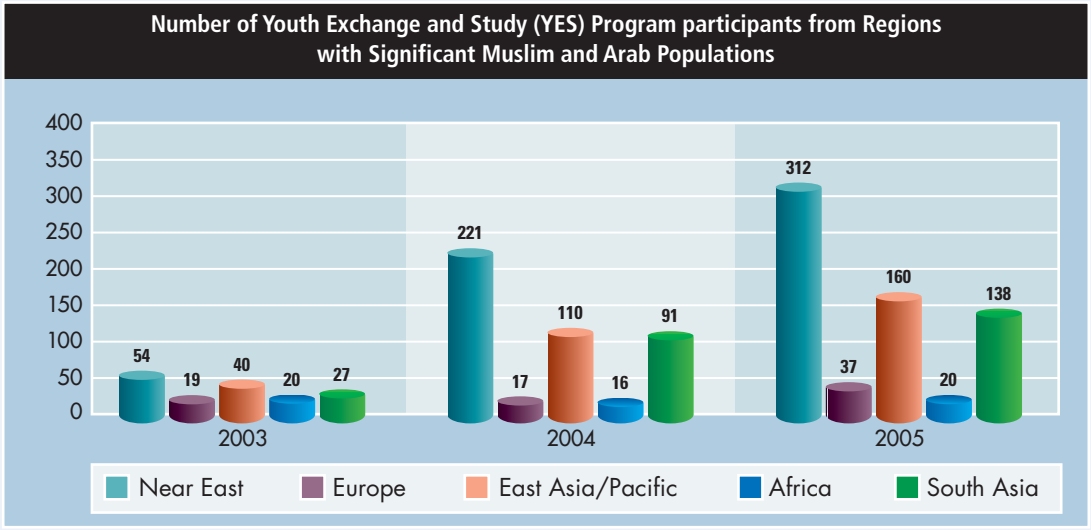
Over the long term, public diplomacy programs build and maintain a foundation of understanding and trust to create positive public opinion about the democratic values and goals of the United States. This wealth of understanding directly supports U.S. approaches to satisfying: universal demands for human dignity; the rule of law; limits on the absolute power of the state; free speech; freedom of worship; equal justice; respect for women; religious and ethnic tolerance; and respect for private property.

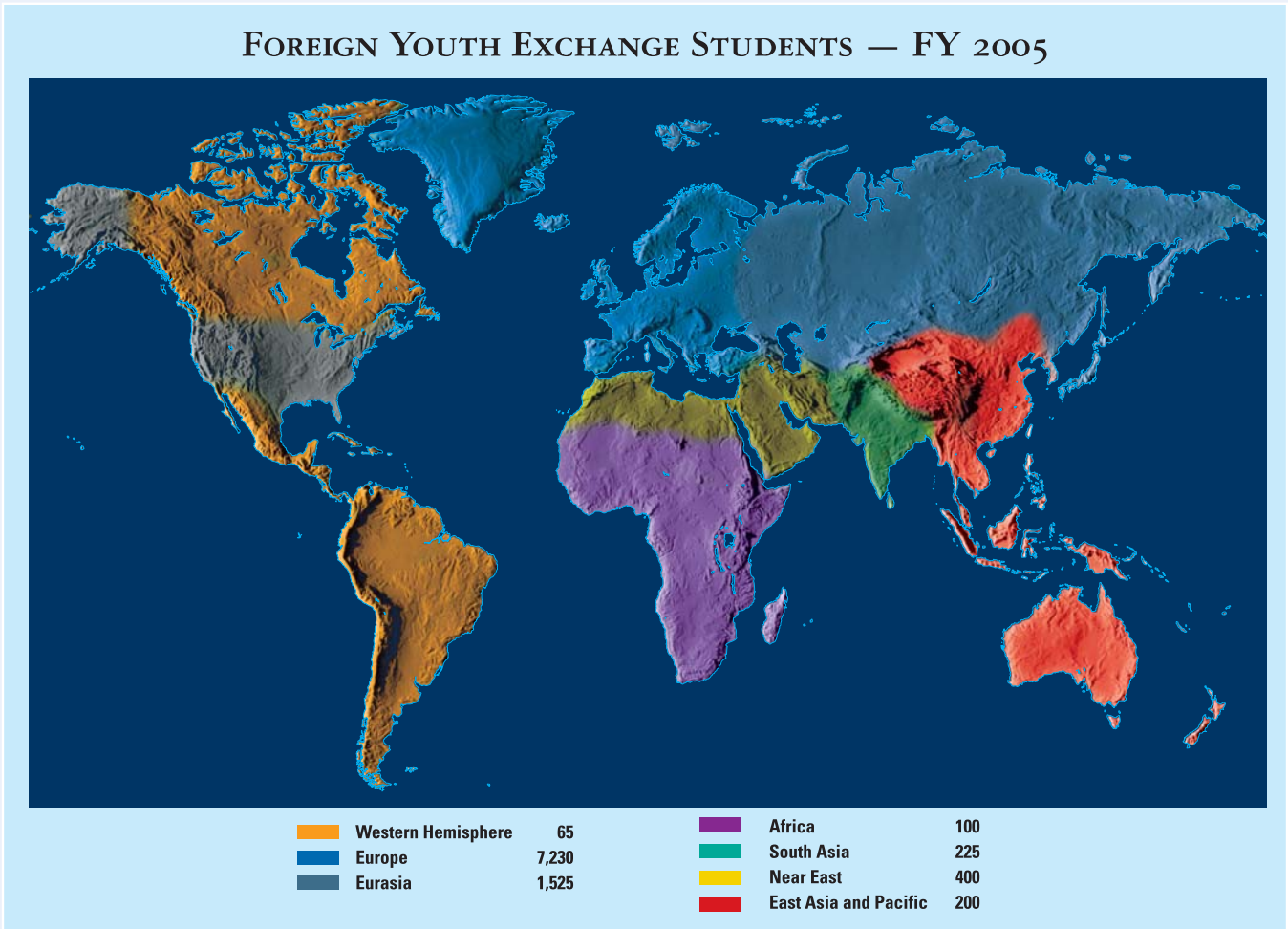
Through public affairs programs, the Department also informs the American people of U.S. foreign policy and initiatives that have a direct impact on their lives and provides opportunities for Americans to participate in programs that build individual capacity and deeper resources for the nation. In our democratic society, it is imperative that the public understands the basis of Department policies carried out on their behalf.

The four pillars of our public diplomacy are engagement, exchange, education, and empowerment. We vigorously engage, listening as well as advocating, responding rapidly and aggressively to inaccuracies and hate messaging. The power of exchanges to change lives makes people-to-people exchanges our most important public diplomacy program. We will expand our two-way exchanges so that more Americans and American organizations can find common values and common interests with foreign counterparts around the world. Through education programs we will offer both hope and opportunity for a better life, while increasing mutual understanding. We will also educate ourselves to be better citizens of the world. We will empower the individuals whose lives our programs touch to pursue their goals as citizens of the world and we will work closely with the private sector to foster greater communication and dialogue by empowering our most important national asset—the individual American citizen.

Public Diplomacy is committed to evaluation. The Bureau of Educational and Cultural Affairs has pioneered the measurement of international exchange programs and we are committed to spreading the "culture of measurement" to all aspects of public diplomacy. The Department will expand and strengthen the coordination of interagency communication activities to develop and magnify our nation's message of hope and freedom across the globe.

II. Selected Performance Trends





III. Strategic Context

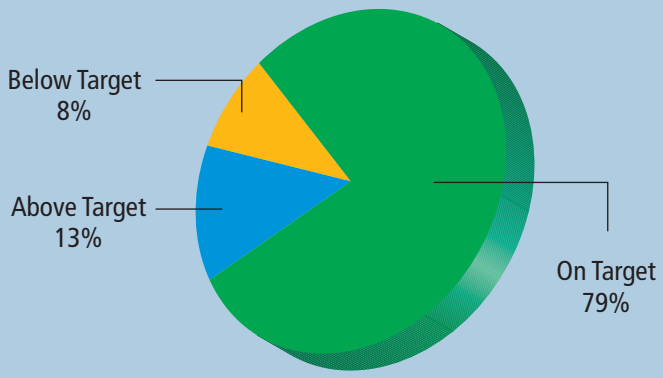
This strategic goal is supported by four performance goals. Shown below are the major initiatives/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Public Diplomacy and Public Affairs	International Public Opinion	Reaching Out to Allies and Regional Powers	D&CP	IIP, PA, Regional Bureaus	DoD, Board of Broadcasting Governors, international media organizations, think tanks and polling organizations
		Increase Knowledge of U.S. as Agent of Change	D&CP	IIP, Regional Bureaus	USAID, DoD, U.S. NGOs, think tanks and polling organizations
		Muslim Outreach	D&CP	IIP, Regional Bureaus	USAID, Board of Broadcasting Governors, private sector interest groups (NGOs), think tanks and polling organizations
	Mutual Understanding	Reach Younger Audiences	ECE, ESF	ECA, Regional Bureaus	U.S. NGOs, academia, private sector
		Reach Broader Audiences	ECE, ESF	ECA, Regional Bureaus	U.S. NGOs, USAID, Dept of Education, academia, private sector
		Engage Audiences More Deeply	ECE, ESF	ECA, Regional Bureaus	U.S. NGOs, academia, private sector
	American Values Respected Abroad	Promote Democratic Values and Behavior	D&CP, ESF, FSA/SEED	ECA, IIP, PA, Regional Bureaus	NED, private sector, NGOs, think tanks and polling organizations, academia
		Engage Young People	D&CP, ECE	ECA, IIP, Regional Bureaus	Board of Broadcasting Governors, private sector interest groups (NGOs), think tanks and polling organizations, academia
		Counter Anti-Americanism	D&CP, ECE	ECA, IIP, Regional Bureaus	BBG, DOD, Foreign Broadcast Information Service, private sector interest groups (NGOs), think tanks and polling organizations
	Domestic Understanding of Foreign Policy	Outreach to Expanded Audience	D&CP	PA	Educational institutions, inter-governmental organizations, NGOs, and community groups
		Historical Research and Publications	D&CP	PA	CIA
		Museum of American Diplomacy	D&CP	PA	Foreign Affairs Museum Council, private donors

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Public Diplomacy and Public Affairs strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION

Significantly Above Target	0
Above Target	3
On Target	18
Below Target	2
Significantly Below Target	0
Total Number of Ratings	**23**

V. Performance Analysis

PERFORMANCE TRENDS. The Department's academic and professional exchange programs continue to increase in popularity worldwide. In particular, there was a significant increase in the number of exchange students from the Middle East in FY 2005. Furthermore, the Department continues to assess the impact of exchange programs; in addition to counting the number of participants, for example, the Department tracks the percentage of participants who gain a better understanding of the United States, those who remain in contact with host country colleagues over time, and the number of those who initiate change in their home countries after completing an exchange program. The two-year performance trend has been positive.

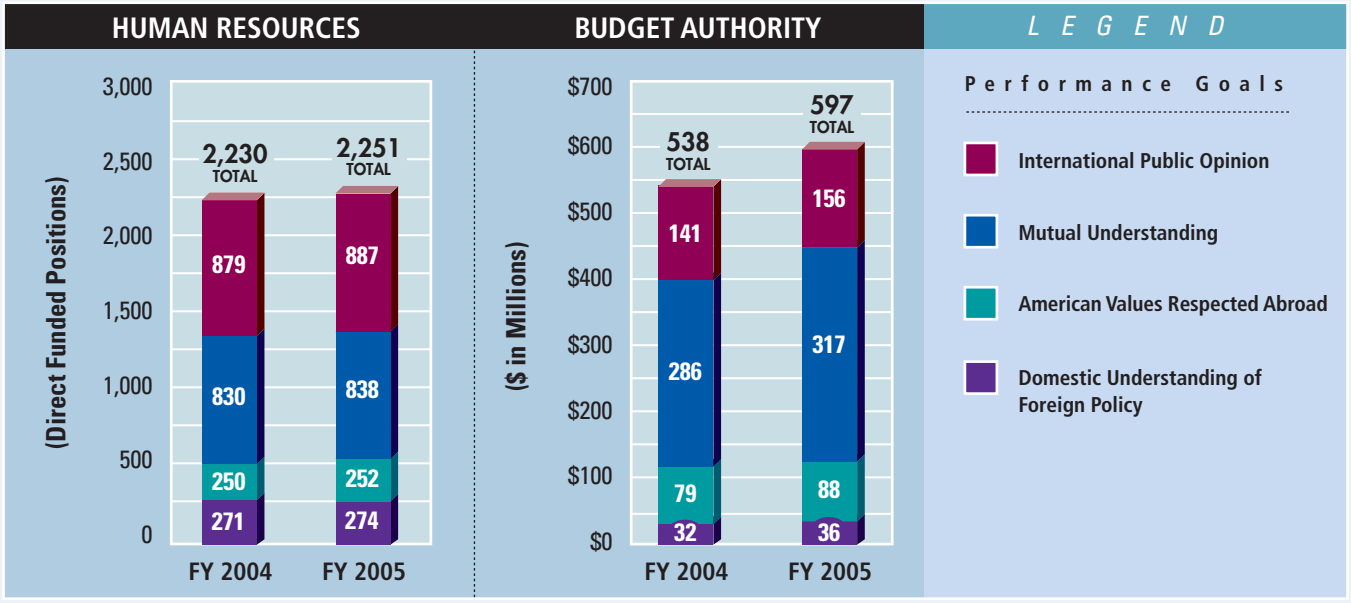
OUTCOME-LEVEL RESULTS. Due to the long term and complexity of results, it can be difficult to measure the impact of U.S. public diplomacy and public affairs programs, but many Department programs have achieved their desired result. For example, public opinion polls and surveys taken in Indonesia in the aftermath of the tsunami showed that for the first time ever in a major Muslim nation, more people favored U.S.-led efforts to fight terrorism than opposed them. The fact that more than 85% of exchange program participants remain in contact with their American hosts as long as 15 years or more after the completion of their program also indicates that the Department is having some success improving understanding and appreciation of U.S. values and policies.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. There were no results rated significantly below target in the strategic goal of Public Diplomacy and Public Affairs, although the percentage of readers of *Hi Magazine* with an interest in learning more about U.S. society and values was less than expected in FY 2005 (76% versus a target of 90%). Results above target included:

- A 30% increase in International Information Programs listserv subscribers;
- 98.63% of exchange participants initiated positive change in their community within five years of their program experience; and
- 78.74% of program participants demonstrated an affinity for democratic values three or more years after their program experience.

RESOURCES INVESTED. The Department continued to increase its investment in public diplomacy and public affairs, targeting audiences in the Middle East in particular. For example, resources invested in academic, professional and cultural exchanges increased 12.4% from FY 2004 to FY 2005 (from $316 million to $356 million).

VI. Resources Invested



Dr. Mohamad Bashar Arafat, an imam from Baltimore, Maryland, visits with students at a madrassah in the Philippines as part of a U.S. speaker program focused on fostering dialogue about Islam. Dr. Arafat's program included speaking to Muslim and non-Muslim groups on Jolo Island – the first visit of a U.S. Speaker to that conflict-affected, Muslim-majority island in at least 30 years. State Department photo

VII. Performance Results

PERFORMANCE GOAL 1

PUBLIC DIPLOMACY INFLUENCES GLOBAL PUBLIC OPINION AND DECISION-MAKING CONSISTENT WITH U.S. NATIONAL INTERESTS

INITIATIVE/PROGRAM (I/P) #1: REACHING OUT TO ALLIES AND REGIONAL POWERS

Indicator #1: Number of Weekly Page Views to Department's International Website, Mission Websites and Listservs

JUSTIFICATION (VALIDATION): Weekly website views are a valid measure indicating that users initiate action to obtain materials. The Department can assume that these self-selecting users at least read the materials provided, and in many instances, have made secondary use of the materials provided (desktop publishing, new web links developed, articles copied and e-mailed to other contacts, etc).

FY 2005 PERFORMANCE	Target	1. Ten percent increase over FY 2004 in unique weekly users. 2. Ten percent increase in listserv subscribers over 2004.
	Results	1. 69,960 page views per day (3% increase over FY 2004) 2. 13,380 listserv subscribers (30% increase over FY 2004)
	Rating	1. Below Target 2. Significantly Above Target
	Impact	Use of the Department's international website is one indication of international public interest in the U.S. and what the U.S. is officially saying to the world.
	Reason for Shortfall	Both page views and listserv subscribers have increased over FY 2004, but page views did not increase enough to reach the target. Given that both indicators are going in a positive direction, it is possible that the target for page views was too ambitious.
	Steps to Improve	Evaluations will yield data that will be used to refine web outreach.
PERFORMANCE DATA	Data Source	WebTrends will measure web usage.
	Data Quality (Verification)	WebTrends, a reliable web analysis software package, automatically monitors traffic to Department websites; the data are objectively gathered and monitored, then compiled and reviewed by public affairs specialists.
PAST PERFORMANCE	2004	1. 68,000 page views per day. Note that this represents a new baseline due to a shift to an improved standard that provides more accurate data on actual usage by our targeted audience. 2. 10,284 listserv subscribers.
	2003	1. 155,000 page views per day. The USINFO website was rated by users as "above average" in customer satisfaction, slightly higher than what users give commercial websites. 2. 10,153 subscribers to listservs targeting all of the geographic regions of the world in six languages.
	2002	N/A

I/P #1: REACHING OUT TO ALLIES AND REGIONAL POWERS *(continued)*

Indicator #2: Level of Media Placement in Foreign Markets in Broadcast and Print

JUSTIFICATION (VALIDATION): Placement, or secondary use by international websites and other media organs, is a clear indicator of receptivity among opinion-making elites [in this case, media editors]. Analysis will be applied to subject matter and location of placement, both of which are strong indicators of impact and/or the need to refine program approaches. Indicators will be developed from this analysis.

FY 2005 PERFORMANCE	**Target**	Five percent increase in placement of IIP-generated materials over FY 2004.
	Results	1. Placement of Broadcast Media: 106 stories made available to foreign media; State Department Video Clip reels (3,164 requested from foreign TV stations). 2. Production of Broadcast Media: Produced 37 TV-Coops; 126 live/taped studio and location TV interviews w/ DOS and other U.S. Government/NGO officials; 583 events covered; 66 original news productions; 70 Co-productions; and over 2000 hours of American Embassy Television Network (AETN) transmissions.
	Rating	On Target
	Impact	Placing information in foreign media provides audiences with accurate and authoritative information on U.S. policy, as well as promoting greater knowledge and understanding of American society and values.
PERFORMANCE DATA	**Data Source**	NewsMarket, a global platform that allows journalists to view and request broadcast-standard video 24/7 around the world.
	Data Quality (Verification)	Field reporting by posts, recorded in the Public Diplomacy Results database, is both reliable and verifiable. Public affairs analysts use the following search parameters in arriving at these placement figures: Program field: IIP: Op-Ed/By-Liners/Washington File, IIP: Print Publication/Product, and IIP: Web Publication/Product.
PAST PERFORMANCE	**2004**	1. Placement of Broadcast Media: 103 Stories made available to foreign Media (29 Official Speeches, 41 Iraqi Reconstruction Stories, 11 Afghanistan Reconstruction Stories, and 22 Terrorism Reports and others); State Department Video Clips uploaded (441 different foreign TV stations received 10,715 clips and 121 countries reached.) 2. Production of Broadcast Media: Produced 46 TV Co-ops; 67 Live/taped studio and location TV interviews with Department and other U.S. Government/NGO officials; 169 Events covered; 40 Original news productions; 6 Co-productions; and over 1300 hours of AETN transmissions. 3. Actual op-ed/byliner placement by region: Africa-242, East Asia/Pacific-231, Europe-277, Near East-174, South Asia-712, and Western Hemisphere-309.
	2003	**Baseline:** 1. Placement of Broadcast Media: Two short documentary films aired in 25 countries (Rebuilding Afghanistan and Afghan Spring); 120 special TV productions; 75 Foreign Press Center Briefings; 31 TV co-ops with foreign broadcasters; 4 co-productions for Russian Public TV, Belarus TV, Georgian TV, and French African TV, 184 TV interviews; and 38 radio interviews. Print media: 22 Foreign Press Center briefings and 87 interviews. 2. Actual op-ed/by-liner placement, by region: Africa-53, East Asia/Pacific-60, Europe-434, Near East-43, South Asia-78, and Western Hemisphere-238.
	2002	N/A

I/P #1: REACHING OUT TO ALLIES AND REGIONAL POWERS *(continued)*

Indicator #3: Percentage of Audience Members with a Better Understanding of U.S. Policy, Society and Values after Using/Attending Products/Programs of the Bureau of International Information Programs

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): The Department will measure the impact of our security related information products on audiences, generally opinion leaders and influencers, such as media commentators, NGO leaders, editorial writers and educators. The Department can extrapolate that by influencing the opinions of the influencers, and determine whether or not such actions are affecting opinion in the wider society.

FY 2005 PERFORMANCE	**Target**	Expand measurement to 10 countries.
	Results	Post reporting indicates that 736 speakers, 449 digital video conferences and 650,000 publications reached their intended target audiences with information about U.S. Government policies.
	Rating	On Target
	Impact	By increasing international publics' understanding of U.S. policies, the Department creates an atmosphere which can foster greater acceptance of U.S. policies.
PERFORMANCE DATA	**Data Source**	Bureau of International Information Programs' tracker database and sales reports from the Regional Printing Office in Manila.
	Data Quality (Verification)	Data in tracker are reviewed by public affairs specialists at post and in Washington; data from the Regional Printing Office Manila are based on actual print runs completed and are reliable and verifiable.
PAST PERFORMANCE	**2004**	872 speakers, 393 digital video conferences.
	2003	**Baseline:** Post reporting indicates that 846 speakers, 480 digital video conferences and 500,000 print publications reached their intended target audiences with information about U.S. Government policies.
	2002	N/A

Under Secretary Hughes speaks to the media as U.S. Ambassador to Malaysia Christopher LaFleur listens during a news conference in Kuala Lumpur, Malaysia.

AP/Wide World Photo

I/P #2: INCREASE KNOWLEDGE OF THE U.S. AS AGENT OF CHANGE FOR A MORE HOPEFUL FUTURE

Indicator #4: Evidence of Increased Public Awareness of Positive U.S. Actions

JUSTIFICATION (VALIDATION): The Department will measure the impact of our global-issues related information products on our foreign target audiences. Since our foreign target audiences are generally opinion leaders/influencers, such as media commentators, NGO leaders, editorial writers and educators, the Department can influence the opinions of the influencers and determine whether or not such actions are affecting opinion in the wider society.

FY 2005 PERFORMANCE	**Target**	Expand measurement to 10 countries.
	Results	In the aftermath of the Indian Ocean tsunami, the Department provided worldwide audience with information about U.S. relief efforts. Polls taken in Indonesia in the months after show: ● 55% have an overall favorable opinion of the U.S. and 47% say that they feel this way because the U.S. "helps other countries." (Bureau of Intelligence and Research poll) ● 65% now hold a more favorable view of the U.S. due to tsunami relief efforts. (Terror Free Tomorrow poll) ● For the first time ever in a major Muslim nation, more people favor U.S.-led efforts to fight terrorism than oppose them (40% to 36%). (Terror Free Tomorrow poll)
	Rating	On Target
	Impact	Promoting awareness of positive U.S. actions contributes to greater understanding of U.S. society and values and greater support for U.S. policies.
PERFORMANCE DATA	**Data Source**	The Terror Free Tomorrow poll was conducted by the Lembaga Survei Indonesia, or the Indonesian Survey Institute. Additional source: INR polls.
	Data Quality (Verification)	Lembaga Survei Indonesia, or the Indonesian Survey Institute, is a highly respected, non-partisan public opinion research firm in Indonesia. It has a strong track record of high quality and accurate polling.
PAST PERFORMANCE	**2004**	Baseline: No data. Funding was not available to conduct a statistically-valid survey.
	2003	N/A
	2002	N/A

I/P #3: MUSLIM OUTREACH

Indicator #5: Level of Public Understanding of U.S. Policies, Society and Values in Muslim Societies

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): This indicator measures the impact of outreach to Muslim audiences and helps the Department determine whether or not programs are affecting opinion in the wider society.

FY 2005 PERFORMANCE	**Target**	1. Percentage of *Hi Magazine* readers who indicate that the publication promotes interest in the U.S. increases relative from 2004. 2. Expand measurement to 10 countries.
	Results	A survey of *Hi Magazine's* online readers show that reading *Hi* promotes interest in learning more about the United States (76%).
	Rating	On Target
	Impact	By reaching out to the successor generation the Department will improve perceptions and acceptance of U.S. policy, society and values.
PERFORMANCE DATA	**Data Source**	Primescape online survey.
	Data Quality (Verification)	Primescape is an experienced firm that specializes in online surveys. The data are gathered and reviewed by public affairs specialists at the Department of State.
PAST PERFORMANCE	**2004**	An online Primescape survey of *Hi Magazine* showed that 78% stated that they had an improved understanding of American society and 50% felt that reading *Hi Magazine* changed their opinions about Americans for the better.
	2003	1. Developed *Hi Magazine*, an Arabic language periodical for the under-30 successor generation in the Arab world. 2. **Baseline:** Sales of about 3,000 copies per issue with three issues produced in FY 2003. The online version of *Hi Magazine* was read by approximately 80,000 people during the last quarter of FY 2003.
	2002	1. Provincial governments regularly harassed journalists who are critical of government. 2. Draft press law contained articles that curtailed press freedom.

A Look to History: Public Diplomacy and Public Affairs

When it was first established in February 1942, the Voice of America (VOA) fell under the auspices of the Department of State's Foreign Information Service. However, by June of that year, the independent Office of War Information had assumed all responsibilities for non-military international broadcasting. At the end of the war, the VOA moved back into the Department of State, under the Division of Cultural Relations and the Office of Public Affairs. In 1948, Congress passed the U.S. Information and Educational Exchange Act, also known as the Smith-Mundt Act. This legislation placed most overseas information efforts, including the VOA's offices in New York, under an Office of International Information administered by the Assistant Secretary of State for Public Affairs. By September 1948, the Department of State had assumed sole control of all news and commentary programs broadcast by the VOA, along with the right of full review of feature programming provided by private agencies.

President Reagan gives his weekly radio address, November 9, 1985, at the Voice of America studio in Washington. AP Photo

I/P #3: MUSLIM OUTREACH *(continued)*

Indicator #6: Degree of Independent Media in Afghanistan

JUSTIFICATION (VALIDATION): This indicator directly measures the extent to which citizens in a key Muslim country have access to unbiased, balanced information.

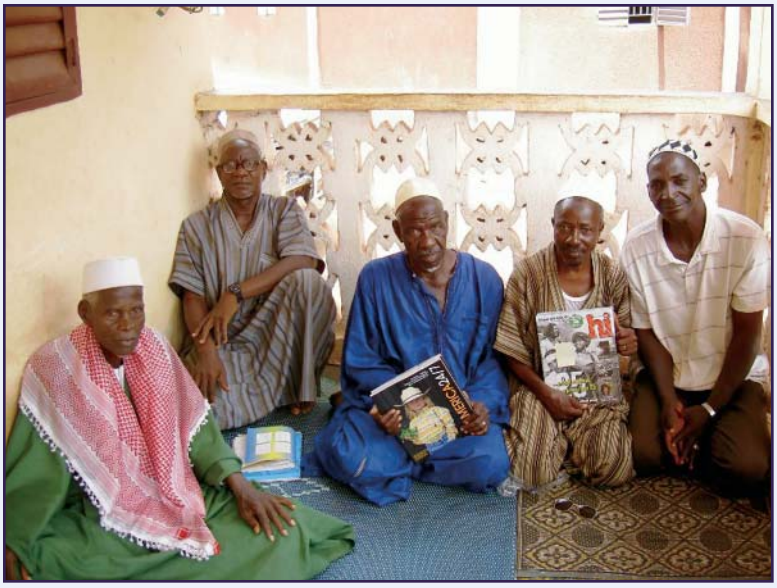
FY 2005 PERFORMANCE	**Target**	1. Reporters without Borders notes no incidences of government harassment of journalists in annual report on media freedom. 2. Seventy-five percent of electronic media are privately controlled and no incidences of government harassment.
	Results	1. According to Reporters without Borders, the Afghan media continued to develop but independent journalists ran afoul of old enemies in 2003: warlords, conservative judges and the Taliban. The draft constitution guaranteed press freedom but provided for prison sentences for press offences. The blasphemy law continues to be the biggest menace for journalists. Two were sentenced to death for what they had written and had to flee the country. According to Reporters without Borders, the government also intervened to halt "Islamicly incorrect" television broadcasts. 2. At least 75% of electronic media are privately controlled. The U.S. Government is supporting an emerging independent media, with 45 independent radio stations established and broadcasting programs to 52% of the Afghan population. 40,000 radios have been distributed to hard-to-reach populations including rural women. Our programs provided training to almost 2,000 media professionals. 4,500 women have graduated from a community literacy program.
	Rating	On Target
	Impact	1. There is marked and continued progress in the emergence of an independent media. Radio is the most important medium in Afghanistan, with 79 percent of respondents listening "yesterday"; 54 percent watched television. 2. Newspapers and the Internet are not comparatively important information sources. In addition, Internet access in Afghanistan is scarce. Users can log on in Internet cafes in provincial capitals. Various NGOs and international organizations are opening public access points as well. However, computer literacy and ownership rates are miniscule, and internet infrastructure is in the first days of its development. Internet use by demographic group conforms to user profiles in most developing countries, with users tending to be younger and better-educated. However, unlike in most developing countries, women in Afghanistan are more likely to use the internet than are men.
PERFORMANCE DATA	**Data Source**	Reporters Without Borders 2004 Report on Afghanistan; Congressional testimony; Foreign Broadcast Information Service (FBIS) surveys; Bureau of Educational and Cultural Affairs.
	Data Quality (Verification)	FBIS surveys are carried out using sound methodologies and are subject to internal controls. InterMedia reviewed the survey data gathered by Kabul-based market research company ACSOR, which conducted 3,169 interviews from 17 August to 2 October 2004 in five provinces in Afghanistan. Given a sample of this size, the range of error with a 95 percent confidence interval would be ±1.7percent. Reporters Without Borders data are subject to internal controls.
PAST PERFORMANCE	**2004**	The U.S. Government continues to support an emerging independent media, with 35 independent radio stations established and broadcasting programs to 52% of the Afghan population. 40,000 radios have been distributed to hard-to-reach populations including rural women. Our programs provided training to almost 2,000 media professionals. Many projects have focused on women, such as the development of Women's Resource Centers in 17 provincial capitals.
	2003	1. U.S. Government-funded independent community radio stations begin broadcasting. 2. Press law adopted does not contain articles that curtail press freedom. 3. Radio and TV transmitters are provided to Afghan radio and television, as well as Voice of America to strengthen civil society programming.
	2002	1. 150 media publications exist, with at least 35 owned by the government. 2. The government also controls almost all of the electronic media. 3. Provincial governments regularly harass journalists who are critical of government. 4. Draft press law contains articles that curtail press freedom.

I/P #3: MUSLIM OUTREACH *(continued)*

Indicator #7: Number of Direct Placements of Articles in the Arab Press that Show Accurate Understanding and Interviews of Senior U.S. Arab Officials on Pan-Arab Satellite TV

JUSTIFICATION (VALIDATION): This indicator helps the Department assess the degree to which the Arab press understands U.S. policies and values.

FY 2005 PERFORMANCE	**Target**	1. 5% increase in newspaper placements 2. 10% increase in pan-Arab TV interviews
	Results	1. The Department arranged more than a dozen interviews on the Iraqi Constitution issue, including Ambassador Khalilzad's appearances on Arab media outlets and a September 1, 2005 pilot program with Al Quds TV in Ramallah in Arabic. 2. 369 pan-Arab TV interviews took place, an increase of 12.5% over FY 2004.
	Rating	On Target
	Impact	These interviews and media outreach efforts – in Arabic, with the Arab media – enabled the Department to increase understanding of U.S. foreign policy on issues such as the Iraqi Constitution, Gaza disengagement, democracy in Lebanon and nonproliferation in Iran. Many of the interviews were aired repeatedly and picked up by other media outlets or wire services in the region and beyond.
PERFORMANCE DATA	**Data Source**	Articles in the Arab press, as obtained by the Bureau of Near Eastern Affairs via the Foreign Broadcast Information Service, post reports, and other sources.
	Data Quality (Verification)	Data are gathered and monitored by the Bureau of Near Eastern Affairs in Washington and due to the public nature of the events are verifiable by independent media organizations.
PAST PERFORMANCE	**2004**	1. 92 Stories made available to Arab Media (29 Official Speeches, 41 Iraqi Reconstruction Stories, and 22 Terrorism Reports and others). 2. Produced 46 TV Co-ops; 67 Live/taped studio and location TV interviews with Department and other U.S. Government/NGO officials; 169 events covered; 40 Original news productions; 6 Co-productions; and over 1300 hours of transmissions.
	2003	1. 379 article placements in the following Arabic-speaking countries: Syria, Lebanon, Jordan, Saudi Arabia, Bahrain, Qatar, UAE, Oman, Yemen, Tunisia, Algeria, Egypt, Morocco, and Kuwait (new baseline data). 2. 253 interviews with pan-Arab TV, an increase of 500% over FY 2002, due to the war in Iraq.
	2002	1. Article placements: Kuwait 40, Saudi Arabia 283. 2. 45 U.S. Government officials interviewed by pan-Arab media.



Islamic League elders in Kankan, Guinea receive copies of "Hi" Magazine, and the photo-journal, "America 24/7," hand delivered by staff from Embassy Conakry. Kankan is the second largest town in Guinea, located 500 miles east of the capital. State Department photo

PERFORMANCE GOAL 2

INTERNATIONAL EXCHANGES INCREASE MUTUAL UNDERSTANDING AND BUILD TRUST BETWEEN AMERICANS AND PEOPLE AND INSTITUTIONS AROUND THE WORLD

I/P #4: REACHING YOUNGER AUDIENCES (PART PROGRAM)

Indicator #1: Number of Foreign Youth Participants in Regions With Significant Muslim and Arab Populations Reached by the Youth Exchange and Study (YES) Program

JUSTIFICATION (VALIDATION): Quantitative measures based on increases in number of participants are reliable and give an accurate measure of potential increased impact on Bureau of Educational and Cultural Affairs (ECA) activities. Qualitative measures substantiate fulfillment of program goals.

FY 2005 PERFORMANCE	**Target**	30% increase in new participants in youth exchange programs from 2004. NEA: 245 EAP: 150 SA: 130 AF: 50 EUR: 25 Total: 600
	Results	660
	Rating	**Above Target**
	Impact	By providing opportunities for foreign youth to participate in exchange programs, doors are opening in new sectors of foreign societies and exposing them to U.S. values, culture and society.
PERFORMANCE DATA	**Data Source**	Reports from field and domestic partners; planned performance evaluations.
	Data Quality (Verification)	The numbers of participants are verified by the non-profit partner organizations that provide the programming for the participants. ECA-sponsored comprehensive evaluation project is closely measuring the impact of the YES experience on the participants and has verified its output indicators through mandatory reporting by its non-profit partner organizations.
PAST PERFORMANCE	**2004**	454 total participants on program.
	2003	NEA: 54 EAP: 40 SA: 27 AF: 20 EUR: 19 Total: 160
	2002	N/A

I/P #5: REACHING BROADER AUDIENCES (PART PROGRAM)

Indicator #2: Number of Foreign Adult Participants in Exchange Programs from the Near East and South Asia

JUSTIFICATION (VALIDATION): This indicator was chosen because it reflects the fundamental goal of the initiative to promote increased awareness and understanding of democracy and civil society. The percent of participants who increase their understanding of these themes demonstrates the effectiveness of programs sponsored by the Bureau of Educational and Cultural Affairs (ECA).

FY 2005 PERFORMANCE	**Target**	NEA: 1609 SA: 918 Total: 2,527
	Results	Anticipate meeting or exceeding FY2005 targeted goal. Data required to complete tabulation will be available no later than November 30, 2005.
	Rating	On Target
	Impact	By providing increased opportunities for foreign adults in the Near East (NEA) and South Asia (SA) to participate in exchange programs, doors are opening in new sectors of foreign societies and exposing them to U.S. values, culture and society.
PERFORMANCE DATA	**Data Source**	Reports from field and domestic partners; planned performance evaluations.
	Data Quality (Verification)	ECA verifies its output indicators through mandatory reporting by its non-profit partner organizations. ECA uses a comprehensive database and reporting system to verify the numbers.
PAST PERFORMANCE	**2004**	NEA: 1,739 SA: 971 Total: 2,710
	2003	NEA: 938 SA: 390 Total: 1,328
	2002	NEA: 1238 SA: 706 Total: 1,944

First Lady Laura Bush, right, is greeted by Afghan school children upon arriving at Kabul University in Kabul, Afghanistan, March, 2005.

AP/Wide World Photo

I/P #6: ENGAGING AUDIENCES MORE DEEPLY (PART PROGRAM)

Indicator #3: Percentage of Participants Who Increased Their Understanding of their Host Country Immediately After Their Program

JUSTIFICATION (VALIDATION): This indicator was chosen because it reflects the fundamental goal of the Bureau of Educational and Cultural Affairs (ECA) to promote mutual understanding. The percent of participants who increase their understanding demonstrates the effectiveness of ECA programs.

FY 2005 PERFORMANCE	Target	93%
	Results	94.77%
	Rating	On Target
	Impact	Exchange programs have helped provide a more accurate and balanced understanding of the United States to international visitors. By increasing and improving understanding, it enhances dialogue and diminishes misperceptions that lead to hostility toward the United States. Increased understanding builds a foundation of trust that produces more cooperative relationships, thereby achieving a more secure, democratic and prosperous world.
PERFORMANCE DATA	Data Source	Direct exchange participants responses to pre- and post-program surveying using online performance measurement system (E-GOALS) and independent program evaluations.
	Data Quality (Verification)	ECA verifies its output indicators through mandatory reporting by its non-profit partner organizations. ECA uses a comprehensive database and reporting system to verify the numbers.
PAST PERFORMANCE	2004	94%
	2003	89%
	2002	91%

Indicator #4: Percentage of Participants Who Remain in Contact with Host Country People Met on Their Program One Year or Longer After Their Program

JUSTIFICATION (VALIDATION): The indicator reflects the primary goal of these programs, which demonstrate an outcome of mutual understanding, continued dialogue. The percent of participants who remain in contact demonstrates that ECA programs foster personal and professional linkages that form a foundation of trust to engage other countries on short-term issues as well as establishing long-term partnerships, thereby producing stronger international relations for the U.S.

FY 2005 PERFORMANCE	Target	77%
	Results	85.71%
	Rating	On Target
	Impact	Continued communication and collaboration assist in maintaining relationships and partnerships, which further U.S. interests. Linkages between individuals and institutions in the U.S. and other countries often serve to keep dialogue open between the U.S. and other countries.
PERFORMANCE DATA	Data Source	Reports from field and domestic partners; planned performance evaluations. Data are gathered in statistically valid surveys and polling conducted by independent, external evaluators.
	Data Quality (Verification)	ECA verifies its output indicators through mandatory reporting by its non-profit partner organizations. ECA uses a comprehensive database and reporting system to verify the numbers.
PAST PERFORMANCE	2004	83.6%
	2003	81%
	2002	81%

I/P #6: ENGAGING AUDIENCES MORE DEEPLY *(continued)*

Indicator #5: Percentage of Participants who Initiate or Implement Positive Change[1] in Their Organization or Community within Five Years of their Program Experience

JUSTIFICATION (VALIDATION): This indicator was chosen because it reflects one of the fundamental outcomes of mutual understanding and developing a foundation of trust, as well as the an intermediary level of outcomes based on the Kirkpatrick learning and Phillips methods for assessing results.

FY 2005 PERFORMANCE	**Target**	76%
	Results	98.63%
	Rating	On Target
	Impact	Application of knowledge or skills gained, or of changed perception and attitude by an individual to influence their immediate organization or local community multiplies the impact of the exchange experience. By changing institutions, it produces greater ability to work together in the international arena.
PERFORMANCE DATA	**Data Source**	Data are derived from statistically valid surveys of exchange program participants conducted through independent program evaluations and an on-line survey tool developed to capture pre-, post- and follow-up program data.
	Data Quality (Verification)	A change in the original question format has resulted in a much higher percentage of participants responding in the affirmative. The prior question format achieved closer to the expected target with approximately 80% responding in the affirmative. A review of the survey question format is being undertaken.
PAST PERFORMANCE	**2004**	Of those surveyed, 100 percent implemented a positive change based on a series of three research questions. Although the sample surveyed was more limited than we would have liked, we have confidence the target was met and therefore rate the indicator on target.
	2003	80% (Global)
	2002	88% (Global)

[1] *Change is defined as the introduction of new or different methodologies, policies, curriculum, training, organizational structure, etc. into the participant's immediate work area or organization that affects multiple individuals.*

EDUCATIONAL EXCHANGES IN NEAR EAST ASIA AND SOUTH ASIA (PART PROGRAM EFFICIENCY MEASURE)

Indicator #6: Ratio of Total Administrative Cost to Program Cost

JUSTIFICATION (VALIDATION): For a grant-making organization, the ratio of administrative to program cost ensures that an appropriate level of funding is being used for direct program costs as well as adequately funding the implementation of programs.

FY 2005 PERFORMANCE	**Target**	25%
	Results	24.77%
	Rating	On Target
	Impact	By reaching our efficiency target, ECA was able to maintain its level of programming. Meeting of outyear goals will allow ECA to add more participants and improve the range of experiences in the United States for those participants.
PERFORMANCE DATA	**Data Source**	The Department's grants database captures the level of program and administrative funds for each grant awarded by ECA. Data is entered by a grants officer. Analysis of data is conducted by the Evaluation and Performance Measurement Division.
	Data Quality (Verification)	Data come directly from ECA's grants management database, where administrative and program funds are tracked. The database has allowed a much more accurate and consistent calculation of the ratio.
PAST PERFORMANCE	**2004**	19.7%
	2003	34%
	2002	**Baseline:** 35%

PERFORMANCE GOAL 3

BASIC HUMAN VALUES EMBRACED BY AMERICANS ARE RESPECTED AND UNDERSTOOD BY GLOBAL PUBLICS AND INSTITUTIONS

I/P #7: PROMOTE DEMOCRATIC VALUES AND BEHAVIOR

Indicator #1: Percentage of Program Participants who Demonstrate an Affinity for Democratic Values Three or More Years After Their Program Experience

JUSTIFICATION (VALIDATION): Indicator represents national interest in promoting freedom and democracy.

FY 2005 PERFORMANCE	Target	65%
	Results	78.74%
	Rating	On Target
	Impact	ECA exchange program participants begin or continue to espouse democratic values as a result of their exchange experience.
PERFORMANCE DATA	Data Source	Direct exchange participants responses to pre- and post-program surveying using online performance measurement system (E-GOALS) and independent program evaluations.
	Data Quality (Verification)	Funding was not available to use comparison groups, but the data was gathered in statistically valid surveys and polling conducted by independent, external evaluators.
PAST PERFORMANCE	2004	77%
	2003	N/A
	2002	N/A

Secretary Rice hugs Chinese children skaters at the China World Trade Center's skating rink during a two-day vist to Beijing, March, 2005. AP/Wide World Photo

I/P #7: PROMOTE DEMOCRATIC VALUES AND BEHAVIOR *(continued)*

Indicator #2: Percentage of Participants Who Improve Their Understanding of U.S. Society and Values

JUSTIFICATION (VALIDATION): We will measure the sum total of the impact of our information on our target audiences. Since our foreign target audiences are generally opinion leaders/influencers, such as media commentators, NGO leaders, editorial writers and educators, we can assume that through the influencers, we are affecting opinion in the wider society.

FY 2005 PERFORMANCE	**Target**	90%
	Results	1. A survey of *Hi Magazine*'s online readers show that reading it promotes interest in learning more about the United States (76%). 2. Post reporting indicates that 736 speakers, 449 digital video conferences and 650,000 publications reached their intended target audiences with information about U.S. policy, society and values.
	Rating	Below Target
	Impact	By reaching out to the successor generation and opinion leaders, the Department will improve perceptions and acceptance of U.S. policy, society and values. While encouraging 76% of readers to want to learn more about the United States in a very encouraging number, it is important that we increase our efforts to reach out to this critical audience.
	Reason for Shortfall	When we set 90% as a worldwide goal, we expected there to be regional variations. Currently we only have data for an audience largely located in the Near East region; a region that presents major challenges for U.S. public diplomacy. Therefore, while below the worldwide target, the numbers themselves are encouraging.
	Steps to Improve	Data need to be gathered from worldwide audiences to more accurately assess the performance of these programs.
PERFORMANCE DATA	**Data Source**	1. Primescape online survey. 2. Bureau of International Information Programs' Tracker database and sales reports from Regional Publications Office in Manila
	Data Quality (Verification)	Primescape is an experienced firm that specializes in online surveys. The data are gathered and reviewed by public affairs specialists at the Department of State.
PAST PERFORMANCE	**2004**	An online Primescape survey of *Hi Magazine* showed that 78% stated that they had an improved understanding of American society and 50% felt that reading *Hi Magazine* changed their opinions about Americans for the better.
	2003	86% (Based on benchmarking similar ECA data)
	2002	N/A

I/P #7: PROMOTE DEMOCRATIC VALUES AND BEHAVIOR *(continued)*

Indicator #3: Number of American Corners

JUSTIFICATION (VALIDATION): This indicator reflects the Department's outreach to younger, broader audiences around the world, promoting more profound, diverse and representative views of American life, and U.S. foreign policies.

FY 2005 PERFORMANCE	**Target**	275 American Corners.
	Results	278 American Corners have been established worldwide.
	Rating	On Target
	Impact	By making current and reliable information about the U.S. available to the general public, via book collections, the Internet, and through local programming, American Corners promote greater understanding of U.S. policy, society and values.
PERFORMANCE DATA	**Data Source**	American Corners database.
	Data Quality (Verification)	Information in the American Corners database is reviewed quarterly by public affairs specialists at post and in Washington.
PAST PERFORMANCE	**2004**	178
	2003	1. Throughout FY 2003, new American Corners were developed in other regions of the world. There are now a total of 71 American Corners in operation in EUR, AF, SA, and EAP. 2. Interactive Exhibit prototype developed in partnership with the Smithsonian Institution.
	2002	**Baseline:** Eight additional Corners established in Russia, bringing the total number to 19.

Ambassador Jendayi Frazer speaks to a group of primary school students in South Africa's Limpopo Pronvince.

State Department Photo

I/P #8: ENGAGE YOUNG PEOPLE

Indicator #4: Percentage increase in monthly circulation and number of online visits for *Hi Magazine*

Indicator revised. Please see Appendix for details.

JUSTIFICATION (VALIDATION): Readership is a valid indication that U.S. Government information is reaching its intended target audience and that readers are interested in the U.S. perspective on various issues.

FY 2005 PERFORMANCE	**Target**	1. *Himag.com*: 20% increase above 2004. 2. Hard copy: maintain 2004 level (targeted readership: 78,632 per month, a combined monthly average of online visits and distribution.)
	Results	FY 2005 readership (combined monthly average of online visits and distribution) 79,447.
	Rating	On Target
	Impact	*Hi Magazine* brings a positive message about America to a younger, Arabic-speaking audience.
PERFORMANCE DATA	**Data Source**	Web software and distributors.
	Data Quality (Verification)	Web software measures visits and sales figures are available from distributors; both data sets are objectively verified.
PAST PERFORMANCE	**2004**	1. *Himag.com:* 28,860 average visits/month. 2. Hard copy: 44,000 copies distributed. 3. Total readership: 72,860.
	2003	1. Produce Arabic language periodical for the under-30 successor generation in the Arab world. 2. **Baseline:** A baseline figure for sales is not yet available. However, the online version of 'Hi' was read by approximately 80,000 people during the last quarter of FY 2003.
	2002	N/A

I/P #9: COUNTER ANTI-AMERICANISM

Indicator #5: Timeliness of U.S. Responses to Misinformation or Deliberate Disinformation in International Media

JUSTIFICATION (VALIDATION): To successfully counter mis- and disinformation, it is important to make accurate information available in a timely manner to encourage publication of rebuttal information and to prevent the mis- or disinformation from spreading to other media.

FY 2005 PERFORMANCE	**Target**	All reported incidents are countered in a timely manner, 65% within 24 hours.
	Results	66% countered within 24 hours.
	Rating	On Target
	Impact	Debunking conspiracy theories, urban legends and deliberate disinformation contributed to the reduction of anti-Americanism worldwide.
PERFORMANCE DATA	**Data Source**	Bureau of International Information Programs.
	Data Quality (Verification)	Data were gathered by comparing dates that incident reports were received with the dates on which responses were sent out. Data are subject to internal controls at IIP.
PAST PERFORMANCE	**2004**	62.5%
	2003	1. All reported incidents are countered in a timely manner, 50% within 24 hours. 2. Posts report that some rebuttals are published or aired in media which initiated offending item(s).
	2002	N/A

PERFORMANCE GOAL 4

AMERICAN UNDERSTANDING AND SUPPORT FOR U.S. FOREIGN POLICY, DEVELOPMENT PROGRAMS, THE DEPARTMENT OF STATE, AND THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

I/P #10: OUTREACH TO EXPANDED U.S. AUDIENCE

Indicator #1: Number of Interviews and Contacts With U.S. Media

JUSTIFICATION (VALIDATION): This indicator demonstrates the Bureau of Public Affairs' efforts to strategically facilitate and disseminate the information flow by making the Department principals accessible to the media to explain thoroughly U.S. policies and initiatives.

FY 2005 PERFORMANCE

Target	16,000 interviews/contacts per year with the media.
Results	1. Press Briefings: daily and special press briefings. 2. Media Contacts: 15,200 inquiries from the press. 3. Print, Radio, and TV interviews: 1,151, 58 op eds; 65 press camera sprays, facilitated by the Bureau of Public Affairs Press Office; 40 Secretary walkout/stakeouts; 21 Secretary Press Conferences; 47 Secretary speeches/remarks; and eight Secretary Congressional testimonies.
Rating	On Target
Impact	Daily press briefings and responses to journalists' policy questions gave the press accurate, authoritative statements of U.S. policy. Transcripts of daily and special press briefings and the Secretary's remarks to the press are available on the State.gov website, making those wide-ranging discussions of foreign policy available to enormous numbers of readers. Press events with Department officials are carefully planned and designed to explain U.S. foreign policy to the broadest possible audience.

PERFORMANCE DATA

Data Source	Bureau of Public Affairs.
Data Quality (Verification)	There is high confidence in the quality and validity of the data. Briefings, contacts, interviews, speeches, etc. are in the public record and easily verifiable.

PAST PERFORMANCE

2004	1. Press Briefings: • 227 daily and special press briefings • 70 foreign press briefings 2. Media Contacts: • 16,000 inquiries from the press, to include calls fielded by press officers, reporter drop-ins, press policy queries, press non-policy queries 3. Print, Radio and TV Interviews: • 1,200 print, radio, and TV interviews, opinion editorials • 58 Secretary walkouts and stakeouts • 7 Secretary press conferences • 63 Secretary speeches/remarks • 9 Secretary Congressional testimonies
2003	**Baseline:** • 120 daily press briefings • 15,000 inquiries from the press • 1,000 print, radio, and TV interviews, opinion editorials • Educational video on terrorism to 14,000 U.S. educators
2002	N/A

I/P #10: OUTREACH TO EXPANDED U.S. AUDIENCE *(continued)*

Indicator #2: Number of Outreach Activities to Targeted U.S. Audiences

JUSTIFICATION (VALIDATION): Public outreach programs provide state and local government officials and the American public opportunities to exchange views with Department of State officials who formulate and implement policy. Conducted throughout the U.S., these programs encourage interest and involvement in foreign affairs and economic development opportunities among a broad cross-section of American society. This indicator demonstrates the Bureau of Public Affairs' efforts to strategically facilitate and disseminate information by making the Department officials accessible to the media to explain U.S. policies and initiatives.

FY 2005 PERFORMANCE

Target	1. Ten percent increase in FY 2003 baseline to include student events, town meetings, and intergovernmental Conference participation. 2. Evidence shows that information provided has reached intended users.
Results	1. **Grassroots activities:** Conducted over 1,600 outreach activities, including: • Conducted 700 Washington and regional events for Department's speakers program. • Reached 20,000 students and others through in-house briefings. • Conducted or participated in 26 town meetings and conferences. • Participated in 232 radio programs. 2. **Educational Curriculum Materials:** • A History of Diplomacy curriculum and video over 13,000 copies distributed. • Created and distributed CD-ROM curriculum "Diplomacy in Action" - distributed over 10,000 copies to colleges/universities, libraries and community organizations. • Published supplement to weekly reader magazine that reached over 1.25 million students in 58,000 classrooms. 3. **State and Local Activities:** • Facilitated Embassy and Consulate assistance to overseas delegations for 150 state and local government officials. • 60,000 contacts made with state and local government officials through presentations at conferences, courtesy meetings, push emails and distribution of Department publications. • Responded to 370 requests for information about U.S. foreign policy from governors, mayors, and other state and local officials.
Rating	On Target
Impact	Through these programs, the Department continued to reach beyond its traditional audiences to include, women, youth, NGOs, businesses, the artistic community, and the Arab and Muslim communities. These programs continue to give Americans a better understanding of U.S. foreign policy and its relevance, and the Department's role in shaping it.

PERFORMANCE DATA

Data Source	Independent assessments of program execution; Bureau of Public Affairs reports.
Data Quality (Verification)	There is high confidence in the accuracy and validity of the data. Materials, events, etc. are public and easily verifiable.

Continued on next page

I/P #10: OUTREACH TO EXPANDED U.S. AUDIENCE *(continued)*

Indicator #2: *(continued)*

PAST PERFORMANCE	
2004	**Baseline:** 1. Conducted 776 Washington and regional events, including the Secretary's Hometown Diplomat Program, monthly NGO briefings, educational digital videoconferences, and public speaking engagements by senior level Department officials. 2. Reached over 21,000 individuals through in-house briefings. 3. Conducted 20 town meetings across the U.S. 4. Produced a weekly insert that reached 1.4 million elementary students across the U.S. 5. Number of press briefings/conferences: 485. Conducted 214 daily press briefings, 92 special briefings, and 9 Secretary of State press conferences, 84 Secretary speeches/remarks, 75 Secretary walk-outs, and 11 Secretary Congressional testimonies. 6. Number of media interviews: print, radio, and television: 1,035 including: 126 opinion editorials/letters, 284 television interviews, 401 print interviews, 224 radio interviews with Department principals. 7. Number of contacts with media: 18,305: which includes press calls/queries fielded by press officers, including policy and non-policy inquiries (by phone and in person). Also includes press participation in facilitated camera sprays.
2003	1. Distributed 14,000 curriculum video packages to U.S. educators. 2. Conducted over 1,500 outreach activities. 3. Reached over 12,000 students through in-house briefings and other programs. 4. Conducted 23 student town meetings at high schools and colleges. 4. Conducted over 600 Washington and regional events for the Department's Speakers Program. 5. Delivered over 70 presentations at state and national governmental conferences.
2002	N/A

Indicator #3: Number of Hits on the Department's Domestic Website

JUSTIFICATION (VALIDATION): Information dissemination by electronic means continues to be successful, evidenced by gradually increasing hits on the Department's website. While the primary audience for the *www.state.gov* site is the American public, we are adding information on the U.S. to broaden our audience for www.future.state.gov to students around the world. Thirty percent of the hits are international, suggesting that we are making inroads with foreign audiences as well. Average hits per month were almost 6 million, which achieved the target level for FY 2004.

FY 2005 PERFORMANCE	
Target	7 million hits per month.
Results	12 million hits per month.
Rating	**Above Target**
Impact	While the American public remains the primary audience for *www.state.gov*, the global accessibility has increased in the international market to thirty-six percent as we continue to reach out to broader audiences both domestically and internationally, and we continue to reach more youth on the future.state.gov site.

PERFORMANCE DATA	
Data Source	Web Trends.
Data Quality (Verification)	There is high confidence in the validity of the data, which are tracked using a common software program. Data are reviewed and validated by officials in the Bureau of Public Affairs.

PAST PERFORMANCE	
2004	5.9 million hits per month.
2003	5 million hits per month.
2002	4.8 million hits per month.

I/P #11: HISTORICAL RESEARCH AND PUBLICATIONS

Indicator #4: Number of Historical, Research, and Educational Publications

JUSTIFICATION (VALIDATION): This is a tangible, quantifiable, output-level measure of the Department's outreach to the American public and meets a need identified by scholars, diplomats, and Congress.

FY 2005 PERFORMANCE	**Target**	Publish four for a total of fifteen Foreign Relations of the United States (FRUS) volumes.
	Results	Foreign Relations of the United States (FRUS): Published 5 FRUS Volumes: • 1969-1976, Vol. V, United Nations, 1969-1972 • 1964-1968, Vol. XXXII, Dominican Republic; Cuba; Haiti; Guyana • 1969-1976, Vol. XI, South Asia Crisis, 1971 • 1969-1976, Vol. E-7, Documents on South Asia, 1969-1972 • 1969-1976, Vol. E-1, Documents on Global Issues, 1969-1972 Educational Video and Curriculum: • A History of Diplomacy
	Rating	On Target
	Impact	The most significant progress during FY 2005, as in FY 2004, was not the number of volumes published, but maintaining the three main elements of production of *Foreign Relations* volumes: 1) research, 2) declassification, and 3) post-manuscript production. This continued emphasis on all three elements of the production process means that at least one more Nixon volume (and possibly three more) will be published this calendar year. In FY 2005, the Historian's Office also published its first web-only *FRUS* volume. These web-only volumes will allow the Historian's Office to make more information available to more people, more quickly, at a reduced cost. In FY 2006, the target is to publish a total of 12 volumes, placing the series well on its way toward reaching its goal of publishing volumes no later than 30 years after the events covered by the end of the decade.
PERFORMANCE DATA	**Data Source**	Department of State, Bureau of Public Affairs, Office of the Historian
	Data Quality (Verification)	There is high confidence in the validity of the data, as the products are widely published and distributed.
PAST PERFORMANCE	**2004**	Foreign Relations of the United States (FRUS): • Printed/released to date: 1964-68: Vol.XIX, Arab-Israeli Crisis and War, 1967 In page proofs: • 1964-68:Vol.XXI, South and Central America; Mexico • 1964-68:Vol.XXXII, Dominican Republic; Cuba; Haiti; Guyana • 1964-68:Vol.XXXIII, Organization and Management of Foreign Policy; United Nations • 1969-76:Vol.V, United Nations, 1969-72 • 1969-76:Vol.VI, Vietnam, 1969-70 • 1969-76:Vol.XI, South Asia Crisis, 1971 Doors to Diplomacy Educational Videos: • History of Diplomacy • Sports and Diplomacy • Media and Diplomacy
	2003	Published six Foreign Relations of the United States (FRUS) volumes: • 1964-1968, Vol. V. Vietnam • 1964-1968, Vol. VI, Vietnam, 1968 • 1969-1976, Vol. III, Foreign Assistance • 1952-1954, (retrospective) Guatemala • 1969-1976, Vol. I, Foundations of Foreign Policy • 1964-1968, Vol. VII, Vietnam, 1968-Jan, 1969
	2002	N/A

I/P #12: UNITED STATES DIPLOMACY CENTER'S MUSEUM OF AMERICAN DIPLOMACY

Indicator #5: Progress Toward Museum Completion

JUSTIFICATION (VALIDATION): This indicator directly measures one tangible aspect of the U.S. Government's public outreach efforts.

FY 2005 PERFORMANCE	**Target**	1. Raise $21M of the capital campaign goal of $25M (84%). 2. Complete the design development phase. 3. Complete the construction documents and bid phase. 4. Complete 15% of the construction of exhibitions and installation phase.
	Results	1. Completed initial design concept. 2. Completed content exhibition outline. 3. Completed fundraising feasibility and strategic plan. 4. Completed planning and concept phase.
	Rating	**Below Target**
	Impact	The creation of this Museum of American Diplomacy and Visitor Center will create an environment where the public can explore America's pivotal role in global affairs. With interactive exhibits, briefing space, multimedia stations and the latest technology, the museum will use inventive activities and displays to inform and educate visitors about the history, process, challenges, and relevancy of American diplomacy to our nation in the past and the present.
	Reason for Shortfall	While the plans for the Public Diplomacy center remains a high priority for the Bureau and the Department, no funding commitments have been made to move this project forward. As a result, no significant steps have been taken in meeting our fundraising targets as outlined. This has been in part due to changes in senior leadership both at the Bureau and the Department level.
	Steps to Improve	The Bureau has submitted a formal request seeking senior department level approval and funding commitment to move forward in the creation of the museum and visitor center.
PERFORMANCE DATA	**Data Source**	Bureau of Public Affairs, U.S. Diplomacy Center.
	Data Quality (Verification)	There is high confidence in the validity of the data, as all planning and funding documents are reviewed and vetted internally by multiple offices.
PAST PERFORMANCE	**2004**	Finished Initial Concept Design Phase.
	2003	Completed 75% of the Initial Concept Design Phase . Completed the Feasibility Study.
	2002	N/A

STRATEGIC OBJECTIVE #4: STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES

The fulfillment of the Department's mission and the achievement of our policy goals are inextricably linked to a foundation of sound management and organizational excellence required by the President's Management Agenda. This foundation is essential to support the work of America's Embassies and Consulates. The Department is committed to maintaining a well-qualified workforce, supported by modern infrastructure that provides the tools to achieve our diplomatic and development goals worldwide. Building this foundation will require significant investments in people, systems, and facilities.

STRATEGIC GOAL 12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

Ensure a high quality workforce supported by modern and secure infrastructure and operational capacities

I. Public Benefit

The 30,000 Foreign Service, Civil Service, and Foreign Service National employees posted in over 260 locations around the world are our most significant resource. The Department continues to pursue human resource initiatives aimed at building, deploying, and sustaining a knowledgeable, diverse, and high-performing workforce. The Department also continues to maintain and develop robust training programs that emphasize skills to achieve transformational diplomacy, such as advanced foreign language proficiency, public diplomacy, and leadership and management preparedness. With these efforts, the Department continues to build a workforce that through composition, size and skills can adapt quickly to changes in mission, technology, and the worldwide requirements of the foreign affairs environment.

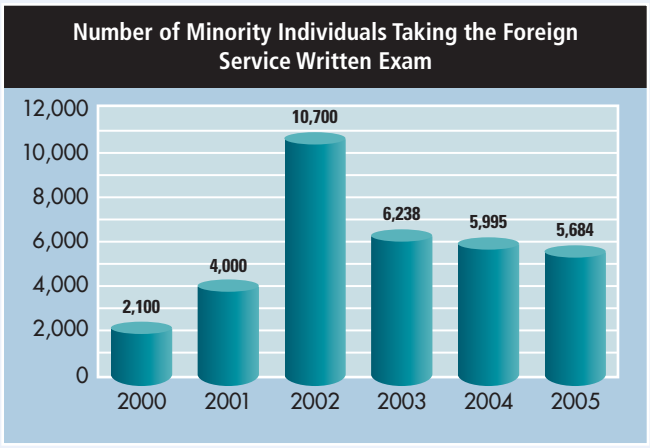
Under Secretary for Management Henrietta Fore gestures during an interview in Washington. AP/Wide World Photo

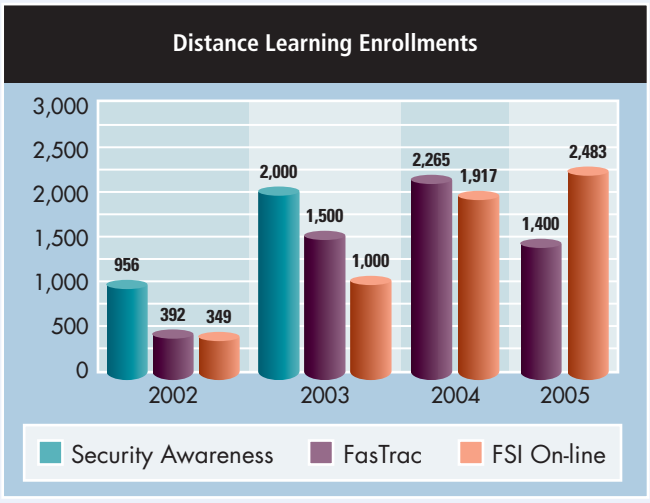
To fulfill our mission effectively, the Department of State depends heavily on the collection, analysis, communication, and presentation of information in forms useful to our stakeholders - the public, businesses, other U.S. Government agencies, foreign governments, and our employees. The Department uses commercial best practices in its secure office automation platforms, secure global networks (unclassified, classified and the Internet), IT infrastructure, and customer service programs.

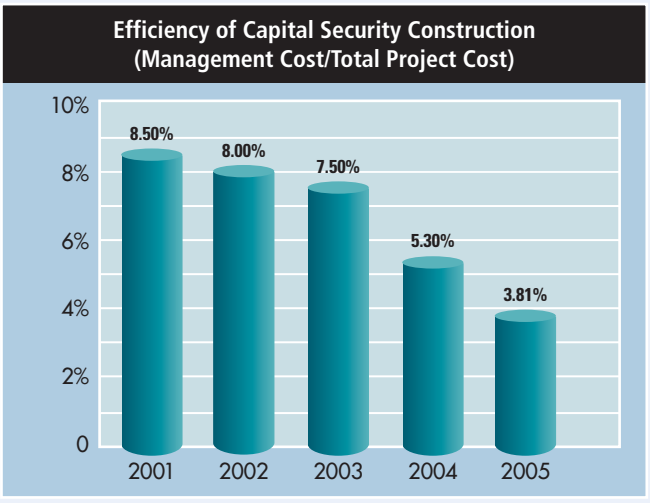
Secure working and living environments are essential to effective implementation of U.S. Government foreign policy goals. The Department ensures security through a broad scope of global activities, including the protection of the Secretary of State and other senior government officials, resident and visiting foreign dignitaries; foreign missions in the U.S.; American embassies/consulates overseas; and special events. The worldwide network of Department facilities is a critical component of U.S. diplomatic and development readiness. The provision of secure, safe, and functional domestic and overseas facilities enables U.S. Government employees to pursue the vital interests of the American public more effectively.

Integrated budgeting, planning and performance measurement processes, together with effective financial management and demonstrated financial accountability, enhance the Department's management practices and performance. These measures help ensure that resources entrusted to the Department are well managed and judiciously used.

II. Selected Performance Trends







Recent and Current State Department Post Construction Efforts

Data current as of October 3, 2005

Source: U.S. Department of State, Bureau of Overseas Building Operations

Boundary representation is not necessarily authoritatve

III. Strategic Context

Shown below are the performance goals, initiatives/programs, resources, bureaus and partners that contribute to accomplishment of the "Management and Organizational Excellence" strategic goal. Acronyms are defined in the glossary at the back of this publication. Within this framework and in support of the Secretary's vision for Transformational Diplomacy, the Department has identified a set of six crosscutting areas for action:

- Build on the Department's success under the President's Management Agenda (PMA) by addressing the remaining initiatives on which State has not reached green status;
- Remove all non-location specific support functions from critical danger posts to regional and central support centers;
- Strengthen open yet secure U.S. borders by maximizing legitimate travel to the U.S. while denying entry to those who would do the United States harm;
- Improve training opportunities and curricula for employees;
- Improve the quality of life for State employees whether domestic or abroad;
- Use technology to disseminate knowledge faster and more effectively.

The Department has developed an action plan with measurable milestones and metrics for tracking progress in each of these action areas.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Management and Organizational Excellence	Human Resources and Training	Talented & Diverse Employees	D&CP	HR	HBCU, HACU, OPM, Partnership for Public Service
		Diplomatic Readiness and Other Priority Training	D&CP	HR, FSI	HBCU, HACU, OPM, Partnership for Public Service, USAID, FCS, FAS, and other foreign affairs agencies
		Core Training Programs	D&CP	FSI	USAID, FCS, FAS, and other foreign affairs agencies
		Locally Employed Staff	D&CP	HR	USAID, FCS, FAS
		Leverage Technology	D&CP	FSI	IRM, HR, USAID, FCS, FAS, and other foreign affairs agencies
		American Citizens Employed by UN System Organizations	D&CP	IO	International organizations, other U.S. Government agencies

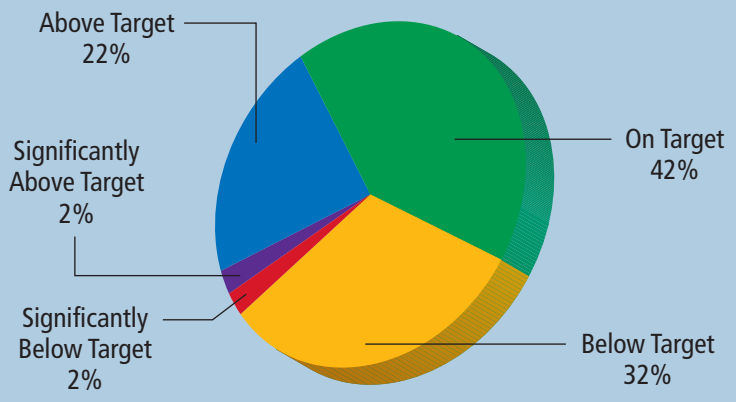
(continued)

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Management and Organizational Excellence *(continued)*	Information Technology	Secure Global Network & Infrastructure	D&CP, CIF, ICASS, and expedited passport fees	IRM	USAID and 30 other U.S. Government agencies at overseas posts
		Ready Access to International Affairs Applications and Information	D&CP, CIF, ICASS, and expedited passport fees	IRM, IIP, CA, PM	USAID and 30 other U.S. Government agencies at overseas posts
		Integrated Messaging (State Messaging and Archive Retrieval Toolset)	CIF	M	USAID and 30 other U.S. Government agencies at overseas posts
		Leveraging IT to Streamline Operations	D&CP and CIF	A, HR, RM	USAID and 30 other U.S. Government agencies at overseas posts
	Diplomatic Security	Secure Employees	D&CP	DS	N/A
		Protect Critical Infrastructure	D&CP	DS	DHS; President's Homeland Security Council; DoD; Intelligence Community
		Improve DS Infrastructure	D&CP	DS	N/A
	Overseas and Domestic Facilities	Capital Security Construction	ESCM	OBO	DS, regional bureaus, posts, other agencies
		Foggy Bottom Renovation/ Consolidation	ESCM and Prior Year Unobligated Balances	A	GSA
		New Office Building for USUN	D&CP	A	GSA, USUN, IO
		Compound Security Program	ESCM	OBO	Various U.S. Government agencies
		Maintenance and Repair of Assets	ESCM	OBO	DS, regional bureaus, posts, other agencies
	Resource Management	Integrate Budget & Performance	D&CP	RM	OMB, Congressional committees & subcommittees, foreign affairs agencies, GAO
		Improved Financial Performance	D&CP	RM	OMB, GAO, Treasury
	Administrative Services	Worldwide Logistics	D&CP	A	Various U.S. Government agencies
		Overseas Schools	D&CP	A	U.S. Government agencies, international schools, diplomatic community, educational associations
		Allowances	D&CP	A	U.S. Government agencies
		Records and Publishing Services	D&CP	A	NARA, GAO, GPO, OMB, various foreign affairs agencies
		Competitive Sourcing	D&CP	A	OMB

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Management and Organizational Excellence strategic goal.

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION	
Significantly Above Target	1
Above Target	9
On Target	17
Below Target	13
Significantly Below Target	1
Total Number of Ratings	**41**

V. Performance Analysis

PERFORMANCE TRENDS. Among the key trends in the strategic goal area of Management and Organizational Excellence is a steady, four-year increase in leadership, language, and public diplomacy training. In FY 2005, the Foreign Service Institute and the Human Resources bureau placed greater emphasis on identifying and developing appropriate skill sets and both have become better at measuring the impact of training rather than the training event itself. The Department saw a slight decline in the number of individuals taking the Foreign Service Written Exam – particularly minority candidates – and a decline in the number of Americans employed by international organizations. Positive trends continued in overseas building operations, as administrative efficiency and embassy construction increased. There was also a notable increase in security awareness and effectiveness for networks, individuals, and facilities.

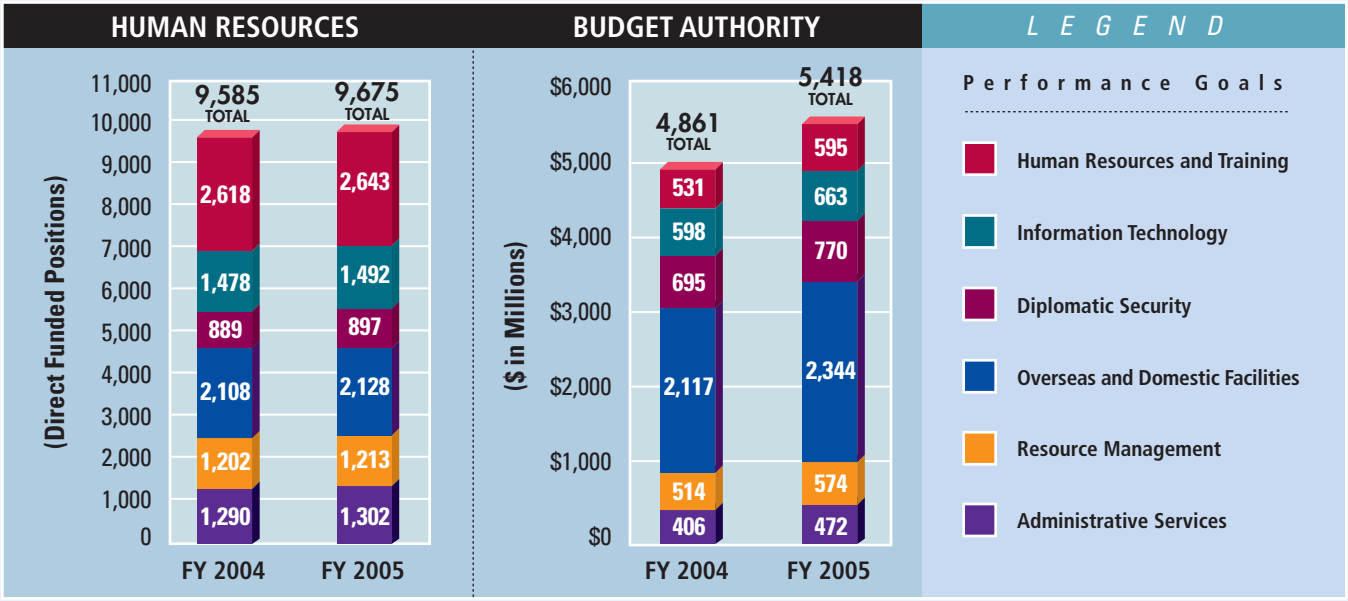
OUTCOME-LEVEL RESULTS. The Department achieved significant results in the following areas:

- People: increased skills and abilities
- Technology: continuous upgrades
- Security: increased awareness
- Facilities: efficient management, increased construction and renovation
- Management: enhanced budget and performance integration, increased competitive sourcing

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. The Department's program to develop and deploy a new electronic worldwide messaging system was rated significantly below target and the Department continues to face challenges recruiting and placing talented minority candidates in the Foreign Service. Results significantly above target include a higher-than-expected increase in the number of applicants to Foreign Service specialist positions.

RESOURCES INVESTED. Investment in worldwide security upgrades increased by 1.5% in FY 2005, rom approximately $640 million to $650 million, while funding for security construction increased 2.8%, from $753 million to $774 million. Funding for the IT Central Fund declined approximately 3.5%, from $251 million in FY 2004 to $242 million in FY 2005.

VI. Resources Invested



VII. Performance Results

PERFORMANCE GOAL 1

A HIGH PERFORMING, WELL-TRAINED, AND DIVERSE WORKFORCE ALIGNED WITH MISSION REQUIREMENTS

INITIATIVE/PROGRAM (I/P) #1: RECRUIT AND HIRE TALENTED, DIVERSE EMPLOYEES

Indicator #1: Number of Individuals Taking the Foreign Service Written Exam (FSWE)

JUSTIFICATION (VALIDATION): Measures the general level of interest in employment as a Foreign Service Generalist. A greater pool of individuals taking the FSWE provides the Department with a broader and deeper talent pool for hiring purposes.

FY 2005 PERFORMANCE	**Target**	20,342
	Results	18,699
	Rating	Below Target
	Impact	A smaller pool of FSWE exam takers indicates a narrower talent pool, but is not an indicator of success in recruitment and hiring since our focus is quality not quantity. In addition, the results indicate a slight decline in general interest in the exam, which is not necessarily the same as interest in employment in the Foreign Service. Despite this slight increase, we have a sufficient pool of potential applicants to meet our FY 2006 hiring goal of 370. Our FY 2006 hiring target is slightly lower than the actual number - 382 - that we hired in FY 2005.
	Reason for Shortfall	The results reflect a small decrease in the number of people who registered to take the exam. The numbers do not show, however, the fact that the no-show rate slightly decreased this year.
	Steps to Improve	We will continue to have an active recruitment and outreach. Our existing program has won praise. In the past year, the Department was one of five organizations (private and governmental) nominated for the Webby Award given by The International Academy of Digital Arts and Sciences, a 500-member body dedicated to the creative, technical, and professional progress of the internet and interactive media. Additionally, because we are in the forefront of recruitment practices, we have been invited to speak at events hosted by GOVHR Summit, The Woodrow Wilson School at Princeton University, and the National Association of Colleges and Employers.
PERFORMANCE DATA	**Data Source**	Bureau of Human Resources, Office of Recruitment, Examination, and Employment
	Data Quality (Verification)	Confidence in the data are high; the data are gathered at test sites, compiled in Washington, and analyzed for accuracy and trends by human resources professionals.
PAST PERFORMANCE	**2004**	19,101
	2003	20,342
	2002	31,400

I/P #1: RECRUIT AND HIRE TALENTED, DIVERSE EMPLOYEES *(continued)*

Indicator #2: Number of Applicants to Foreign Service Specialist Positions

JUSTIFICATION (VALIDATION): Measures the general level of interest in employment as a Foreign Service Specialist. A greater pool of individuals pursuing specialist positions provides the Department with a broader and deeper talent pool for hiring purposes.

FY 2005 PERFORMANCE	Target	4,200
	Results	5,966
	Rating	Significantly Above Target
	Impact	The increase indicates more interest in the Department of State as an employer of choice and, possibly, provides a greater pool of qualified applicants from which to hire.
PERFORMANCE DATA	Data Source	Bureau of Human Resources, Office of Recruitment, Examination, and Employment.
	Data Quality (Verification)	Confidence in the data quality is high; the data are captured electronically using the Department's position application system and are reviewed and analyzed by human resources professionals.
PAST PERFORMANCE	2004	4,274
	2003	4,800
	2002	4,000

Indicator #3: Number of Minority Individuals Taking the Foreign Service Written Exam (FSWE)

JUSTIFICATION (VALIDATION): Measures the general level of interest among minority groups in employment as a Foreign Service Generalist. A greater pool of minority individuals taking the FSWE provides the Department with a broader and deeper talent pool for hiring purposes.

FY 2005 PERFORMANCE	Target	10,700 - 34%
	Results	5,684 – 30%
	Rating	Below Target
	Impact	A smaller pool of FSWE exam takers indicates a narrower talent pool, but is not an indicator of success in recruitment and hiring since our focus is quality not quantity. In addition, the results indicate a slight decline in general interest in the exam, which is not necessarily the same as interest in employment in the Foreign Service.
	Reason for Shortfall	The results reflect a small decrease in the number of minorities who registered to take the exam. The numbers do not show, however, the fact that the no-show rate for minorities decreased this year.
	Steps to Improve	We will continue to have an active recruitment program; however, a smaller pool of highly qualified minority applicants is not indicative of a need for improvement.
PERFORMANCE DATA	Data Source	Human Resources Office of Recruitment, Examination, and Employment.
	Data Quality (Verification)	Confidence in the data are high; the data are gathered at test sites, compiled in Washington, and analyzed for accuracy and trends by human resources professionals.
PAST PERFORMANCE	2004	5,995, or 31% of total exam takers.
	2003	6,238 - 31% of total exam takers.
	2002	10,700 – 34 % of total exam takers.

I/P #1: RECRUIT AND HIRE TALENTED, DIVERSE EMPLOYEES *(continued)*

Indicator #4: Percent of Authorized Strength Achieved At Year End

JUSTIFICATION (VALIDATION): This indicator is a direct measure of the Department's ability on an annual basis to recruit and hire qualified candidates based on need and resources.

FY 2005 PERFORMANCE	**Target**	99%
	Results	99%
	Rating	On Target
	Impact	By reducing the gap between funded employment and actual employment, staffing gaps and vacancies are reduced and the opportunity for training, including foreign language training, increases.
PERFORMANCE DATA	**Data Source**	Bureau of Human Resources, Office of Resource Management and Organizational Analysis
	Data Quality (Verification)	Confidence in the data is high; the data are gathered using electronic means, then are reviewed and analyzed by human resources professionals in Washington.
PAST PERFORMANCE	**2004**	99%
	2003	99.3%
	2002	98.4%

I/P #2: DIPLOMATIC READINESS AND OTHER PRIORITY TRAINING

Indicator #5: Mandatory Leadership Training Participation

JUSTIFICATION (VALIDATION): Course enrollments best validate the number of employees completing mandatory leadership and management training.

FY 2005 PERFORMANCE	**Target**	Mandatory Leadership/ Management training for twenty-five percent (1,725) of eligible target audience.
	Results	Through FY 2005, there were more than 6,700 completed enrollments in mandatory leadership training courses (about 87% of adjusted target, or 13% ahead of original end-of-FY target of 74%).
	Rating	Above Target
	Impact	Leadership/Management training promotes a "leadership culture" designed to improve the Department's management cadre and develop those who will eventually assume positions of leadership.
PERFORMANCE DATA	**Data Source**	The indicator is based on course enrollments generated from the Department's corporate training database, the Student Training Management System (STMS).
	Data Quality (Verification)	The indicator is based on course enrollments generated from the Department's corporate training database, STMS, and are reliable. Fluctuation in database records may, at any given time, reflect enrollments numbers that slightly differ, though with little, if any, appreciable impact.
PAST PERFORMANCE	**2004**	As of end of FY 2004, 64% of original target audience of 7,000 has completed mandatory Leadership/Management training, exceeding end-of-FY 2004 target of 49%.
	2003	Successful: 1,725
	2002	Mandatory leadership/management requirements approved; target audience/numbers identified and planning begun for roll-out. Mandatory training implemented at the second quarter. Developed a four-year plan to meet requirement.

I/P #3: CORE TRAINING PROGRAMS

Indicator #6: Percentage of Employees Assigned to Language Designated Positions who Meet the Requirements of the Position

JUSTIFICATION (VALIDATION): As an indicator of how well the assignments process works to get people with needed skills in place, this is a good indicator as it only measures filled positions (not vacancies). Note that while percentages have stayed relatively stable, the numbers of positions and employees have increased.

FY 2005 PERFORMANCE	**Target**	Eighty percent or better.
	Results	83% fully met the requirements.
	Rating	On Target
	Impact	Diplomatic efforts will be more successful as employees with the appropriate language skills are deployed overseas. The Department will better engage host governments, local populations, and allies when implementing programs, communicating policies, and advocating positions.
PERFORMANCE DATA	**Data Source**	This indicator is calculated by the Bureau of Human Resources, Career Development and Assignments Division based on panel actions in the previous fiscal year (e.g. FY 2005 figures are based on FY 2004 panel actions). Actions for the current fiscal year are not available until the end of the fiscal year. This indicator is reported yearly to Congress as required by statute.
	Data Quality (Verification)	Confidence in the data is high: the data are reported electronically and stored in a database; post reports are solicited and verified by human resources professionals in Washington.
PAST PERFORMANCE	**2004**	82.55% fully met the requirements. Another 9.89 % partially met the requirements.
	2003	83% fully met the requirements. Another 12% partially met the requirements.
	2002	88 percent fully met the requirements.

Indicator #7: Percent of Language Students Attaining Skill Objectives

JUSTIFICATION (VALIDATION): The data is screened and provides the most accurate measure for tracking performance as it tracks time spent in language training and resulting end-of-training test results.

FY 2005 PERFORMANCE	**Target**	75% or better.
	Results	87%
	Rating	Above Target
	Impact	The Department will deploy staff with the right language skills and improve the effectiveness of programs and policies.
PERFORMANCE DATA	**Data Source**	The Student Training Management System.
	Data Quality (Verification)	The indicator is based on test result scores maintained in the Department's corporate training database, and are reliable. Fluctuation in database records may, at any given time, reflect numbers that slightly differ, though with little, if any, appreciable impact.
PAST PERFORMANCE	**2004**	88%
	2003	77%
	2002	77%

I/P #4: LOCALLY ENGAGED STAFF

Indicator #8: Percent of Eligible Family Members Employed in Local Economies Overseas Through Spouse Networking Assistance Program (SNAP)

JUSTIFICATION (VALIDATION): An annual increase in the percentage of family members employed overseas contributes to increased retention rates of the Foreign Service and Civil Service employees.

FY 2005 PERFORMANCE	**Target**	6%.
	Results	24%. This result is comparable to the FY 2005 target using the new methodology described in the 2004 result
	Rating	On Target
	Impact	The increase in the percentage of family members employed overseas has improved morale among staff. This assertion is based on the results of the SNAP survey that was done at 13 posts. Ninety-three percent of the respondents stated that it is important or very important to expand the program and that the impact of the program is greater than the numbers employed. Clearly, post morale is enhanced because of the career development assistance provided by the program.
PERFORMANCE DATA	**Data Source**	SNAP Monthly Reports submitted to the Family Liaison Office.
	Data Quality (Verification)	Data quality is high; SNAP reports are reviewed at post and are subject to analysis by human resources professionals in Washington.
PAST PERFORMANCE	**2004**	24%. The figure is based on the number of Eligible Family Members (EFMs) employed through SNAP as compared to the number of EFMs participating in the SNAP program at 18 posts. The initial Target of 6% was based on a calculation of EFMs employed worldwide on the local economy relative to the entire EFM population overseas. Since many posts do not yet offer SNAP and since a significant portion of EFMs do not choose to seek employment, measuring positions secured through SNAP as a percentage of SNAP participants is a more accurate measure of SNAP success.
	2003	4%.
	2002	2%.

United Nations (UN) Under Secretary General for Management, Christopher B. Burnham, meets with UN Secretary General Koffi Annan.

State Department Photo

I/P #4: LOCALLY ENGAGED STAFF *(continued)*

Indicator #9: Percent of Eligible Family Members Employed Overseas in Missions and Outside Missions

JUSTIFICATION (VALIDATION): An annual increase in the percentage of family members employed overseas contributes to increased retention rates of Foreign Service and Civil Service employees.

FY 2005 PERFORMANCE	**Target**	50%
	Results	35%
	Rating	Below Target
	Impact	While not all who wish to work have found jobs, the percentage employed has increased, improving morale.
	Reason for Shortfall	The FY 2005 target of 50 percent was not intended to be a one-year goal but rather a multi-year goal. It was developed with the expectation that the Department would steadily work towards the 50 percent spousal employment rate.
	Steps to Improve	We will work to develop additional opportunities for spousal employment inside the mission through the development of a Professional Associates program and other avenues to utilize the talents and experience of spouses overseas and through the expansion of the SNAP program to cover an additional 10 posts over the next fiscal year.
PERFORMANCE DATA	**Data Source**	Post data provided via the Family Employment Report reporting tool.
	Data Quality (Verification)	Data quality is high; reports are prepared and reviewed at post and are subject to analysis by human resources professionals in Washington.
PAST PERFORMANCE	**2004**	33%
	2003	33%
	2002	**Baseline:** 47%

I/P #5: LEVERAGE TECHNOLOGY

Indicator #10: Technology-Based Distance Learning (DL) Enrollments (SmartForce, FasTrac, and FSI-Produced Distance Learning Products)

JUSTIFICATION (VALIDATION): Completed DL training courses are the most objective data available for tracking progress towards attaining goal.

FY 2005 PERFORMANCE	**Target**	3,500 DL enrollments.
	Results	About 6,000 DL enrollments for State employees and EFMs, and 1,000 DL enrollments for non-State persons.
	Rating	Above Target
	Impact	Distance Learning delivered training offers opportunities for training to those employees who cannot come to the FSI school house, flexibility for individuals to "take training" when time allows and as needed ("just in time" training).
PERFORMANCE DATA	**Data Source**	Student Training Management System.
	Data Quality (Verification)	The indicator is based on course enrollments generated from the Department's corporate training database, STMS, and are reliable. Fluctuation in database records may, at any given time, reflect enrollments numbers that slightly differ, though with little if any appreciable impact.
PAST PERFORMANCE	**2004**	3,935 successfully completed DL courses. In addition, 50,805 successfully completed on-line, annual Computer Security Awareness refresher training that was put online.
	2003	2,398 enrollments (State only); 2,410 successfully completed DL courses. **Note:** Starting in FY 2004, the indicator tracks course completions instead of enrollments.
	2002	1,697 DL enrollments.

I/P #6: AMERICANS EMPLOYED BY UN SYSTEM ORGANIZATIONS

Indicator #11: Percentage of UN System Organizations' Workforce That are American Citizens

JUSTIFICATION (VALIDATION): The annual targets and results are averages among international organizations where the U.S. is most inequitably employed or which attract a high level of interest. By tracking averages over a number of years, the Department will know whether it is increasing the percentage of Americans working in UN System organizations, which is our goal.

FY 2005 PERFORMANCE	**Target**	11.1% *(Revised. See Appendix for explanation).*
	Results	CY 2004 Result: 10.7%
	Rating	**Below Target**
	Impact	The lack of progress in FY 2005 necessitates a downward adjustment to our out-year targets, which build on each other. The number of Americans matters because they bring values, ideals, skills, and experience to the job that can help the efficiency and effectiveness of international organizations.
	Reason for Shortfall	Employment of American citizens did not increase as fast as total employment in posts subject to geographical distribution in targeted organizations. Decisions on filling vacancies are made by selecting officials in international organizations over which the U.S. Government has limited influence and no control. Complicating factors include limited opportunities for spousal employment, insufficient language skills, political considerations, etc.
	Steps to Improve	1. Convene interagency working group to stimulate efforts by other U.S. Government agencies to identify and promote applicants for vacancies in targeted international organizations. 2. Meet with senior officials of these international organizations to encourage recruitment of American citizens in their organizations. 3. Ensure that efficient vacancy information dissemination procedures are in place. 4. Expand outreach efforts on the Internet and elsewhere to identify American candidates. 5. If funding is provided, hire a contractor to help identify applicants for select applicants for select positions in international organizations. 6. Fill a new position in the State Office Unit responsible for encouraging Americans to apply for international organization jobs.
PERFORMANCE DATA	**Data Source**	Data are derived from annual Department requests to posts/missions to obtain information directly from individual international organizations for forwarding to the Department for analysis.
	Data Quality (Verification)	Each year the Bureau of International Organizations submits a report to Congress on this issue. Missions accredited to international organizations gather and report to Washington data needed to compile the report from those organizations.
PAST PERFORMANCE	**2004**	CY 2003 Result: 11.5%
	2003	CY 2002 Result: 11.6%
	2002	CY 2001 Result: 11.8%

PERFORMANCE GOAL 2

MODERNIZED, SECURE, AND HIGH QUALITY INFORMATION TECHNOLOGY MANAGEMENT AND INFRASTRUCTURE THAT MEET CRITICAL BUSINESS REQUIREMENTS

I/P #7: SECURE GLOBAL NETWORK AND INFRASTRUCTURE

Indicator #1: Global IT Modernization (GITM)

JUSTIFICATION (VALIDATION): This indicator directly measures progress toward modernization of the Department's IT infrastructure.

FY 2005 PERFORMANCE	**Target**	Establish aggressive life-cycle modernization program for OpenNetPlus and ClassNet, centrally managed by the GITM Program Management Office.
	Results	In the second year of the modernization program, GITM is on schedule to complete 152 domestic and overseas OpenNet and ClassNet Local Area Network (LAN) modernizations, which includes 86 OpenNet and 66 ClassNet modernizations. GITM will also migrate an additional 159 OpenNet and ClassNet LANs from Windows NT to Windows 2003 and Active Directory.
	Rating	On Target
	Impact	Success of the GITM Program is critical to the Department's ability to provide a modernized, secure, and high quality IT infrastructure that meets critical business requirements. Failure to meet the GITM Program targets would directly and immediately impact the achievement of the Department's IT performance goals.
PERFORMANCE DATA	**Data Source**	1. GITM Program Management Office reports regularly to CIO and Under Secretary for Management on completed versus planned GITM installations. 2. E-Gov Monthly Cost Workbook indicates schedule and cost variance.
	Data Quality (Verification)	Data is of very high quality. On a monthly basis, the GITM program office provides the E-Gov Program Management Office with the most accurate and most current cost and schedule data available for use in performing independent Earned Value Management calculations.
PAST PERFORMANCE	**2004**	Began modernization program to refresh and maintain classified and unclassified computers.
	2003	1. OpenNetPlus project completed. 2. More than 43,000 users representing all of the Department's knowledge workers had desktop Internet access. Expanded Classified Connectivity Program (CCP) to all 224 eligible overseas posts. 3. Unclassified refresh continues. 4. No significant numbers of desktops were more than four years old.
	2002	1. OpenNetPlus pilot period completed; lessons learned documented. Substantial progress made on deployment to domestic and overseas posts. 2. CCP significantly increased for a surge in installations in 2002 and completion in 2003. CCP installed at 135 posts. Six percent of overseas-classified desktop computers were slower than the 450MHz standard. 3. 35% of unclassified desktop computers were over four years old.

I/P #7: SECURE GLOBAL NETWORK AND INFRASTRUCTURE *(continued)*

Indicator #2: Global Network Availability

JUSTIFICATION (VALIDATION): Network availability is a primary service provided by Enterprise Network Management (ENM) to all foreign and domestic OpenNet and Classnet sites. Measuring network availability helps to ensure we are fulfilling our mission of providing anywhere and anytime computing to our diplomats and domestic users.

FY 2005 PERFORMANCE	**Target**	1. Network availability to improve to 99.5 percent. 2. A cumulative total of 260 virtual private networks (VPN) installed, thus providing 100% of posts with this capability.
	Results	1. Network availability was 99.5 percent. 2. A cumulative total of 260 VPN's installed.
	Rating	**On Target**
	Impact	Improvements in network availability will help ensure that the network is able to provide adequate capacity to support centralized, highly interactive applications and new technology that enables the Department to fulfill its diplomatic mission to the foreign affairs community.
PERFORMANCE DATA	**Data Source**	ENM computes reliability using its real-time, interactive Integrated Enterprise Management System (IEMS) on OpenNet and ClassNet. IEMS consists of industry standard network management tools that continually ping each bridgehead router in the Department's enterprise network to determine status and automatically compute network statistics such as global reliability.
	Data Quality (Verification)	Data is of very high quality. ENM uses Business Engine Software Corporation to manage contract and project performance and generate comprehensive reports to senior management on status of VPN and network availability. On a monthly basis, ENM provides the E-Gov Program Management Office with the most accurate and current cost and schedule earned value management data available.
PAST PERFORMANCE	**2004**	1. The Department exceeded 99% reliability. 2. A cumulative total of 201 VPNs installed.
	2003	1. Network availability was 98 percent. 2. A cumulative total of 125 VPNs installed.
	2002	1. Network availability was 97 percent. 2. A cumulative total of fifty-four VPNs installed.

The new U.S. Embassy Compound, Sofia, Bulgaria

State Department Photo

I/P #7: SECURE GLOBAL NETWORK AND INFRASTRUCTURE *(continued)*

Indicator #3: System Authorization (Certification and Accreditation)

JUSTIFICATION (VALIDATION): This indicator reflects the degree to which systems meet generally accepted standards for security in support of our goal of keeping information safe from compromise.

FY 2005 PERFORMANCE	**Target**	Adopt a three-year recurring centrally-monitored process.
	Results	The Department reported 97% of General Support Systems (GSS) and Major Applications (MA) certified and authorized. OMB mandated a 100% requirement for the E-Government Scorecard in the President's Management Agenda by the Fourth Quarter FY 2005. The Department was lowered from Green to Yellow after not meeting this requirement. The Department is re-categorizing IT assets in conformance with Federal standards and anticipates this effort will verify our initial categorization of systems in 2003. This effort will assist the Department in determining and ultimately utilizing common security controls in conformance with Federal standards. Currently the Department is re-categorizing IT assets in conformance with national standards and anticipates this effort will verify our initial categorization of systems in 2003. This effort will assist the Department in determining and ultimately utilizing Common Security Controls.
	Rating	Below Target
	Impact	A robust certification and accreditation process ensures the confidentiality, integrity, and availability of the Department's information technology systems.
	Reason for Shortfall	The Department certified and authorized 97% of General Support Systems and Major Applications, falling short of the OMB mandated 100% mark.
	Steps to Improve	The Department will redouble efforts to identify, categorize, certify and authorize 100% of General Support and Major Applications as required by OMB.
PERFORMANCE DATA	**Data Source**	The Department's FY 2005 Federal Information Security Management Act (FISMA) Report, the Department's Information Security Program Plan (ISPP, published September 2005).
	Data Quality (Verification)	Confidence is high that the data are valid, since the information is thoroughly vetted in Washington before publication.
PAST PERFORMANCE	**2004**	Over 90% of the Department's inventory of minor applications, major applications and general support systems have received full authorization, meeting the goal for the 18-month project to authorize the Department's existing and emerging systems. This objective for FY 2004 was accomplished several months in advance of the project's planned date. Over 4,500 system vulnerabilities were identified in a sample of 110 systems during this process, of which more than 3,700 were remediated, including all high-level risks and most of the mid-level risks. Additionally, 81 overseas and domestic sites were visited to validate compliance and remediate weaknesses. Approximately 5,000 users were provided formal FISMA compliant role based training during these visits.
	2003	Thirty-three percent of the identified major applications and general support systems were authorized.
	2002	**Baseline:** Four percent of Department systems and networks certified and accredited in accordance with national standards.

I/P #8: READY ACCESS TO INTERNATIONAL AFFAIRS APPLICATIONS AND INFORMATION

Indicator #4: Access to International Affairs Information and IT Support for Public Diplomacy

JUSTIFICATION (VALIDATION): The Content Management System (CMS) project improves the quality of information available to the public on the Department's websites.

FY 2005 PERFORMANCE

Target	1. Defense Trade Application System design completed and implementation of fully operational system begins. 2. 100% of system operational at all 100 posts. 3. 100% of USINFO and language sites implemented within CMS.
Results	Design has been completed and the system has been rolled out domestically supporting a total of 22 sites that comprise USINFO and its six foreign language sites. One hundred fifty seven posts are active in the CMS, of which 100 have one or more live sites, a figure that exceeds the target. Customer Service, Training, and Professional Services are fully operational to support CMS customers' needs. A comprehensive search engine and taxonomy have been implemented serving USINFO and *www.state.gov* providing ready access to current and archival site information. Through the Akamai network, all CMS-hosted sites, domestic and overseas, are available on a 100% basis and have improved the quality of service for each site's customers on a world-wide basis. Content availability and reach have been significantly increased by making content available in forms that are used by many Embassy and Departmental websites and are available through Syndication services through Yahoo and other commercial providers.
Rating	Above Target
Impact	● Consolidation and centralization of software, hosting, support, training, and services. ● Continuity of operations through 100% availability of CMS-hosted sites. ● CMS addresses security and denial of service attacks completely. ● Disaster recovery and automated backup. ● CMS staff support for embassies during emergency situations, as in the cases for Nepal and Middle East sites. ● Reduction of duplicative design work through central assistance and templates. ● Departmental branding through consistent look and feel of sites. ● Simplified posting of content – knowledge of HTML coding no longer needed. ● Reduction in hosting costs – central hosting costs have remained constant while the number of posts hosted and no longer paying for local hosting has increased. ● Ability to re-purpose Washington-produced content and to propagate updates instantly. ● Increased ready access to information through search engine implementation. ● Faster, more reliable access to sites through Akamai distributed hosting services – 100% site availability. ● The only software required to use the CMS is an Internet browser. ● CMS users have more time to focus on content quality and serving their customers by being freed from dealing with technical issues. ● More time is available to users of the CMS. ● New products and services added to the CMS offering are being implemented immediately by CMS users: Streaming media capability, centralized content packages like rotating images with links to Electronic Journals, Pod-Casting, etc.

PERFORMANCE DATA

Data Source	The CMS Program Management Office reports monthly and quarterly progress on milestones and performance measures in accordance with the Department's Capital Planning and Investment Control process and OMB A-11 300 Process.
Data Quality (Verification)	The information reported consists of verifiable numbers of domestic offices and overseas posts having implemented the CMS system and the implementation of added services as stated.

PAST PERFORMANCE

2004	Established CMS as a comprehensive platform for posts to use to develop and host their websites; Included content management, hosting, search, security, monitoring, weblog reporting, graphics, branding, security, quality of service, technical support, training, and professional services in CMS package. Increased targets for post implementations 100% due to demand. Produced 100% of all Washington File content in XML; 100% of system operational with over 100 websites. Implemented 45 additional posts. Implemented public affairs *future.state.gov*, and *spanish.state.gov* in CMS. Identified 100% of USINFO and language sites. Converted 45 Embassy sites into CMS. Increased the on-line availability of all websites to 100%. Provided search capability for *state.gov*. Eliminated 99% of security and denial of service threats. Increased quality of service to foreign audiences by 800%. Increased responsiveness to foreign audiences through ability to create new information products in less than half the time of prior methods. Created and made available syndicated content for 13 information channels to include USINFO syndicated content on any websites.
2003	1. CMS development completed, 95% of the publishing platform was operational. Products currently hosted include: USINFO (20% implemented from within CMS), *future.state.gov* (100% implemented through CMS), *usvisas.gov*, *globaltechcorps.org*, and 76 post websites. 2. 95% operational on CMS at 5 out of the 100 posts targeted for full CMS capability in FY 2005.
2002	First phase of CMS implemented; over 70 writers/editors using content development and submission interface.

I/P #9: MODERN, WORLDWIDE, INTEGRATED MESSAGING

Indicator #5: Elimination of the Legacy Cable System-& Status of SMART Deployment

JUSTIFICATION (VALIDATION): This indicator is appropriate for assessing the Department's performance on the SMART project and will be actively and closely tracked as it develops. This project reflects the long-term vision described in the 2001 - 2005 IT Strategic Plan to have a modern worldwide messaging system. In addition, this project represents the Department's top IT priority, and as a consequence receives frequent senior management scrutiny. When completed, SMART will help implement a fully modernized, simple and secure, IT infrastructure.

FY 2005 PERFORMANCE	**Target**	1. Complete pilot. 2. Bring online second secure processing facility. 3. Initiate worldwide deployment. 4. National Archives and Records Administration compliant records management and transfer capabilities established.
	Results	1. System requirements decomposition effort results in validated list of derived requirements. 2. 50 users participated in a series of system usability demonstrations and provided feedback, driving defect corrections.
	Rating	Significantly Below Target
	Impact	Vendor request for delay under negotiation. Now that the pilot has been postponed, the likely outcome is that completion of the Phase 1A Beta Solution schedule will be extended into FY 2006. However, due to SMART's firm fixed price, performance-based contract, no additional financial resources are required.
	Reason for Shortfall	In November FY 2005, the system integrator requested an additional three-month delay in order to address system stability and functionality issues identified during a usability dry run. In March FY 2005, the system integrator named a new program manager for SMART, and an internal program review was initiated. In May FY 2005, the system integrator requested an additional 45-day delay in order to complete its re-planning effort, and develop and submit a proposal for the completion of Phase 1A.
	Steps to Improve	Negotiations for the modification of the SMART contract are currently underway.
PERFORMANCE DATA	**Data Source**	1. Capital Planning and Investment Control – indicates cost, schedule and performance. 2. E-Gov monthly data call – indicates schedule and cost variance. 3. SMART schedule – based on performance milestones and control gates associated with each phase of the Department's Firm-Fixed Price contract with the system integrator, and on system integrator's weekly WBS submissions to the SMART program management office.
	Data Quality (Verification)	No issues have been identified that would compromise confidence in the accuracy, quality or reliability of performance data sources. Data are gathered directly from the implementing contractor and reviewed and analyzed by IT professionals in Washington.
PAST PERFORMANCE	**2004**	1. In March FY 2004, the contractor requested a 3-week delay to investigate a hybrid solution, which led to the establishment of the Phase 1A Beta Solution with an end date of 10/15/04. 2. Completed Design Demonstration. 3. Installed a secure processing facility.
	2003	Secretary of State approved a new need to know policy SMART prototype (Proof-of Concept) developed and evaluated centralized approach approved Integrated acquisition team established.
	2002	Comprehensive requirements analysis completed, steering committee formed, users consulted to determine requirements, and prototype developed.

I/P #10: LEVERAGING INFORMATION TECHNOLOGY TO STREAMLINE OPERATIONS

Indicator #6: Availability of User-Empowered Administrative Systems

NOTE: This indicator has been deleted. Please see Appendix for details.

PERFORMANCE GOAL 3

PERSONNEL ARE SAFE FROM PHYSICAL HARM AND NATIONAL SECURITY INFORMATION IS SAFE FROM COMPROMISE

I/P #11: SECURE EMPLOYEES

Indicator #1: Installation of Technical Security Upgrade Equipment

JUSTIFICATION (VALIDATION): Technical Security Upgrade (TSU) projects provide critical security countermeasures for U.S. diplomatic missions abroad. These upgrades include facility power and conduit infrastructure, as well as refresh of technical security equipment.

FY 2005 PERFORMANCE	**Target**	TSUs completed for 47% (i.e., 60/127 identified as requiring upgrades) of facilities that house foreign affairs personnel (i.e., facilities other than embassies or consulates).
	Results	Of the more than 260 U.S. facilities overseas, 180 are designated as highly vulnerable. Of these facilities, 48 have a Critical (highest level) Security Rating and 52 have a High (second highest level) Security Rating. More than 50 facilities have had security upgrades either finished, under construction, or have new construction contracts in place.
	Rating	On Target
	Impact	Improving the technical security of 50 posts overseas has contributed directly to the increased safety and security of personnel at post and has indirectly contributed to the effectiveness of U.S. foreign policy.
PERFORMANCE DATA	**Data Source**	Data are verified and compiled by program offices with direct authority, threat level assessment tools such as the Security Environment Threat Level List, testing systems and Regional Security Officers at posts.
	Data Quality (Verification)	The Department is highly confident that the data are credible and valid, due to numerous internal reviews and consistent use of systems.
PAST PERFORMANCE	**2004**	TSUs were completed at 142 posts, exceeding the initial target of 133.
	2003	TSUs completed at 111 out of 133 posts, i.e. embassies or consulates.
	2002	TSUs completed at 77 posts.

Indicator #2: Deployment of Chemical and Biological Weapons Countermeasure Masks to Posts Abroad

JUSTIFICATION (VALIDATION): Chemical and Biological Weapons training and equipment serve to minimize casualties resulting from an attack. By equipping and training all personnel, employees will be better protected against these types of attacks.

FY 2005 PERFORMANCE	**Target**	240 of 240 posts with employee countermeasure masks.
	Results	The Department has completed an aggregate total of 240 posts out of 240. Overseas training covered approximately 32,842 employees.
	Rating	On Target
	Impact	All overseas posts have now received the full complement of chemical and biological defensive equipment and training, which has enhanced post security significantly.
PERFORMANCE DATA	**Data Source**	Post trip reports, equipment shipments to post and the individual training and equipment issuance records of each training session.
	Data Quality (Verification)	Data are verified and complied with program managers and through telegrams to ensure accuracy. Original training records are left with the Regional Security Officer and the training team leader retains a copy. Training records are attached to the post training report, which is maintained by the WMD Countermeasures Division.
PAST PERFORMANCE	**2004**	The Department has completed an aggregate total of 207 posts out of 240. Overseas training covered approximately 33,155 employees.
	2003	Seventy-seven of 240 posts provided with and trained in the use of countermeasure equipment; this includes 25,528 overseas personnel trained and ninety-five courses provided for security professionals being trained overseas.
	2002	Two of 240 posts with employee countermeasure masks.

I/P #11: SECURE EMPLOYEES *(continued)*

Indicator #3: Replacement of Armored Vehicles

JUSTIFICATION (VALIDATION): Armored vehicles provide protection of personnel from terrorist attack thereby improving the safety of employees while they carry out the Department's mission.

FY 2005 PERFORMANCE	**Target**	450 of 1,265 armored vehicles replaced.
	Results	A total of 287 armored vehicles were shipped to post including 86 Chief of Mission, 151 Security assets, 26 ICASS, 9 Office of Procurement and 15 Marine Security Guard vehicles. Including past performance years of 2003 and 2004, a combined total of 532 vehicles have been deployed to U.S. Missions.
	Rating	**Above Target**
	Impact	As a result of supplemental funding for U.S. Missions in Iraq and Afghanistan, the Bureau of Diplomatic Security is meeting the needs of other U.S. Missions covered by base funding of armored vehicle replacements. However, with the growing need for more armored vehicles in both Iraq and Afghanistan, it is imperative that supplemental funding dollars continue to meet the armored vehicle requirements that are being levied to protect U.S. personnel in both theaters.
PERFORMANCE DATA	**Data Source**	Post reports, shipment logs, invoices from manufacturer.
	Data Quality (Verification)	Data collected and compiled by program managers are verified at post and by the Bureau of Diplomatic Security in Washington.
PAST PERFORMANCE	**2004**	197 vehicles deployed: 28 Chief of Mission replacement vehicles and 95 vehicles have been shipped to Iraq. Other armored vehicle replacements include: Office of Procurement-8, ICASS-24, and Marine Security Guards-11.
	2003	**Baseline:** 48 of 1,265 armored vehicles replaced.
	2002	N/A

Indicator #4: Installation of Access Control Systems

JUSTIFICATION (VALIDATION): The Department's Access Control Systems (ACS) program is a replacement of a 15-year old system with a "Smart ID Card" system fully compliant with General Services Administration (GSA) standards for interoperability, physical access, and logical access. The system will also support Public Key Infrastructure and Biometrics.

FY 2005 PERFORMANCE	**Target**	Access Control Systems installed in the remaining 50% of the Department's annexes in the Washington DC area.
	Results	ACS was installed in remaining 50% of the Department's annexes in the Washington, D.C. area. Project completed.
	Rating	**On Target**
	Impact	The Department's ACS program is replacing a 15-year old system with a Smart ID Card system fully compliant with GSA standards for interoperability, physical access, and logical access. The system will also support Public Key Infrastructure and Biometrics. The impact will be increased compliance and more secure and efficient access.
PERFORMANCE DATA	**Data Source**	Data is verified and completed through program managers and interaction with National Capital Area facilities to ensure deliverables and installation.
	Data Quality (Verification)	Data are verified and completed through program managers and interaction with National Capital Area facilities to ensure deliverables and installation.
PAST PERFORMANCE	**2004**	The Perimeter of Harry S Truman (HST) building was completed and 50% of facilities in the Washington, DC area had ACS.
	2003	**Completed:** 1. 100% of HST Perimeter ACS. 2. 100% of HST Visitor ACS. 3. 95% of HST Network required to support ACS. 4. 25% of HST Infrastructure required to support ACS. 5. 20% of HST ACS readers installation.
	2002	Phase 2 was 85% complete; 75% of personnel data has been gathered and entered into the computer database. Phase 2 completed for HST; half of personnel in the Washington National Capital area received new badges.

I/P #12: PROTECT CRITICAL INFRASTRUCTURE

Indicator #5: Remediation of Identified Critical Infrastructure Protection Vulnerabilities

JUSTIFICATION (VALIDATION): The Department now has a functioning redundant communications capability and Critical Infrastructure Protection (CIP) plans in accordance with Presidential Decision Directive-63, which requires each Agency to develop a plan and a program to identify and protect its critical infrastructure.

FY 2005 PERFORMANCE	**Target**	Department-wide Critical Infrastructure Protection (CIP) vulnerabilities status of remediation is green.
	Results	Remediation status was yellow – one level below green.
	Rating	Below Target
	Impact	Relates to unmet Tier One and Tier Two requirements and is considered serious.
	Reason for Shortfall	Approved funding was not available, thus delaying implementation.
	Steps to Improve	Redundant Intelligence and Research Information System and Guard Security Control Center projects approved by the CIP Governance Board require funding of $7.73 million to begin project implementation.
PERFORMANCE DATA	**Data Source**	A, CA, DS, George P. Schultz Center, IRM, INR, OBO, RM, and S/ES bureaus; Department of Defense entities.
	Data Quality (Verification)	Reports from bureaus and DoD entities are reviewed by the Bureau of Diplomatic Security in Washington. Data are credible and valid.
PAST PERFORMANCE	**2004**	The Department now has a functioning redundant communications capability in emergency situations. The Department's security posture was enhanced by contingency plans developed for continuing operations under various circumstances.
	2003	Alternate Communications Site reached Initial Operating Capability (IOC) with 50% of BIMC redundant circuits installed and operational. • Tier 1 vulnerabilities progressed to green. • All Tier 2 and 50% of tier 3 vulnerabilities progressed to yellow.
	2002	Status of remediation for all Tier 1 vulnerabilities progressed to yellow. All other tiers remained at red.

I/P #13: IMPROVE AND ENHANCE DIPLOMATIC SECURITY INFRASTRUCTURE

Indicator #6: Intrusion Detection Systems for ClassNet and OpenNet are in Place Domestically and Abroad

JUSTIFICATION (VALIDATION): This indicator directly measures the Department's ability to modernize, integrate and make accessible information.

FY 2005 PERFORMANCE	**Target**	OpenNet and ClassNet networks are supported by a network situational awareness system; high traffic/volume choke points are monitored.
	Results	All Regional Security Officers were connected to a database for reporting post information and capturing worldwide statistical information. Identified user and system requirements/needs for products from the Global Situation Awareness Fusion Environment program. Developed a program plan, initial system concepts of operation, and Federal Information Security Management Act (FISMA) report requirements.
	Rating	On Target
	Impact	These enhancements to the ClassNet and OpenNet systems have increased the Department's ability to detect and prevent unwanted users from entering these systems and have increased the security of sensitive information.
PERFORMANCE DATA	**Data Source**	FSMIA and Bureau of Diplomatic Security reports; post reporting from Regional Security Officers.
	Data Quality (Verification)	Reports are regularly reviewed by upper management and system checks are conducted to verify that the intrusion detection enhancements are functioning properly.
PAST PERFORMANCE	**2004**	**Baseline:** The intrusion detection system for Classnet was completed at the remaining 60 posts. The Department's Classified information network was fully operational overseas.
	2003	Deployment of intrusion detection system on Opennet.
	2002	Deployment of intrusion detection system on Opennet.

Diplomatic Facilities

The Department's Bureau of Overseas Buildings Operations (OBO) is setting a record pace for delivering modern and secure diplomatic facilities on-time and within budget. These efforts ensure that over 60,000 U.S. Government employees overseas are working in secure, safe, and functional facilities. OBO completed six new embassy compounds in fiscal year 2005 in Abidjan, Abuja, Luanda, Kabul, Sofia, and Yerevan. In addition, OBO completed capital security construction projects in Frankfurt and Cape Town in fiscal year 2005 and successfully implemented the first year of the Capital Security Cost Sharing program, designed to accelerate funding for the replacement of diplomatic facilities that do not meet security standards from 26 to 14 years.

U.S. Embassy, Yerevan, Armenia.

State Department Photo

WORLDWIDE SECURITY UPGRADES (PART PROGRAM EFFICIENCY MEASURE)

Indicator #7: Number of Staff/Time Needed to Complete Background Investigation Cases

JUSTIFICATION (VALIDATION): The performance indicator ensures that, through timely turn around of background investigative cases, the Department's hiring plan will be met, while reducing the risk that sensitive information will be comprised.

FY 2005 PERFORMANCE	**Target**	159 staff completed 75% of applicant cases in 60 days.
	Results	154 staff completed 65% of all cases within 90 days, performing 23,506 investigations.
	Rating	**Below Target**
	Impact	Lower than anticipated personnel levels will result in lower numbers of investigations being completed. If this trend continues, it will ultimately impact U.S. border and homeland security.
	Reason for Shortfall	The Bureau of Diplomatic Security (DS) has performed additional work with minimal increase in staffing from FY 2004 to FY 2005. In FY 2004, DS performed 18,696 investigations using 141 staff. In FY 2005, DS performed 23,506 investigations with 154 staff.
	Steps to Improve	DS continues to use automation to improve efficiency by refining its Report Management System and leading the community in the President's e-Clearance initiatives. In addition, DS will continue to hire contract investigators to assist with background investigations at high volume overseas posts.
PERFORMANCE DATA	**Data Source**	Data compiled from DS human resources databases.
	Data Quality (Verification)	Data are verified and compiled by DS program managers and through the Department's Bureau of Human Resources.
PAST PERFORMANCE	**2004**	In FY 2004 the metrics were extended to track all background investigations, the Department's target was 75% of cases completed within prescribed timelines (90 days for all cases except presidential – 30 days). To date, the Department has completed 52% of all cases within the prescribed timeframes using 141 staff.
	2003	**Baseline:** 159 staff completed 63% of applicant cases in 77 days.
	2002	N/A.

The new U.S. Embassy Compound, Abuja, Nigeria

State Department Photo

PERFORMANCE GOAL 4

SECURE, SAFE, AND FUNCTIONAL FACILITIES SERVING DOMESTIC AND OVERSEAS STAFF

I/P #14: CAPITAL SECURITY CONSTRUCTION PROGRAM (PART PROGRAM)

Indicator #1: Number of New Sites Acquired for Capital Security Construction Projects

JUSTIFICATION (VALIDATION): The indicator directly tracks building site acquisition, an essential element of new embassy compound (NEC) construction. New sites are chosen in accordance with the Long-Range Overseas Building Plan NEC schedule.

FY 2005 PERFORMANCE	**Target**	9 *(Revised target. See Appendix for details).*
	Results	Ten NEC sites have been acquired (closed) as of September 30, 2005.
	Rating	Above Target
	Impact	Sufficient NEC sites were acquired to maintain momentum of NEC construction
PERFORMANCE DATA	**Data Source**	Data is captured based on formal property settlement (closing) records that legally assign ownership of the NEC site to the U.S. Government. The data is communicated via various means to include cables from posts and during monthly project performance reviews in OBO.
	Data Quality (Verification)	Data quality is excellent as performance results are accurately verified through official property settlement records.
PAST PERFORMANCE	**2004**	Eight NEC sites were acquired (closed) during the fiscal year.
	2003	Five building sites were acquired for new capital security construction projects.
	2002	Ten building sites were acquired for new capital security construction projects.

Indicator #2: Number of Capital Security Construction Projects Awarded In Accordance With Long-Range Overseas Building Plan

JUSTIFICATION (VALIDATION): The indicator was chosen because it represents a critical step in getting new capital security construction projects into construction. Once the projects are funded and the contracts awarded, other performance measures (indicators) are used to track projects in construction through to completion.

FY 2005 PERFORMANCE	**Target**	12 *(Revised target. See appendix for details).*
	Results	Port-au-Prince NEC was awarded in the first half of FY 2005 with the remaining capital security construction projects scheduled for awards in the last quarter of FY 2005. Although not funded as a "capital security construction project," the Baghdad NEC was awarded this fiscal year as well. An additional 13 capital security construction projects were awarded later in FY 2005 for a total 14 capital security construction projects awarded.
	Rating	Above Target
	Impact	Timely contract awards lead to secure, safe, functional facilities for employees working in embassies and consulates overseas in the interests of the U.S.A.
PERFORMANCE DATA	**Data Source**	Official contract awards for new capital security construction projects.
	Data Quality (Verification)	Data quality is excellent as the data is highly reliable and verifiable based on contract awards signed between the U.S. Government and its contractors.
PAST PERFORMANCE	**2004**	Awarded 13 new capital construction projects.
	2003	Awarded nine new capital security construction projects.
	2002	Awarded 13 new capital security construction projects.

I/P #15: FOGGY BOTTOM MODERNIZATION /CONSOLIDATION

Indicator #3: Renovation of the Harry S Truman Building

JUSTIFICATION (VALIDATION): Renovation of the Harry S Truman headquarters building is the primary component of the Foggy Bottom Renovation/Consolidation initiative/program.

FY 2005 PERFORMANCE	**Target**	Old State Phase 1A renovation complete; Phase 1A Lobby Security Improvements started; "New State" Phase 1B space planning completed; United States Diplomacy Center Concept Design completed and Final Design Contract awarded; Perimeter Security Concept Design Plan jurisdictional approvals obtained. *(Revised. See Appendix for details).*
	Results	Old State Phase 1A renovation is 99% complete; Phase 1A lobby security improvements were started; "New State" Phase 1B space planning was temporarily halted at 35% completion to provide options for consideration by new DOS management; U.S. Diplomacy Center concept design was completed; award of final design contract awaits approval; perimeter security concept design plan jurisdictional approvals were obtained.
	Rating	On Target
	Impact	Individual components of the FY05 target were largely accomplished, and the delay of those that were not fully met is acceptable within the long term, multi-year phasing context of this complex and extensive renovation project. The remaining work that is required to fully complete the Old State Phase 1A renovation is being completed and planned occupancy is set for the 2nd quarter of FY 2006.
PERFORMANCE DATA	**Data Source**	General Services Administration progress reports, construction and occupancy schedules, progress meetings, management plans, GSA deficiencies punch lists weekly updates, DOS FMS-IRM-DS deficiency punch lists, completed activities and weekly activity reports.
	Data Quality (Verification)	Progress reports and punch lists are regularly monitored and updated and inspections are ongoing. However, unsuccessful final testing of equipment, disapprovals of installed work and new technical problems cannot be predicted and are beyond DOS control.
PAST PERFORMANCE	**2004**	1. Construction of Old State phase 1A infrastructure was completed. 2. U.S. Diplomacy Center pre-concept design was completed in August 2004. 3. Space planning for New State phase 1B started in July 2004.
	2003	Old State Renovations - Key Achievements. ● Old State 8th floor vacated and demolition 100% complete. ● Infrastructure construction 95% complete. ● Space planning complete; office and special space design complete. ● Interiors construction contract bids received. ● Blast-resistant windows replacement started. ● Perimeter security improvements concept design approved by the Secretary. ● Network control center construction complete. ● U.S. Diplomacy Center pre-concept design 50% complete. ● Phase 2 New State cafeteria dining area upgrades complete, with North server upgrades 90% complete. ● 6th floor corridor improvements 75% complete. ● Delegates lounge upgrades complete. ● Jefferson Information Center concept design complete.
	2002	● Phase 1A of Old State demolition completed. ● Infrastructure construction started.

I/P #15: FOGGY BOTTOM RENOVATION/CONSOLIDATION

Indicator #4: Bureau of Educational and Cultural Affairs (ECA) and International Information Programs (IIP) Relocation to Foggy Bottom

JUSTIFICATION (VALIDATION): The Foreign Affairs Reform and Restructuring Act of 1998 transferred the functions of the United States Information Agency and the Arms Control and Disarmament Agency to the Department of State. An important aspect of this integration is to acquire office space to move the former USIA's Bureau of Educational and Cultural Affairs (ECA) and Coordinator of International Programs (IIP) staffs close to the Harry S Truman Building in the West End/Foggy Bottom area of Washington DC.

FY 2005 PERFORMANCE	**Target**	Begin Programming/Planning of the ECA/IIP relocation to Foggy Bottom in Fall 2004. Start leasing process, issue the Solicitation for Offer and sign lease by early summer 2005. *(Revised. See appendix for details).*
	Results	Rating based on revised FY 2005 target. Programming completed. Solicitation for Offer to be issued in November 2005 and lease projected to be signed by March 2006.
	Rating	Below Target
	Impact	Delays in the leasing process could delay the move-in date for the new space.
	Reason for Shortfall	Instead of looking for a single vendor for the needed space, it was determined that a more broad-based search for space close to Foggy Bottom was required.
	Steps to Improve	The Department is working closely, through General Services Administration (GSA), with the services of an outside broker via GSA's new National Broker Program. To expedite the preparation of the Solicitation for Offer, the Department took the initiative to review it and provided modifications to GSA.
PERFORMANCE DATA	**Data Source**	General Services Administration, GSA's National Broker contractor, and the Department of State's Bureau of Administration.
	Data Quality (Verification)	The performance data are based upon the best information available. The programming was completed in FY 2005, and the projected date for Solicitation for Offer issuance is close to being on target. However, timing of the lease execution is subject to final negotiations between GSA and the winning offerers.
PAST PERFORMANCE	**2004**	General Services Administration awarded the Program of Requirements for ECA/IIP, with original estimated completion date of October 2004. However, due to delays in obtaining the services of the Architect and additional program planning due to the limitation of available space (133,000 usable available compared to 147,000 sq. ft. needed by IIP/ECA), completion has been delayed until March 2005.
	2003	Owner/developer, anticipating construction development, made National Capital Planning Commission and Commission on Fine Arts submittals.
	2002	1. 100% of Foggy Bottom office renovations completed; concept approval from Commission on Fine Arts presented to Historic Preservation Review Board, Advisory Neighborhood Council and Zoning Commission hearing. 2. Consolidation 85 percent complete.

I/P #16: NEW OFFICE BUILDING FOR U.S. MISSION TO UNITED NATIONS

Indicator #5: U.S. Mission to the UN (USUN) New Construction

JUSTIFICATION (VALIDATION): Award of the construction contract, initiation of the construction effort and completion of that construction effort makes the New Office Building (NOB) available for occupancy. This represents a fundamental portion of the effort to provide a secure, safe and functional workspace for the USUN staff as well as other Department of State activities located in New York City.

FY 2005 PERFORMANCE	**Target**	Complete Existing Office Building (EOB) demolition; complete second phase of the two-step solicitation for construction contractors; complete substantive cost reduction effort and request revised proposals from competing contractors. *(Revised. See Appendix for details).*
	Results	Demolition of the EOB was completed in April 2005. The second phase of the two-phase solicitation for construction contractors was executed and proposals were received January 2005. The design and construction documents were modified incorporating significant cost reduction measures and issued to the competing contractors for revised proposals received June 2005. GSA initiated an amendment to the FY06 budget request to provide additional funding to cover the experienced project cost growth. Award of the contract has not yet occurred.
	Rating	Below Target
	Impact	Completion of the EOB demolition prepared the site for new construction by the target date. However, the prolonged solicitation phase is delaying award of the NOB construction contract. This will also delay initiation of construction and delay completion of the building and its occupancy.
	Reason for Shortfall	As a result of escalation in the cost of building materials and the uniqueness of the New York City construction environment, proposals for construction received by GSA in January 2005 were significantly higher than anticipated or budgeted, necessitating incorporation of additional cost reduction modifications and a revision of procurement strategy. The design and construction documents were modified incorporating substantive changes and cost reduction measures. An amendment to the original solicitation was issued to the competing contractors for revised proposals. The revised proposals were received June 2005. Although these proposals were in response to the effort incorporating significant cost reduction initiatives, at this time the market is experiencing an unprecedented demand and cost increase for cement, steel and other construction materials affecting costs of the NOB. By necessity, the new office building is a concrete structure requiring greater quantities of concrete than similar buildings in Manhattan.
	Steps to Improve	The design and construction documents were modified incorporating substantive changes and cost reduction measures. An amendment to the original solicitation was issued to the competing contractors requesting revised proposals.
PERFORMANCE DATA	**Data Source**	General Services Administration and Department of State's USUN Building project manager.
	Data Quality (Verification)	The data represent verifiable design and construction milestones.
PAST PERFORMANCE	**2004**	1. The U.S. Mission relocated to the Interim Office Building (IOB) and opened for business June 14, 2004. 2. The demolition contract for the Existing Office Building (EOB) was awarded and notice to proceed was issued July 17, 2004. 3. Of the $14.0 million provided in FY 2004 to support efforts associated with the IOB and NOB, $10.8 million was obligated for NOB construction effort, specialty contractors, and construction support activities. 4. With the exception of back check corrections, the NOB design was completed in September 2004.
	2003	1. $14 million Interim Office Building (IOB) funding obtained. 2. GSA not able to finalize IOB lease in FY 2003. As a result, lease signing and IOB build-out were delayed to FY 2004.
	2002	3. NOB design was 98% completed. 4. IOB space sought.

I/P #17: COMPOUND SECURITY PROGRAM

Indicator #6: Number of Technical Security Installation and Upgrade Projects Completed During Fiscal Year in Accordance with the Schedule

JUSTIFICATION (VALIDATION): The output measure (number of projects completed) is the best indicator at this time in determining that the technical security installation and upgrade projects are being performed on schedule.

FY 2005 PERFORMANCE	**Target**	70 technical security installation and upgrade projects are scheduled for completion.
	Results	As of September 30, 2005, 81 technical security installation and upgrade projects have been completed.
	Rating	Above Target
	Impact	Completed technical security projects provide added security protection for overseas employees performing work in embassies and consulates.
PERFORMANCE DATA	**Data Source**	Task orders, completed project sign off sheets and invoices paid for security projects as reported in weekly activities reports and monthly performance reviews
	Data Quality (Verification)	Data quality is excellent with a high level of confidence in the data as reported by project managers supervising the projects and through invoices being paid for completed work.
PAST PERFORMANCE	**2004**	Completed 81 technical security installation and upgrade projects.
	2003	71 technical security installation and upgrade projects were completed.
	2002	**Baseline:** 75

A Look to History: Management and Organizational Excellence

In December 1944, Secretary of State Edward R. Stettinius, Jr. reorganized the Department of State to ensure lead the nation's foreign relations in the difficult postwar era that lay ahead. He concentrated on improving key deficiencies of the Department, particularly the division of responsibility for certain important functions, dissemination of information, and long-range planning. Stettinius created new bureaus to handle trade relations, cultural diplomacy, and public information. Another important bureau came into being in September 1945—the Interim Research and Intelligence Service, forerunner of the present-day Bureau of Intelligence and Research.

Secretary of State Edward Stettinius (far right) listens as France's Foreign Minister Georges Bidault makes a Victory in Europe Day radio statement from the Opera House in San Francisco, California, May 1945. China's Ambassador to the U.S., Wellington Koo (far left), and Britain's Foreign Minister Anthony Eden, look on. AP Photo

I/P #18: MAINTENANCE AND REPAIR OF ASSETS

Indicator #7: Percent of Major Rehabilitation Projects Completed On Schedule and Within Budget

JUSTIFICATION (VALIDATION): The indicator is valid in determining that projects are constructed in accordance with the schedule and costs specified in construction contracts.

FY 2005 PERFORMANCE	**Target**	100% of new major rehabilitation construction projects to be completed on time and on budget per construction contract.
	Results	100% of major rehabilitation projects completed in FY 2005 were completed on time and on budget per the construction contract.
	Rating	**On Target**
	Impact	Completion of the major rehab projects provides functional facilities on behalf of overseas employees serving the vital interest of the United States.
PERFORMANCE DATA	**Data Source**	The indicator is verifiable based on monthly progress reports from OBO project personnel at posts, financial records maintained by the Department, and with actual contractual documents.
	Data Quality (Verification)	There is high confidence in the validity of the data. Data sources are verified by third parties regularly.
PAST PERFORMANCE	**2004**	100% of new major rehabilitation projects were completed on time and on budget per the construction contract.
	2003	100% of new major rehabilitation projects were completed on time and on budget per the construction contract.
	2002	N/A

CAPITAL SECURITY CONSTRUCTION (PART PROGRAM EFFICIENCY MEASURE)

Indicator #8: Ratio of Construction Management Costs to Total Construction Project Costs for Projects in Excess of $25 Million

JUSTIFICATION (VALIDATION): This indicator is an appropriate measure in determining whether on-site construction management costs are low in relation to overall construction project costs.

FY 2005 PERFORMANCE	**Target**	6.5%
	Results	Based on six capital construction projects (NECs) completed in FY-2005, the ratio is 3.81% as of September 30, 2005.
	Rating	**Above Target**
	Impact	Greater efficiency, as evidenced in the low ratio between construction management and total project costs, is resulting in considerable economic savings to the U.S. Government.
PERFORMANCE DATA	**Data Source**	Monthly reports from the project director and financial records maintained in the Department.
	Data Quality (Verification)	The data quality is considered to be excellent and is based on actual contract documents and financial records which clearly indicate the total project costs and costs applicable to construction management.
PAST PERFORMANCE	**2004**	5.3%
	2003	7.5%
	2002	8.0%

PERFORMANCE GOAL 5

INTEGRATED BUDGETING, PLANNING, AND PERFORMANCE MANAGEMENT; EFFECTIVE FINANCIAL MANAGEMENT; AND DEMONSTRATED FINANCIAL ACCOUNTABILITY

I/P #19: INTEGRATE BUDGET AND PERFORMANCE

Indicator #1: Budget and Performance Integration

JUSTIFICATION (VALIDATION): This indicator measures the extent to which the Department links budgeting and performance, a key President's Management Agenda initiative.

FY 2005 PERFORMANCE	**Target**	PMA Scorecard: 1. Status: Green. 2. Progress: Green.
	Results	PMA Scorecard: 1. Status: Green. 2. Progress: Green. The FY 2006 Joint Performance Plan, an integral component of the budget submission, showed allocation of budget request by Strategic and Performance Goals. In addition, all PMA criteria were met. included with the budget submission to OMB, showed allocation of budget request by strategic and performance goals.
	Rating	On Target
	Impact	Program managers have a better understanding of the full cost of Department initiatives/programs and the Department will be better positioned to make informed budget decisions based on performance.
PERFORMANCE DATA	**Data Source**	Published budgets and planning documents.
	Data Quality (Verification)	Data source is carefully and thoroughly vetted by original bureau supplying budget and performance data, as well as budget and performance officers in the Department.
PAST PERFORMANCE	**2004**	1. Status: Green. 2. Progress: Green.
	2003	1. Status: Red. 2. Progress: Green.
	2002	1. Status: Red. 2. Progress: Green.

I/P #19: INTEGRATE BUDGET AND PERFORMANCE *(continued)*

Indicator #2: Implementation of Central Financial Planning System (CFPS) Modules

JUSTIFICATION (VALIDATION): Implementation of the CFPS modules is a valid indicator of increased functionality of the Department's financial management systems, especially in the area of budget and performance integration.

FY 2005 PERFORMANCE	**Target**	Complete development and deployment of the following modules: ● Financial Performance and Reporting System (Dashboard), Version 1 and 2. ● Bureau Resource Management System (BRMS), Version 2.
	Results	● Versions 1 and 2 of the Financial Performance and Reporting System (Dashboard) were developed and initial deployment begun. ● Version 1 and Version 2 of BRMS were combined. This single version was near completion with some trial deployments completed.
	Rating	**Below Target**
	Impact	CFPS primary objectives are to enable performance and budget integration, improve resource management, and facilitate interagency coordination of programs and resources. The Dashboard and BRMS modules are key components of this system. (Note: The CFPS is now called the Joint Performance and Planning System to reflect the increasing efforts of both State and USAID to develop the system.)
	Reason for Shortfall	● The Dashboard module was behind its deployment schedule due to a procurement delay. ● BRMS was behind schedule due to the loss of key contractor personnel, reprioritization of resources, and changes in scope to better align the project with other State systems.
	Steps to Improve	● Moving forward from the initial delay, Dashboard was able to meet its costs, schedule, and performance requirements. Deployment of the application remains on schedule. ● The combining of modules and a longer development time have enabled refined requirements for BRMS. With the refined requirements, BRMS will better address the needs of it users. (Changes to the BRMS initial project baseline have been reflected in the business case for the project).
PERFORMANCE DATA	**Data Source**	Published State budgets and planning documents.
	Data Quality (Verification)	Performance data is tracked on a monthly basis for each of the CFPS modules. Module progress is determined using industry standard Earned Value Management techniques.
PAST PERFORMANCE	**2004**	Version 1 of the Bureau Resource Management System was on schedule to be completed at the beginning of FY 2005, and the prototype of the Financial Performance and Reporting System was also completed.
	2003	Mission Performance Plan, Bureau Performance Plan, and Statement of Net Cost modules completed and implemented.
	2002	Baseline: The initial design, funding, and preparations with pilot bureau completed.

I/P #20: IMPROVED FINANCIAL PERFORMANCE

Indicator #3: Status of Implementation of Joint Financial Management System

JUSTIFICATION (VALIDATION): This indicator measures the status of a key new financial management system, which will contribute directly to improved financial performance. A joint State/USAID financial system will eliminate duplication of effort and consolidate financial processing, leading to improved financial management.

FY 2005 PERFORMANCE	Target	PMA Scorecard: 1. Status: Green. 2. Progress: Green.
	Results	1. Status: Green. 2. Progress: Green. In November 2005, USAID's Phoenix system will be hosted by the Department of State's Charleston Financial Service Center under a mutually agreed service level agreement that will assure complete satisfaction of USAID's financial and reporting needs.
	Rating	On Target
	Impact	Implementation of the joint financial management system has allowed the Department and USAID to identify potential redundancies and plan for better financial management efficiency.
PERFORMANCE DATA	Data Source	Bureau of Resource Management, Department of State. Joint Management Council quarterly reports.
	Data Quality (Verification)	Data are verified quarterly and reviewed by budget and performance analysts at the Department of State and USAID.
PAST PERFORMANCE	2004	1. Status: Yellow. 2. Progress: Green.
	2003	1. Status: Red. 2. Progress: Green.
	2002	1. Status: Red. 2. Progress: Green (i.e., Successful Results).

Indicator #4: Financial Services Consolidation

JUSTIFICATION (VALIDATION): Consolidation of the Department's financial services will improve operations of its financial management operations.

FY 2005 PERFORMANCE	Target	Complete the relocation of portable domestic financial services into Financial Services Center (FSC) Charleston.
	Results	The building was delivered ready for occupancy ahead of schedule and within budget. Domestic financial services were consolidated in the new building in Charleston.
	Rating	On Target
	Impact	The modern, well-equipped, consolidated center for financial service operations in Charleston has improved morale, increased efficiency, and reduced transaction costs.
PERFORMANCE DATA	Data Source	Bureau of Resource Management, Office of Global Financial Services.
	Data Quality (Verification)	Data are reviewed and verified by the Office of the Deputy Chief Financial Officer and staff in FSC Charleston.
PAST PERFORMANCE	2004	The building was delivered ready for occupancy ahead of schedule and within budget. Domestic financial services were consolidated in the new building in Charleston.
	2003	1. Domestic processing for American payroll and Foreign Service Pension was operating in FSC Charleston. 2. All overseas posts serviced by former FSC Paris were serviced by FSC Charleston and FSC Bangkok.
	2002	1. Implementation plan submitted to OMB. Initial implementation of Regional Financial Management System (RFMS) in FSC Charleston. 2. The Department took occupancy of the second building in Charleston complex in April 2002.

PERFORMANCE GOAL 6

CUSTOMER-ORIENTED, INNOVATIVE DELIVERY OF ADMINISTRATIVE AND INFORMATION SERVICES, ACQUISITIONS, AND ASSISTANCE

I/P #21: WORLDWIDE LOGISTICS

Indicator #1: Integrated Logistics Management System Development and Implementation

JUSTIFICATION (VALIDATION): The Integrated Logistics Management System (ILMS), when fully implemented across the supply chain, will provide an integrated and enhanced logistics information and e-business platform for Department customers, stakeholders, and partners.

FY 2005 PERFORMANCE	**Target**	ILMS fully integrated with the Department's financial system and fully operational domestically. Conduct overseas pilot at up to five posts.
	Results	1. ILMS Asset Management 88% deployed in FY 2005, with full domestic deployment completed by December 2005. 2. ILMS Transportation piloted in FY 2005, with full deployment to take place in the second quarter of FY 2006. 3. ILMS Ariba piloted in Consulate General Frankfurt and European Logistical Support Office; Diplomatic Pouch and Mail overseas pilot/ deployment in Pretoria, Tunis, Buenos Aires, Florida Regional Center and Miami Courier Hub. 4. ILMS fully integrated with the Central Financial Management System.
	Rating	Below Target
	Impact	Extension of ILMS deployment process.
	Reason for Shortfall	ILMS Asset Management deployment was delayed to meet customers' requests for alternate deployment dates. No problems were encountered in the deployment. A program management decision was made to change the deployment strategy for ILMS Transportation to deploy in a pilot mode prior to full roll-out in order to minimize program risk. ILMS Transportation Pilot deployment was successfully accomplished in May 2005.
	Steps to Improve	Rigorous design reviews and testing procedures are in place to ensure full deployment of transportation will occur on schedule.
PERFORMANCE DATA	**Data Source**	ILMS Program Management Plan and Earned Value Management System.
	Data Quality (Verification)	The performance data are accurate and complete. Data from posts are reviewed and verified on site; other data are verified by program supervisors in Washington, D.C.
PAST PERFORMANCE	**2004**	1. ILMS requisitioning/procurement module deployed to all bureaus domestically with two overseas pilots. 2. ILMS distribution module deployed to domestic warehouses. 3. ILMS asset management deployed for motor vehicle and Worldwide Property Accountability System inventory and piloted in two domestic bureaus. 4. ILMS fully certified and accredited. 5. ILMS Diplomatic Pouch and Mail module piloted at one overseas post.
	2003	1. ILMS procurement module operational in four domestic bureaus (fully integrated with the Department's Central Financial Management System) and one overseas regional procurement facility. 2. ILMS Asset Management module piloted at one overseas post. 3. ILMS Diplomatic Pouch and Mail module fully deployed and operational at both the unclassified and classified pouch facilities.
	2002	Design/development 50% complete; deployment strategy complete; initial implementation of diplomatic pouch and mail bar-code tracking system.

I/P #21: WORLDWIDE LOGISTICS *(continued)*

Indicator #2: Percentage of Service Contract Dollars that are Performance-Based

JUSTIFICATION (VALIDATION): Performance-based contracting is intended to provide more effective, innovative and efficient use of Department of State resources.

FY 2005 PERFORMANCE	**Target**	Forty percent performance-based service contract dollars. *(Revised. See Appendix for details).*
	Results	The Department has not yet compiled enough data to establish the percentage of performance-based service contracts that were awarded in FY 2005. Results will be included in a Performance-Based Service Acquisition (PBSA) report to OMB that is due on January 31, 2006. Preliminary partial results, along with ad hoc knowledge of awards, indicate that the Department will probably remain below target.
	Rating	**Below Target**
	Impact	The Department of State is missing opportunities to place more performance risk on our contractors through performance-based goals.
	Reason for Shortfall	1. Data integrity – we suspect the PBSA percentage is low partially because of errors in coding. Additional data analysis and validation is required to confirm this suspicion (see comments under Data Quality). 2. Effective transition to performance-based contracting requires significant change to current business practices.
	Steps to Improve	1. Validate 2005 data in GSA's Federal Procurement Data System – Next Generation (FPDS-NG). If data validation indicates data entry is a problem, offer additional training on FPDS-NG data input. 2. Target training and oversight for those bureaus with PBSA shortfalls. Develop a more effective training program for contracting officers and provide training, outreach and oversight for bureaus and offices in order to move the Department toward OMB goals.
PERFORMANCE DATA	**Data Source**	The statistical information provided for this indicator is based upon manual evaluation and manipulation of raw data from GSA's Federal Procurement Data System-Next Generation, which is the government-wide automated repository for procurement related information.
	Data Quality (Verification)	Data quality of information coming from FPDS-NG is suspect government-wide. In Letter Report GAO-05-964R, the Government Accountability Office (GAO) expressed concerns regarding the timeliness and accuracy of data from FPDS-NG. GAO also identified the ease of use and access to data from the FPDS-NG system exacerbating the data integrity concerns.
PAST PERFORMANCE	**2004**	15%
	2003	8% of the Department's service contract dollars were performance-based, against a goal of 30%.
	2002	**Baseline:** 16% of service contract dollars were performance-based, against a goal of 20%.

Secretary Rice is accompanied by Sudan's Foreign Minister, Dr. Mustafa Osman Ismail, left, and a Diplomatic Security special agent upon her arrival at Khartoum airport, July 2005.

AP/Wide World Photo

I/P #22: OVERSEAS SCHOOLS ACCREDITATION

Indicator #3: Accreditation of Overseas Schools

JUSTIFICATION (VALIDATION): The increase of accredited schools is an indication that our promotion of accreditation through grants to accrediting agencies and direct assistance to the schools is having a positive effect.

FY 2005 PERFORMANCE	**Target**	A total of 175 accredited schools out of approximately 187.
	Results	175 schools are accredited out of 191 (the number of Department-assisted overseas schools rose since the FY 2005 target was established).
	Rating	On Target
	Impact	The increase in accredited schools means that more U.S. Government dependents are able to avail themselves of a quality education, which is an important factor in mission morale and quality of life.
PERFORMANCE DATA	**Data Source**	U.S. Accrediting Agencies.
	Data Quality (Verification)	The results come to us from the U.S. regional Accrediting Agencies, which are the organizations that accredit the schools. Our confidence level in the reliability and completeness of the performance data is high.
PAST PERFORMANCE	**2004**	A total of 172 accredited schools.
	2003	A total of 165 accredited schools.
	2002	A total of 155 accredited schools. **2001 Baseline:** A total of 148 accredited schools.

I/P #23: RECORDS AND PUBLISHING SERVICES

Indicator #4: Freedom of Information Act Backlog Reduction

JUSTIFICATION (VALIDATION): "Cases closed" is universally recognized throughout the Government, by the GAO, the Congress, the lead agency (DOJ), and the courts as the appropriate measurement for the Freedom of Information Act (FOIA) program.

FY 2005 PERFORMANCE	**Target**	Limit operating backlog to no more than 20 percent of new requests.
	Results	In FY 2005, the operating backlog increased slightly to 22 percent.
	Rating	Below Target
	Impact	Over the past few years, the Office of Information Programs and Services (IPS) achieved an historic decrease in the backlog through training, homegrown technology, and process improvement. In FY 2005, IPS held the line at 22 percent despite a double-digit increase in FOIA requests. IPS is seeking innovative ways to further improve processes and cut workload. However, an honest assessment of the trend in requests, competing priorities, and projected funding suggests the backlog will increase in FY 2006.
	Reason for Shortfall	1. Increase in number of new FOIA cases, attributable to the availability of electronic submission of FOIA requests. 2. Reduction to the FOIA reviewer workforce due to reallocation of resources to special projects and to E.O. 12958.
	Steps to Improve	1. Reengineering workforce to align with current case processing requirements. 2. Instituting performance measurements and benchmarking procedures.
PERFORMANCE DATA	**Data Source**	FREEDOMS (Freedom of Information Document Management System).
	Data Quality (Verification)	Results are based on reports that are reliable, consistent, and complete. Reports are generated from FREEDOMS, which tracks all case opening, processing, and closing.
PAST PERFORMANCE	**2004**	More than 11,500 requests have been completed, representing a closure rate of 85% of all FOIA and Privacy Act requests. The Department has reduced the overall backlog from 6,214 to fewer than 2,000 cases, and reduced the median processing time by 65%.
	2003	Achieved a fifty percent reduction as of the end of FY 2003.
	2002	**Baseline:** Achieved a twenty-percent reduction in the FY 2001 backlog of 6,214 FOIA requests.

I/P #24: ALLOWANCES

Indicator #5: Status of E-Allowances System

JUSTIFICATION (VALIDATION): This indicator is intended to track the progress of replacing paper submissions to Washington with an automated process, workload, and timeliness benefits. The current Allowances system requires that posts abroad provide data manually (paper copies) to the Office of Allowances in Washington for processing. The information is entered into the Department's computer system and calculations of the appropriate allowance are made for use by U.S. Government civilian agencies with employees posted or on temporary duty abroad. The current process is very time consuming and labor-intensive process and can add several days to the processing of a complicated allowances questionnaire.

FY 2005 PERFORMANCE	**Target**	Development of Phase One (Per Diem module). Revised target *(see Appendix)*.
	Results	System development of Phase One was completed in FY 2005. The Phase One system is currently in the Certification and Accreditation process and expected to be deployed in November 2005.
	Rating	On Target
	Impact	Lessons learned from Phase One are being incorporated into the approach and schedule development for Phase Two, with additional cycles of independent verification and validation to reduce the number of defects.
PERFORMANCE DATA	**Data Source**	Office of Allowances. Performance metrics identified in OMB 300.
	Data Quality (Verification)	The performance metric for Phase One is appropriate. The analysis of the project's performance provided in September 2005 is accurate.
PAST PERFORMANCE	**2004**	On September 30, 2004, the project successfully completed the milestone to provide the Critical Design Review for the per diem module (Phase I) of the eAllowances Project. The system was being coded, with Phase I on schedule for planned May 2005 completion and planned July 2005 deployment.
	2003	Customer Focus Team Meeting held and Alternative Analysis, Systems Requirements Specs, and Per Diem BPR completed. User requirements completed. OMB Exhibit 300 developed.
	2002	**Baseline:** User requirement identification underway.

I/P #25: COMPETITIVE SOURCING

Indicator #6: Competitive Sourcing

JUSTIFICATION (VALIDATION): This program conducts public/private competitions from commercial functions to determine best provider.

FY 2005 PERFORMANCE	**Target**	Complete agreed-upon competitions; complete 85% of full A-76 cost comparisons within 18 months of official announcement; all commercial activities exempt from competition have OMB-approved justifications. *(Revised. See Appendix for details).*
	Results	100% (four) of agreed upon streamlined competitions have been completed within OMB approved timeframe of 90 days. Three standard competitions were announced. 100% of commercial activities exempt from competition have OMB approved justifications.
	Rating	On Target
	Impact	Competitive Sourcing provides the accountability needed to ensure that operational cost efficiencies and performance improvements are achieved.
PERFORMANCE DATA	**Data Source**	Office of the Procurement Executive and Acquisition Management records.
	Data Quality (Verification)	The Department conducts extensive project planning and critically monitors milestones to ensure timeframes are met.
PAST PERFORMANCE	**2004**	100% (five) streamlined competitions completed within 90 days. No standard competitions announced.
	2003	Streamlined competition was held for warehousing. Preliminary planning was initiated for first standard competition. Competitive Sourcing infrastructure created to include: an office of competitive sourcing; training; business case process.
	2002	**Baseline:** No standard competitions were held. OMB approved competition plan.

WOMEN IN DIPLOMACY*

Ever since women were permitted to join the U.S. diplomatic corps in 1922, they have slowly but surely made their way to the highest leadership positions in the State Department. In 1933, Ruth Bryan Owen was appointed as the first female chief of mission as head of the U.S. embassy for Denmark and Iceland. The first woman appointed chief of mission at the ambassador level, Helen Eugenie Moore Anderson, was named ambassador to Denmark in 1949.

In the first 42 years following Ruth Owen's appointment as chief of mission (1933-1976), the number of female appointments as chief of mission or assistant secretaries of State stayed well within the single digits. The Ford administration broke this barrier, appointing seven female chiefs of mission and three women to senior positions. With the Carter administration, rapid progress began: 18 women were made chiefs of mission and 10 were appointed to other senior positions. Presidents Ronald Reagan and George H.W. Bush continued the trend, with 33 and 37 female appointments, respectively. The Clinton administration made a larger leap, appointing 116 women to the senior-most diplomatic posts. In his first term, President George W. Bush named 69 women to the highest diplomatic posts.

Since 2001, several women have been named ambassadors to Arab countries. Maureen Quinn was ambassador to Qatar from 2001 to 2004. During the same period, Marcelle Wahba was ambassador to the United Arab Emirates, and was succeeded by Michelle Sison, who had been the deputy chief of mission in Pakistan from 2000 to 2002. In 2003, Margaret Scobey was appointed ambassador to Syria. The rapid gains of the past decade are the culmination of over 70 years of incremental advances for women in U.S. diplomacy, and position women for new breakthroughs in leadership in the months and years ahead.

FIRSTS FOR FEMALE DIPLOMATS

1922 First woman admitted to the U.S. Foreign Service: Lucile Atcherson (FSO).*

1933 First female chief of mission at the minister rank: Ruth Bryan Owen, Denmark and Iceland.

1949 First woman chief of mission at the ambassador rank: Helen Eugenie Moore Anderson, Denmark.

1953 First female career diplomat chief of mission: Frances Willis (FSO), Switzerland. She was the third woman to be admitted to the Foreign Service.

1961 First female chief of mission outside of Europe and first to South Asia: Frances Willis (FSO), Ceylon.

1962 First woman to attain the rank of career ambassador: Frances Willis (FSO).

1965 First female African-American ambassador: Patricia Harris, Luxembourg.

1969 First female ambassador to a Caribbean country: Eileen Roberts Donovan (FSO), Barbados.

1971 First woman appointed to an international organization: Betty Dillon, representative to the International Civil Aviation Organization.

1972 First female ambassador to an African country: Jean Wilkowski (FSO), Zambia.

1973 First female assistant secretary of State: Carol Laise Bunker (FSO), Public Affairs.

1975 First female ambassador to a Pacific island nation: Mary Olmsted (FSO), Papua New Guinea and the Solomon Islands.

1977 First female Hispanic-American ambassador and first female ambassador to a Central American country: Mari-Luci Jarimillo, Honduras.

1977 First female Asian-American assistant secretary of State: Patsy Takemoto Mink, Oceans and International Environmental and Scientific Affairs.

1977 First female under secretary of State: Lucy Benson, Security Assistance, Science and Technology.

1978 First female ambassador to a South American country: Nancy Ostrander (FSO), Suriname.

1979 First female ambassador to an Asian country: Patricia Byrne (FSO), Burma.

1981 First female U.S. Permanent Representative to the United Nations: Jeane Kirkpatrick. In 1993, Madeleine Albright became the second woman appointed as U.S. Permanent Representative to the U.N.

1985 First woman to head a geographic bureau: Rozanne Ridgway (FSO), Assistant Secretary for European and Canadian Affairs.

1988 First female ambassador to a Middle Eastern country: April Catherine Glaspie (FSO), Iraq.

1994 First female Asian-American ambassador: March Fong Eu, Micronesia.

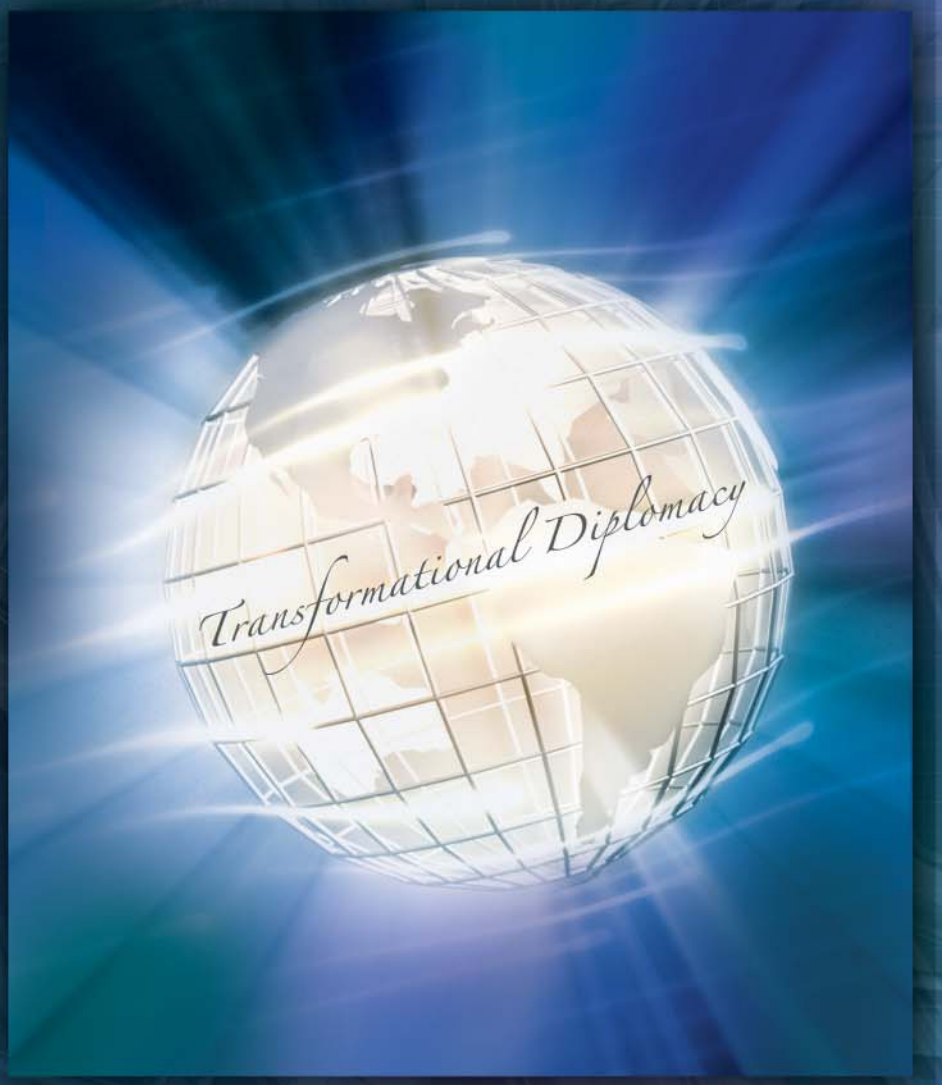
1997 First female Secretary of State: Madeleine Albright.

2005 First female African-American Secretary of State: Condoleeza Rice.

**(FSO) Foreign Service officer. All others are non-career, political appointees.*

*This article and the accompanying chart are excerpted from Ann Wright's article, "Breaking Through Diplomacy's Glass Ceiling," published in the October 2005 issue of *Foreign Service Journal*. The complete article can be found at the American Foreign Service Association's website at www.afsa.org.

Resource Summary by Strategic Goal



RESOURCE SUMMARY

U.S. Department of State Operations

Appropriations Act Resources

($ in thousands)

STRATEGIC OBJECTIVE / Strategic Goal		FY 2004 Actual		FY 2005 Actual	
		Positions (1)	Funds	Positions	Funds
ACHIEVE PEACE AND SECURITY					
RS	Regional Stability	1,270	$ 1,711,798	1,282	$ 1,896,939
CT	Counterterrorism	898	210,002	906	232,715
HS	Homeland Security	562	234,148	567	259,473
WD	Weapons of Mass Destruction	514	182,367	519	202,091
IC	International Crime and Drugs	695	98,527	702	109,183
AC	American Citizens	551	59,853	556	66,326
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS					
DE	Democracy & Human Rights	822	317,860	830	352,238
EP	Economic Prosperity and Security	1,539	412,917	1,553	457,576
SE	Social & Environmental Issues	281	300,892	284	333,435
HR	Humanitarian Response	547	43,079	552	47,738
PROMOTE INTERNATIONAL UNDERSTANDING					
PD	Public Diplomacy and Public Affairs	2,230	514,276	2,251	569,898
STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES					
MG	Management and Organizational Excellence	9,585	4,855,124	9,675	5,380,235
Strategic Goal Sub Total		**19,494**	**8,940,843**	**19,677**	**9,907,849**
Office of the Inspector General		314	31,369	314	30,028
International Commissions		345	57,187	345	63,273
F.S. Retirement & Disability Fund			134,979		132,600
GRAND TOTAL		**20,153**	**$ 9,164,378**	**20,336**	**$ 10,133,750**

[1] *The "Positions" column denotes the number of direct-funded American positions.*

RESOURCE SUMMARY

U.S. DEPARTMENT OF STATE & OTHER FOREIGN AFFAIRS AGENCIES

FOREIGN OPERATIONS AND FOOD AID RESOURCES

($ in thousands)

STRATEGIC OBJECTIVE / Strategic Goal		FY 2004 Actual Funds	FY 2005 Actual Funds
ACHIEVE PEACE AND SECURITY			
RS	Regional Stability	$ 4,928,932	$ 5,195,211
CT	Counterterrorism	950,470	1,535,087
HS	Homeland Security	2,893	2,231
WD	Weapons of Mass Destruction	249,188	219,561
IC	International Crime and Drugs	1,383,752	1,809,093
AC	American Citizens	—	—
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS			
DE	Democracy & Human Rights	781,893	1,147,267
EP	Economic Prosperity and Security	2,856,626	2,196,707
SE	Social & Environmental Issues	2,066,084	1,972,596
HR	Humanitarian Response	1,082,475	1,131,557
PROMOTE INTERNATIONAL UNDERSTANDING			
PD	Public Diplomacy and Public Affairs	24,151	26,878
STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES			
MG	Management and Organizational Excellence	5,712	37,812
Strategic Goal Sub Total 1/		**14,332,176**	**15,274,000**
OTHER FOREIGN OPERATIONS 2/		**23,767,039**	**4,351,000**
Total - Foreign Operations		**38,099,215**	**19,625,000**
AGRICULTURE - P.L. 480 Title II		1,184,967	1,173,000
GRAND TOTAL		**$ 39,284,182**	**$ 20,798,000**

[1] *The Department administered in FY 2004 a total of $2,824 million and in FY 2005 a total of $3,882 million in the INCLE, ACI, IO&P, MRA, ERMA, NADR, and PKO accounts. The balance of funds is implemented by other foreign affairs agencies.*

[2] *The FY 2004 figure includes international affairs resources (Function 150) for other U.S. Government agencies to which the Department provides foreign policy guidance (e.g., EXIM, OPIC, TDA, Peace Corps), international financial institutions, and the Iraq Relief and Reconstruction Fund. The FY 2005 figure includes only USAID resources.*

MILESTONES OF AMERICAN DIPLOMACY

1778: Treaty of Alliance with France, engineered by Benjamin Franklin, enabled the fledgling republic to continue its struggle for independence.

1783: Treaty of Paris-Great Britain recognized American independence and control over western lands as far as the Mississippi.

1795: Jay's Treaty required Great Britain to remove troops from northwestern frontier; Pinckney's Treaty with Spain opened mouth of Mississippi River to U.S. navigation.

1803: Louisiana Purchase removed foreign control of Mississippi's mouth and doubled U.S. territory.

1819: Adams-Onis Treaty with Spain, transferring Florida, extended the U.S. to present boundaries in southeast.

1823: Monroe Doctrine established U.S. policy of opposing European intervention or new colonization in Western Hemisphere.

1842: Webster-Ashburton Treaty with Great Britain delimited northeastern U.S. (Maine) boundary.

1846: Oregon Treaty with Great Britain extended U.S. sole dominion to the Pacific.

1848: Treaty of Guadalupe-Hidalgo, ending 1846-48 war with Mexico, confirmed U.S. claim to Texas and completed U.S. expansion to Pacific.

1867: Alaska purchase ended Russian territorial presence and completed U.S. expansion on North American mainland.

1898: Treaty of Paris, at end of Spanish-American War, transferred to the United States Puerto Rico, Guam, and the Philippines, expanding U.S. power into the Pacific.

1918: Allies and Germany accepted Wilson's 14 points as basis for just and lasting peace ending World War I.

1945: U.S. and 50 other countries founded the United Nations.

1947: Truman Doctrine asserted U.S. policy of containing Soviet expansion through economic and military aid to threatened countries.

1947: Marshall plan of aid to Europe set foundation for economic cooperation among industrial democracies.

1948: Ninth International Conference of American States created the Organization of American States (OAS) to intensify U.S. and Latin American collaboration in all fields.

1948: NATO, first U.S. alliance concluded in peacetime, provided integrated force for defense of Western Europe and North America.

1963: Limited Nuclear Test Ban Treaty, first major-power agreement regulating atomic weapons testing, banned explosions in the atmosphere, in outer space and under water.

1967: Nonproliferation Treaty, now signed by 110 governments, banned the spread of atomic weapons.

1972: Strategic Arms Limitation Talks (SALT) agreements with U.S.S.R. prescribed mutual limitations on defensive and offensive weapons and established SALT as a continuing process.

1972: President Nixon's February visit to China followed Secretary Kissinger's earlier negotiations in Peking, marking first important step in the process of normalizing relations with the People's Republic of China.

1979: U.S. established diplomatic relations with the People's Republic of China ending 30 years of nonrecognition.

1979: Israel-Egypt Peace Treaty (Camp David Accords) ended 30 years of conflict between the two countries and provided possible framework for comprehensive peace in the Middle East.

1986: The U.S. Congress implemented strong economic sanctions against South Africa, which helped to bring an end to apartheid in 1991.

1989-1991: As President George H.W. Bush stated a desire to integrate the Soviet Union into the community of nations, the Cold War ended when communist regimes collapsed across Eastern Europe and the Soviet Union disintegrated.

1990-1991: In response to the Iraqi invasion of Kuwait, the United States built an international coalition to defend Saudi Arabia and, after United Nations approval, to eject Iraq from Kuwait through Operation Desert Storm.

1992: Representatives of more than 175 nations, including the United States, met at the Earth Summit in Rio de Janeiro, which produced a treaty on climate change and was the largest international meeting on the environment ever convened.

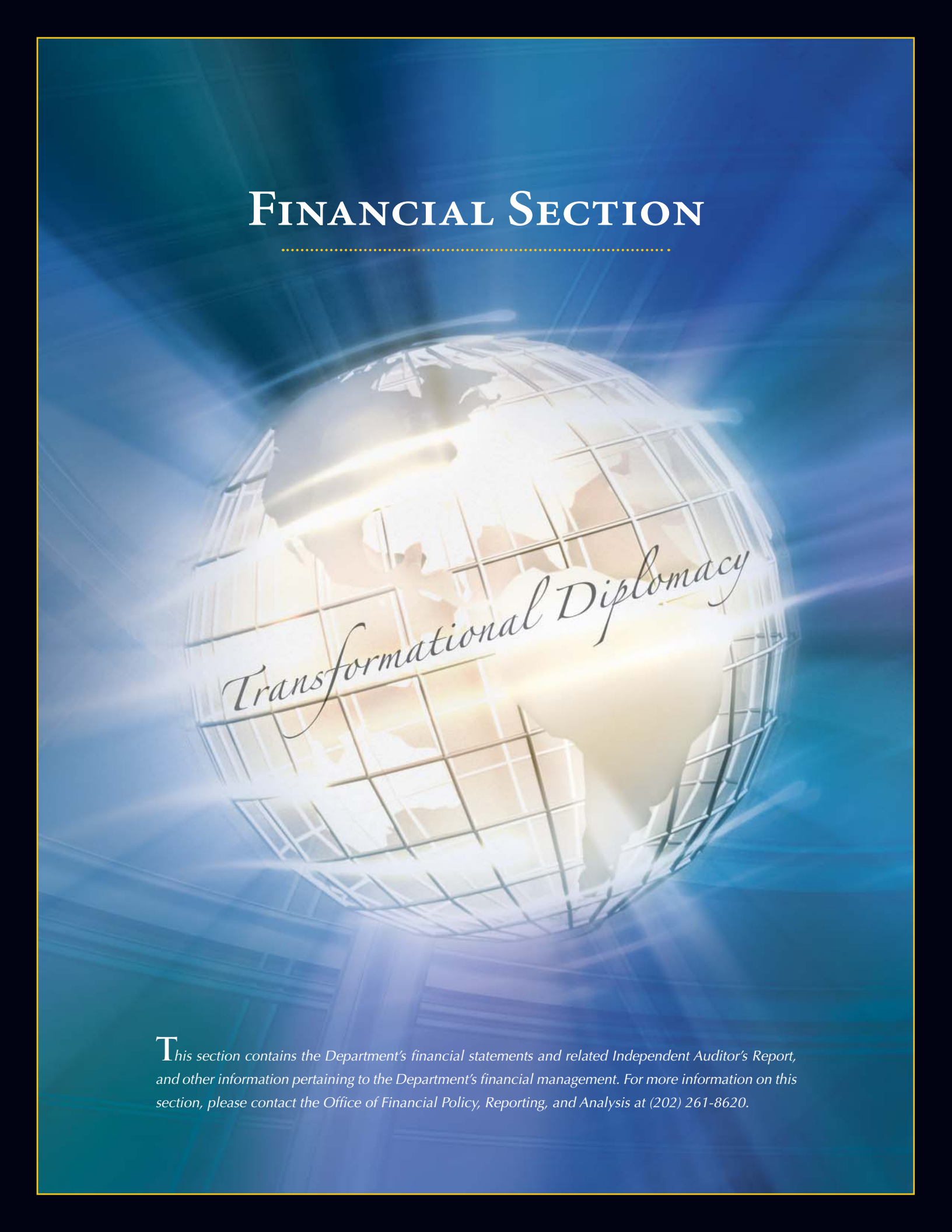
1994: The North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico took effect and the United States joined another structure that promoted global free trade, the World Trade Organization.

1995: The General Framework Agreement for Peace in Bosnia and Herzegovina ended the Bosnian civil war by providing for NATO troops to serve as peacekeepers.

2001: The United States led a global coalition that fought a war against terrorism in the wake of the September 11 terrorist attacks in New York and Washington D.C.

2003: After Iraq's repeated refusals to comply with UN resolutions, the United States led a coalition to depose the regime of Saddam Hussein.

Financial Section



This section contains the Department's financial statements and related Independent Auditor's Report, and other information pertaining to the Department's financial management. For more information on this section, please contact the Office of Financial Policy, Reporting, and Analysis at (202) 261-8620.

INTRODUCTION TO PRINCIPAL FINANCIAL STATEMENTS

The Principal Financial Statements (Statements) have been prepared to report the financial position and results of operations of the U.S. Department of State (Department). The Statements have been prepared from the books and records of the Department in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements.* The Statements are in addition to financial reports prepared by the Department in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. The Statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The Department has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation. Comparative data for 2004 are included.

The **Consolidated Balance Sheet** provides information on assets, liabilities, and net position similar to balance sheets reported in the private sector. Intra-departmental balances have been eliminated from the amounts presented.

The **Consolidated Statement of Net Cost** reports the components of the net costs of the Department's operations for the period. The net cost of operations consists of the gross cost incurred by the Department less any exchange (i.e., earned) revenue from our activities. Intra-departmental balances have been eliminated from the amounts presented.

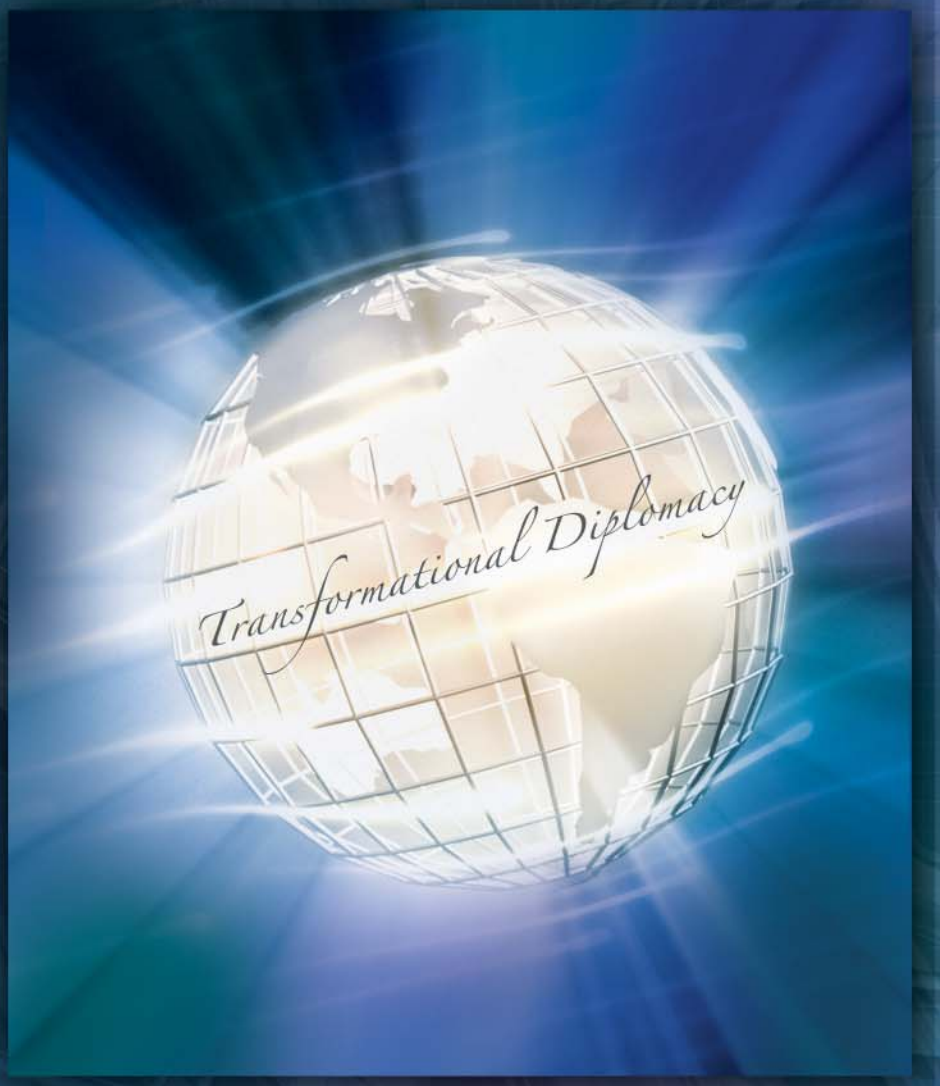
The **Consolidated Statement of Changes in Net Position** reports the beginning net position, the transactions that affect net position for the period, and the ending net position. The components of net position are separately displayed in two columns: Cumulative Results of Operations and Unexpended Appropriations to more clearly identify the components of and changes to Net Position. Intra-departmental transactions have been eliminated from the amounts presented.

The **Combined Statement of Budgetary Resources** provides information on how budgetary resources were made available and their status at the end of the year. Information in this statement is reported on the budgetary basis of accounting. Intra-departmental transactions have not been eliminated from the amounts presented.

The **Consolidated Statement of Financing** reports the relationship between budgetary transactions and financial transactions.

Required Supplementary Stewardship Information provides information on the Department's Heritage Assets. **Required Supplementary Information** contains a Combining Schedule of Budgetary Resources that provides additional information on amounts presented in the **Combined Statement of Budgetary Resources,** and information on intragovernmental amounts, deferred maintenance, and the Department's Working Capital Fund.

Independent Auditor's Report



United States Department of State
and the Broadcasting Board of Governors

Inspector General

December 15, 2005

UNCLASSIFIED

INFORMATION MEMORANDUM TO THE SECRETARY

FROM: OIG – Mr. Howard J. Krongard

SUBJECT: *Audit of the U.S. Department of State 2005 and 2004 Principal Financial Statements*
(Report AUD/FM-06-12A)

In compliance with the Chief Financial Officers Act, as amended, the Office of Inspector General (OIG) contracted with Leonard G. Birnbaum and Company, LLP (LGB), an independent certified public accounting firm, to audit the Department's principal financial statements as of September 30, 2005 and 2004, and for the years then ended.

During FY 2005, the Department, OIG, and LGB became aware that certain financial information in the FY 2004 financial statements, primarily related to personal property, may have been misstated. The Department could not complete its work on personal property by the deadline imposed by OMB for issuing the audited FY 2005 financial statements. Therefore, in a report dated November 14, 2005, LGB reported that:

> except for the effects, if any, as might have been determined to be necessary had LGB been able to examine evidence regarding personal property, the Department's 2005 and 2004 Principal Financial Statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

The Department has now completed its work on issues related to personal property. Based on its examination of the additional information provided by the Department, LGB's present opinion on the Department's 2005 and 2004 Principal Financial Statements is different from that expressed in the previous report. LGB has satisfied itself that the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

UNCLASSIFIED

During its audit, LGB found:

- two material weaknesses in the Department's internal controls, one related to personal property and the second related to the domestic information system network's vulnerability to unauthorized access;
- three reportable conditions related to internal controls over the financial and accounting system, the management of undelivered orders, and the implementation of managerial cost accounting standards;
- instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management system; and
- the Department to be not in substantial compliance with the Federal Financial Management Improvement Act of 1996.

LGB's report is attached for your review. LGB is responsible for this report and the opinions and conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding performance under the terms of the contract. OIG's review, as differentiated from an audit in accordance with *Government Auditing Standards,* was not intended to enable OIG to express, and OIG does not express, an opinion on the Department's principal financial statements or conclusions about the effectiveness of internal control and compliance with certain laws and regulations, including the Federal Financial Management Improvement Act.

The Bureau of Resource Management's comments are included as Appendix A to the report. In addition to this report, OIG will transmit a separate management letter discussing several other matters that were identified during the audit.

OIG appreciates the cooperation extended to it and its contractors by the Department's managers and staff during the audit.

Attachment: Tab 1

UNCLASSIFIED

LEONARD G. BIRNBAUM AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
WASHINGTON OFFICE
6285 FRANCONIA ROAD
ALEXANDRIA, VA 22310-2510

703-922-7622
FAX: 703-922-8256

LESLIE A. LEIPER
LEONARD G. BIRNBAUM
DAVID SAKOFS
CAROL A. SCHNEIDER
DORA M. CLARKE

WASHINGTON, DC
SUMMIT, NEW JERSEY
REDWOOD CITY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT

To the Secretary, Department of State:

We have audited the Department of State's (Department) Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, Combined Statements of Budgetary Resources, and Consolidated Statements of Financing as of, and for the years ended, September 30, 2005 and 2004 (collectively the Principal Financial Statements); we have examined internal control over financial reporting in place as of September 30, 2005; and we have examined compliance with applicable laws and regulations.

In our report dated November 14, 2005, we expressed an opinion that except for the effects, if any, as might have been determined to be necessary had we been able to examine evidence regarding personal property, the Department's 2005 and 2004 Principal Financial Statements were presented fairly in all material respects in conformity with accounting principles generally accepted in the United States of America.

During FY 2005, the Department became aware of potentially material amounts of property in the hands of contractors that had not been properly reported in its financial statements. While examining this issue, the Department learned of other issues related to the accuracy of amounts reported as personal property. These issues affected FY 2005 and 2004 balances and activity. Although the Department had performed significant work to resolve the issues, that work was not sufficiently completed to enable us to satisfy ourselves as to the accuracy of the amounts reported as personal property in time to meet the November 15, 2005, deadline imposed by the Office of Management and Budget (OMB) for issuing our audit report. Further, since the issues affected FY 2004 balances and activities, our opinion on the Department's 2004 Principal Financial Statements, as presented in our report dated November 14, 2005 was different from that expressed in our original report on the Department's 2004 Principal Financial Statements.

The Department has since completed its work on issues related to personal property and has provided documentation to support the amounts reported on the financial statements. We have satisfied ourselves that the amounts presented as personal property in the Department's 2005 and 2004 Principal Financial Statements are presented fairly, in all material respects in conformity with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the Department's 2005 and 2004 Principal Financial Statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the Department's 2005 and 2004 Principal Financial Statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We found:

- material weaknesses in the Department's internal controls,
- reportable conditions on weaknesses in the Department's internal controls,
- instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management system, and
- the Department to be not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Each of these conclusions is discussed in more detail below. This report also discusses the scope of our work.

PRINCIPAL FINANCIAL STATEMENTS

In our opinion, the Department's 2005 and 2004 Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, Combined Statements of Budgetary Resources, and Consolidated Statements of Financing, including the notes thereto, present fairly, in all material respects, the Department's financial position as of September 30, 2005 and 2004, and the net cost of operations, the changes in net position, the use of budgetary resources, and the use of financing, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

INTERNAL CONTROL

We considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Principal Financial Statements. We limited our internal control testing to those controls necessary to achieve the objectives described in the OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements.* We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the following objectives are met:

- transactions are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over assets;
- funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition;

- transactions, including those related to obligations and costs, are executed in compliance with laws and regulations that could have a direct and material effect on the financial statements and other laws and regulations that OMB, Department management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated; and

- data that support reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted the following two matters that we consider to be material weaknesses as defined above.

- We have identified significant weaknesses related to the recording of personal property and related depreciation expense and accumulated depreciation. The Department does not have a system of controls to identify and record property in the hand of contractors. Further, the Department's controls over aircraft, vehicles, and other personal property are ineffective. Our tests disclosed (1) significant discrepancies between inventories of property reported by posts and bureaus and those maintained centrally and used as a source for reporting for financial statement purposes, (2) posts not submitting inventories of property with no investigation by responsible Department officials, (3) property not reported by posts and bureaus, (4) significant unreported vehicle armoring costs, and (5) errors in depreciation resulting from incorrect in-service dates.

- We have identified weaknesses related to information system security that we believe could be exploited to have a detrimental effect on the information used to prepare the financial statements. We believe that the information system networks for domestic operations are vulnerable to unauthorized access. Consequently, systems, including the Department's financial management system, that process data using these networks may also be vulnerable. These deficiencies were cited as material weaknesses in our audit of the Department's 1997 Principal Financial Statements and subsequent audits through 2002. In response, the Department initiated a program to assess its information systems security on a comprehensive and continuing basis. As a result, we downgraded these deficiencies to a reportable condition in connection with our audit of the Department's 2003 Principal Financial Statements. Our review of information system security in connection with our audit of the Department's 2005 Principal Financial Statements disclosed that the Department is no longer assessing information system security to the same extent as it was during 2003 and 2004. Accordingly, we have reclassified this deficiency to a material weakness.

We are required to review the Department's current Federal Managers' Financial Integrity Act report and disclose differences with the material weaknesses in our report. The Department's 2005 report did not identify either control over personal property or information system security as material weaknesses.

We noted three matters, discussed in the following paragraphs, involving internal control that we consider to be reportable conditions.

- The Department's financial and accounting system, as of September 30, 2005, was inadequate. There is a risk of materially misstating financial information under the current conditions. The principal areas of inadequacy were:
  - Certain elements of the financial statements, including, but not limited to, personal property, capital leases, and certain accounts payable, are developed from sources other than the general ledger. The use of sources other than the general ledger to generate elements of the financial statements increases the potential for omission of significant transactions.
  - During 2005, the Department used several systems for the management of grants and other types of financial assistance. These lacked standard data classifications and common processes and were not integrated with the Department's centralized financial management system. Further, the Department could not produce reliable financial information that defined the universe of grants and other federal financial assistance. The Department has undertaken an initiative jointly with the U.S. Agency for International Development to establish a grants management system. Subject to funding approval, implementation of such a system is expected to begin in the FY 2006-2007 time frame.
  - The Department is unable to produce year-end financial data to be included in its Performance and Accountability Report (PAR) in a timely manner.
- The Department's internal control process related to the management of undelivered orders was inadequate. The Department has made significant improvements in this area over the past two years. The Department has actively worked with bureaus to validate undelivered orders and has successfully cleared up a significant number of obligations that were outstanding from past years. However, the Department needs to perform additional work to correct this weakness. Our tests indicated that over $340 million of undelivered orders should have been deobligated as of September 30, 2005. Also, we noted that the Department's undelivered orders balance has grown significantly to $8.6 billion, as of September 30, 2005. The Budget and Accounting Procedures Act of 1950 requires that the Department's accounting system provide effective control over funds. Failure to deobligate funds in a timely manner may result in the loss of availability of those funds.

The above two reportable conditions were cited in our audit of the Department's 1997 Principal Financial Statements and subsequent audits.

- Although the Department complied with certain aspects of Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Standards* - for instance, it chose reasonable responsibility segments,

recognized the cost of goods and services that it receives from other entities, and used an appropriate allocation methodology - it did not implement an effective process to routinely collect managerial cost accounting information or establish outputs for each responsibility segment. Until this is done, we do not believe the information will be useful as a management decisionmaking tool. This was first reported in our audit of the Department's 2000 Principal Financial Statements.

These deficiencies in internal control may adversely affect any decision by management that is based, in whole or in part, on information that is inaccurate because of them. Unaudited financial information reported by the Department, including budget information, also may contain misstatements resulting from these deficiencies.

In addition, we considered the Department's internal control over Required Supplementary Stewardship Information and Required Supplementary Information by obtaining an understanding of the Department's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of controls as required by OMB Bulletin 01-02, and not to provide assurance on those internal controls. Accordingly, we do not provide an opinion on those controls.

Finally, with respect to internal control related to performance measures reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant controls relating to the existence and completeness assertions and determined whether those controls had been placed in operation as required by OMB Bulletin 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

We noted certain other internal control issues that we have reported to the Department's management in a separate letter dated November 14, 2005.

COMPLIANCE WITH LAWS AND REGULATIONS

The Department's management is responsible for complying with laws and regulations applicable to the Department. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 01-02, including the requirements referred to in FFMIA. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the Department. The objective of our audit of the Principal Financial Statements, including our tests of compliance with selected provisions of applicable laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions in statutes and regulations, that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or that sensitivity warrants disclosure thereof.

The results of our tests of compliance with the laws and regulations described above, exclusive of FFMIA, disclosed the following instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Bulletin 01-02.

Overall, we found that the Department's financial management system did not comply with a number of laws and regulations, as follows:

- *Budget and Accounting Procedures Act of 1950.* This requires an accounting system to provide full disclosure of the results of financial operations; adequate financial information needed in the management of operations and the formulation and execution of the budget; and effective control over income, expenditures, funds, property, and other assets. However, we found that the Department's financial system (1) does not provide effective control over personal property, (2) does not manage undelivered orders effectively, and (3) is unable to issue year-end financial data to be included in its PAR in a timely manner.

- *Federal Managers' Financial Integrity Act of 1982.* This requires the implementation of internal accounting and administrative controls that provide reasonable assurance that: (1) obligations and costs are in compliance with applicable laws; (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures applicable to Department operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. However, as discussed above, we found that the Department's financial system does not provide effective control over personal property and does not manage undelivered orders effectively. Hence, these funds are not adequately protected from waste or loss.

- *Chief Financial Officers Act of 1990.* This requires the development and maintenance of an integrated accounting and financial management system that: (1) complies with applicable accounting principles, standards and requirements, and internal control standards; (2) complies with such policies and requirements as may be prescribed by the Director of OMB; (3) complies with any other requirements applicable to such systems; and (4) provides for (i) complete, reliable, consistent, and timely information that is prepared on a uniform basis and that is responsive to the financial information needs of agency management; (ii) the development and reporting of cost information; (iii) the integration of accounting and budgeting information; and (iv) the systematic measurement of performance. However, we found that the Department's financial system did not provide complete information in that certain elements of the financial statements are developed from sources other than the general ledger. Nor does the Department's financial management system produce year-end financial data to be included in its PAR in a timely manner.

- *OMB Circular A-127.* This requires the Department to establish and maintain an accounting system that provides for: (1) complete disclosure of the financial results of the activities of the Department; (2) adequate financial information for Department management and for formulation and execution of the budget; and (3) effective control over revenue, expenditure, funds, property, and other assets. However, we found, again, that the financial system did not maintain effective control over personal property and undelivered orders. Further, the Department's failure to implement an effective managerial cost accounting system precludes effective control over revenues and expenditures.

The above areas of noncompliance were cited in our audit of the Department's 1997 Principal Financial Statements and subsequent audits.

The results of our tests of compliance with other laws and regulations disclosed no material instances of noncompliance. Compliance with FFMIA is discussed below.

Under FFMIA, we are required to report whether the Department's financial management systems substantially comply with federal financial management system requirements, applicable accounting standards, and the U.S. Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance, using the implementation guidance for FFMIA issued by OMB on January 4, 2001.

The results of our tests disclosed instances, described below, where the Department's financial management systems did not, in our view, substantially comply with the requirement to follow the federal financial management system requirements, nor did it comply with applicable accounting standards. OMB implementation guidance states that, to be in substantial compliance with this requirement, the Department must adhere to all applicable SFFASs, meet specific requirements of OMB Circular A-127, including the computer security controls required by OMB Circular A-130, *Management of Federal Information Resources,* and receive an unqualified opinion on its financial statements which discloses no material weaknesses in internal control that affect the Department's ability to prepare financial statements and related disclosures.

- SFFAS No. 4, as noted above, requires implementation of an effective process to routinely collect managerial cost accounting information and establish outputs for each responsibility segment. We found, as discussed above, that the Department had not met this requirement.

- Circular A-127 requires that the Department's systems support management's fiduciary role by providing complete, reliable, consistent, timely, and useful financial management information. Based on the weaknesses related to financial management systems discussed in the report on internal controls and the preceding paragraphs in the report on compliance with laws and regulations, we determined that the Department was not substantially in compliance with this standard.

- Circular A-130, Appendix III, requires that the Department ensure an adequate level of security for all agency automated information systems. Specifically, the Department should ensure that automated information systems operate effectively and have appropriate safeguards to ensure the integrity of those systems. Based on our concerns related to the financial management systems discussed in the report on internal control and the preceding paragraphs in the report on compliance with laws and regulations, we consider the Department to not substantially comply with this standard.

- Our audit of the Department's 2005 and 2004 Principal Financial Statements resulted in a qualified opinion which disclosed material weaknesses in internal control that affect the Department's ability to prepare financial statements and related disclosures.

The Department's Bureau of Resource Management (RM) has overall responsibility for the Department's financial management systems. The foregoing noncompliance has its roots in the lack of organization and integration of the Department's financial management systems. In our audits of the Department's Principal Financial Statements since 1997, we observed that the Department's financial management systems were not in compliance with FFMIA and recommended, in connection with our audits of the Department's 1997 and 1998 Principal Financial Statements, that a remediation plan be prepared. RM submitted its plan to remediate noncompliance with FFMIA to OMB on March 16, 2000. Although RM has made significant progress in completing several phases of its plan, the plan has not effectively dealt with the issues related to managerial cost accounting or eliminated the weaknesses in systems security.

We noted certain other instances of noncompliance that we reported to the Department's management in a separate letter dated November 14, 2005.

RESPONSIBILITIES AND METHODOLOGY

Department management has the responsibility for:

- preparing the Principal Financial Statements and required supplementary stewardship information, required supplementary information, and other accompanying information in conformity with accounting principles generally accepted in the United States of America;
- establishing and maintaining effective internal control; and
- complying with applicable laws and regulations.

Our responsibility is to express an opinion on the Principal Financial Statements based on our audit. Auditing standards generally accepted in the United States of America require that we plan and perform the audit to obtain reasonable assurance about whether the Principal Financial Statements are free of material misrepresentation and presented fairly in accordance with accounting principles generally accepted in the United States of America. We considered the Department's internal control for the purpose of expressing our opinion on the Principal Financial Statements and not to provide an opinion on internal control. We are also responsible for testing compliance with selected provisions of applicable laws and regulations that may materially affect the financial statements.

In order to fulfill these responsibilities, we:

- examined on a test basis, to the extent possible, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the Principal Financial Statements;

- with respect to the Department's internal control over financial reporting, obtained an understanding of the design of internal controls, determined whether they had been placed in operation, assessed control risk, and performed tests of controls;
- with respect to performance measures included in Management's Discussion and Analysis, obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether they had been placed in operation;
- obtained an understanding of the process by which the agency identifies and evaluates weaknesses required to be reported under FMFIA and related agency implementing procedures;
- tested compliance with selected provisions of laws and regulations that may have a direct and material effect on the financial statements;
- obtained written representations from management; and
- performed other procedures as we considered necessary in the circumstances.

Our audits were conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* and OMB Bulletin 01-02. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information are not a required part of the Principal Financial Statements, but are supplementary information required by OMB Circular A-136, *Financial Reporting Requirements,* and the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended for the information of the Inspector General of the U.S. Department of State, the Department's management, OMB, and the Congress. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Comments by the Department's management on this report are presented as Appendix A.

Leonard G. Birnbaum and Company, LLP
Alexandria, Virginia

December 14, 2005

United States Department of State

Assistant Secretray and Chief Financial Officer

Washington, D.C. 20520

December 15, 2005

MEMORANDUM

TO: OIG – Mr. Howard J. Krongard

FROM: RM – Sidney L. Kaplan, Acting SLK

SUBJECT: Draft Audit Report on the Department of State's 2005 and 2004 Principal Financial Statements

This is in response to your request for comments on the draft report titled "Audit of the U.S. Department of State 2005 and 2004 Principal Financial Statements" (Report).

For the tenth consecutive year, we would like to extend our appreciation to your staff and to your contractor, Leonard G. Birmbaum and Company, LLP, for the professional and cooperative manner in which they conducted the audit.

In relation to internal control, the Report cites material weaknesses in (1) the recording and related depreciation of personal property and (2) the Department's security of information systems networks. In addition, the report cites three reportable conditions: (1) the inadequacy of the Department's financial management systems, (2) the management of unliquidated obligations, and (3) the implementation of Managerial Cost Accounting Standards. The Department's financial management systems are also reported as noncompliant with laws and regulations, including the Federal Financial Management Improvement Act of 1996 (FFMIA).

Each of the matters identified in the Independent Auditor's Report will be addressed as well as additional deficiencies noted during the audit process. In October 2005, the Department's Management Control Steering Committee (MCSC) – the body charged with overseeing the Department's management control program under the Federal Managers' Financial Integrity Act (FMFIA) -- created a subcommittee to address these weaknesses in the property area. The subcommittee is responsible for developing recommendations for MCSC approval in December 2005 regarding the scope and severity of identified deficiencies along with corrective actions needed to address these issues Department-wide. For information systems security, the Department has been tracking this area through the MCSC for several years and will re-double its efforts to resolve these weaknesses.

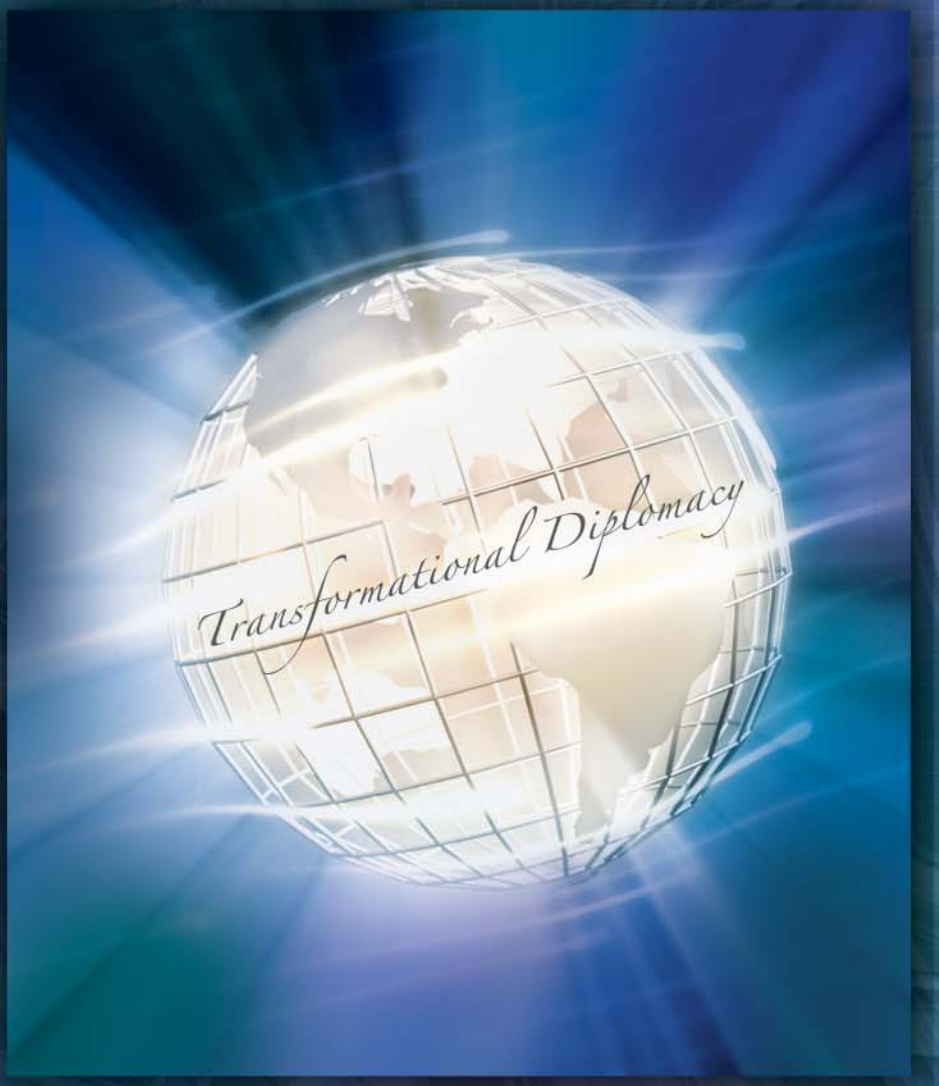
Compliance with Federal financial systems requirements remains a top priority. By the close of 2004, all financial management systems were certified and accredited. In 2005, the overseas Regional Financial Management System was upgraded to the most current version of commercial off-the-shelf (COTS) software used by this system. The Department also expanded the number of on-line overseas users, added and/or enhanced a number of interfaces, and deployed improved reporting capabilities.

Strengthening the management of undelivered orders (UDOs) is an important financial management initiative, and the Independent Auditor's Report notes that there have been improvements in this area. New capabilities in the Department's Central Financial Management System allow for the automatic deobligation of UDOs based on a wide range of criteria (e.g., age, object class, dollar amount). We have started charting the percentage of UDOs with no activity for the past 12 months as part of the President's Management Agenda Initiative for Improved Financial Performance and have conducted meetings with individual bureaus to raise their awareness of their responsibilities to review and deobligate invalid UDOs. The noted actions resulted in the deobligation of 37,000 UDOs with a dollar value exceeding $220 million during FY 2005.

The Department continues to make progress in implementing Managerial Cost Accounting Standards (MCAS), but acknowledges that additional work is needed to fully comply with these standards. In FY 2005, the Department established a project team, which includes consultants with experience implementing Cost Accounting Systems. A project plan has been developed that includes developing survey instruments to identify outputs and assess each bureau's need for managerial cost information, preparing a detailed Concept Paper and implementing managerial cost data for pilot bureau(s) by the end of FY 2006.

We thank you for the opportunity to comment on the draft report and for working with us in a collaborative manner on the FY 2005 financial statements. We believe considerable progress has been made on over the past several years, and the Department remains committed to improving the management of its programs and the quality of its financial reporting.

Financial Statements



PRINCIPAL FINANCIAL STATEMENTS

DEPARTMENT OF STATE
CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

As of September 30,	Notes	2005	Restated (Note 21) 2004
ASSETS	3		
Intragovernmental Assets:			
Fund Balances With Treasury	4	$ 14,023,542	$ 11,900,569
Investments, Net	5	13,389,090	12,846,060
Accounts Receivable, Net	6	594,237	464,300
Interest Receivable		189,721	190,263
Total Intragovernmental Assets		28,196,590	25,401,192
Accounts and Loans Receivable, Net	6	70,357	76,388
Cash and Other Monetary Assets	7	159,202	31,603
Property and Equipment, Net	8	7,244,965	6,323,916
Other Assets	9	66,232	90,448
Total Assets		$ 35,737,346	$ 31,923,547

The accompanying notes are an integral part of this financial statement.

DEPARTMENT OF STATE
CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

As of September 30,	Notes	2005	Restated (Note 21) 2004
LIABILITIES	10		
Intragovernmental Liabilities:			
Accounts Payable		$ 814	$ 37,046
Other Liabilities		26,374	43,640
Total Intragovernmental Liabilities		27,188	80,686
Accounts Payable		1,268,980	1,213,096
Foreign Service Retirement Actuarial Liability	11	13,429,300	13,317,900
Liability to International Organizations	12	1,178,130	897,381
Capital Lease Liability	13	39,497	45,627
Funds Held in Trust and Deposit Accounts	10	130,081	13,208
Federal Employees' Compensation Act Benefits	10	60,288	59,984
Accrued Annual Leave	10	224,401	211,860
Environmental Liabilities	10	392,300	206,000
Other Liabilities	10	329,833	286,453
Total Liabilities		17,079,998	16,332,195
Commitments and Contingencies	14		
NET POSITION			
Unexpended Appropriations	15	11,430,639	9,279,214
Cumulative Results of Operations		7,226,709	6,312,138
Total Net Position		18,657,348	15,591,352
Total Liabilities and Net Position		$ 35,737,346	$ 31,923,547

The accompanying notes are an integral part of this financial statement.

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF NET COST (NOTE 16)

(Dollars in Thousands)

As of September 30,	2005	Restated (Note 21) 2004
Achieve Peace and Security		
Regional Stability		
Total Cost	$ 1,369,422	$ 1,067,396
Earned Revenue	(77,898)	(54,171)
Net Program Costs	1,291,524	1,013,225
Counterterrorism		
Total Cost	1,088,955	848,785
Earned Revenue	(61,943)	(43,076)
Net Program Costs	1,027,012	805,709
Homeland Security		
Total Cost	666,109	519,197
Earned Revenue	(37,891)	(26,349)
Net Program Costs	628,218	492,848
Weapons of Mass Destruction		
Total Cost	622,465	485,179
Earned Revenue	(35,409)	(24,622)
Net Program Costs	587,056	460,557
International Crime and Drugs		
Total Cost	1,899,698	1,651,238
Earned Revenue	(418,888)	(32,198)
Net Program Costs	1,480,810	1,619,040
American Citizens		
Total Cost	2,330,441	2,020,883
Earned Revenue	(1,990,390)	(1,584,171)
Net Program Costs	340,051	436,712
Advance Sustainable Development and Global Interests		
Democracy and Human Rights		
Total Cost	673,263	524,775
Earned Revenue	(38,298)	(26,633)
Net Program Costs	634,965	498,142
Economic Prosperity and Security		
Total Cost	1,100,403	857,708
Earned Revenue	(62,596)	(43,530)
Net Program Costs	1,037,807	814,178
Social and Environment Issues		
Total Cost	303,363	236,455
Earned Revenue	(17,256)	(12,000)
Net Program Costs	286,107	224,455
Humanitarian Response		
Total Cost	1,034,885	973,797
Earned Revenue	(51)	(143)
Net Program Costs	1,034,834	973,654
Promote International Understanding		
Public Diplomacy and Public Affairs		
Total Cost	1,786,467	1,515,852
Earned Revenue	(122,055)	(94,789)
Net Program Costs	1,664,412	1,421,063
Executive Direction and Other Costs Not Assigned		
Total Cost	3,239,122	3,040,843
Earned Revenue	(1,269,141)	(1,297,321)
Net Program Costs	1,969,981	1,743,522
Total Cost	**16,114,593**	**13,742,108**
Total Revenue	**(4,131,816)**	**(3,239,003)**
Total Net Cost	$ **11,982,777**	$ **10,503,105**

The accompanying notes are an integral part of this financial statement.

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

(Dollars in Thousands)

For the Year Ended	September 30, 2005		Restated (Note 21) September 30, 2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	$ 6,312,138	$ 9,279,214	$ 5,504,514	$ 7,608,996
Budgetary Financing Sources:				
Appropriations Received	—	15,526,920	—	11,784,671
Appropriations Transfered In	—	529,997	—	1,966,746
Rescissions and Other Adjustments	—	(321,364)	—	(190,442)
Appropriations Used	13,584,128	(13,584,128)	11,890,757	(11,890,757)
Nonexchange Revenue	17,639	—	16,648	—
Donations	4,246	—	4,304	—
Other Financing Sources:				
Transfers In/Out Without Reimbursements (+/-)	(828,137)	—	(692,297)	—
Imputed Financing From Costs Absorbed by Others	119,472	—	91,317	—
Total Financing Sources	12,897,348	2,151,425	11,310,729	1,670,218
Net Cost of Operations (+/-)	(11,982,777)	—	(10,503,105)	—
Ending Balances	**$ 7,226,709**	**$ 11,430,639**	**$ 6,312,138**	**$ 9,279,214**

The accompanying notes are an integral part of this financial statement.

DEPARTMENT OF STATE
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 17)

(Dollars in Thousands)

For the Year Ended September 30,	2005	Restated (Note 21) 2004
Budgetary Resources:		
Budget Authority:		
Appropriations received	$ 16,747,367	$ 12,971,455
Borrowing Authority	306	—
Contract Authority	—	—
Net Transfers	6,251	1,785,231
Other	—	244,000
Unobligated Balances:		
Beginning of period	3,473,333	2,625,376
Net Transfers	288,953	181,735
Anticipated Transfers Balances	—	—
Spending Authority from Offsetting Collections:		
Earned		
Collected	4,099,439	3,137,184
Receivable from Federal Sources	239,257	325,810
Change in Unfilled Customer Orders		
Advances Received	(16)	(91)
Without Advance from Federal Sources	1,565	—
Anticipated for rest of year	—	—
Transfers from Trust Funds	—	—
Recoveries of Prior Year Obligations		
Actual	1,119,164	802,055
Anticipated for rest of year	—	—
Temporarily Not Available Pursuant to Public Law	(712,349)	(539,288)
Permanently Not Available	(305,616)	(201,246)
Total Budgetary Resources	**$ 24,957,654**	**$ 21,332,221**

DEPARTMENT OF STATE
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 17) *(continued)*

(Dollars in Thousands)

For the Year Ended September 30,	2005	Restated (Note 21) 2004
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$ 16,749,740	$ 15,147,816
Reimbursable	3,936,808	2,711,072
Unobligated Balance:		
Apportioned	3,850,488	3,256,138
Exempt from Apportionment	10,415	28,273
Other Available	—	—
Unobligated Balance Not Available	$ 410,203	$ 188,922
Total Status of Budgetary Resources	**$ 24,957,654**	**$ 21,332,221**
Relationship of Obligations to Outlays:		
Obligated Balance, Net, beginning of period	$ 8,552,661	$ 7,280,369
Obligated Balance Transferred, Net	—	—
Obligated Balance, Net, end of period:		
Accounts Receivable	(934,352)	(683,935)
Unfilled Customer Orders from Federal Sources	(4,217)	(2,795)
Undelivered Orders	8,626,459	7,591,305
Accounts Payable	1,652,603	1,648,086
Outlays:		
Disbursements	18,534,808	15,472,593
Collections	(4,095,501)	(3,150,954)
Less: Offsetting Receipts	(247,958)	(242,547)
Net Outlays	**$ 14,191,349**	**$ 12,079,092**

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF FINANCING (NOTE 18)

(Dollars in Thousands)

For the Year Ended September 30,	2005	Restated (Note 21) 2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 20,686,548	$ 17,858,887
Less: Spending Authority from offsetting collections and recoveries	(5,459,409)	(4,264,955)
Obligations net of offsetting collections and recoveries	15,227,139	13,593,932
Less: Offsetting receipts	(247,958)	(242,547)
Net obligations	14,979,181	13,351,385
Other Resources		
Donations	$ 4,246	$ —
Transfers in/out without reimbursement	(828,137)	(692,297)
Imputed financing from costs absorbed by others	119,472	91,317
Net other resources used to finance activities	(704,419)	(600,980)
Total Resources used to Finance Activities	**$ 14,274,762**	**12,750,405**
Resources Used to Finance Items not Part of Net Cost of Operations:		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet received	1,033,731	1,335,211
Resources that fund expenses recognized in prior periods	7,882	23,071
Budgetary offsetting collections and receipts that do not affect net cost of operations	6,830	(7,971)
Resources that finance the acquisition of assets	1,390,661	698,014
Other resources or adjustments to net obligated resources that do not affect net cost of operations	23,994	(274)
Total Resources used to Finance Items not Part of the Net Cost of Operations	2,463,098	2,048,051
Total Resources Used to Finance the Net Cost of Operations	$ 11,811,664	$ 10,702,354

The accompanying notes are an integral part of this financial statement.

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF FINANCING (NOTE 18)

(Dollars in Thousands)

For the Year Ended September 30,	2005	Restated (Note 21) 2004
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components requiring or generating resources in future periods		
Increase in annual leave liability	$ 12,524	$ 12,996
Increase in actuarial liability	111,400	224,100
Increase in contingent liabilities	186,300	205,450
Other, net	344,240	37,302
Total components of Net Cost of Operations that will require or generate resources in future periods	654,464	479,848
Components not Requiring or Generating Resources:		
Depreciation and Amortization	$ 500,503	$ 306,982
Trust Fund Interest and Benefit Revenue	(981,781)	(967,525)
Other	(2,073)	(18,554)
Total components of Net Cost of Operations that will not require or generate resources	(483,351)	(679,097)
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	171,113	(199,249)
Net Cost of Operations	$ 11,982,777	$ 10,503,105

The accompanying notes are an integral part of this financial statement.

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

ORGANIZATION

Congress established the U.S. Department of State ("Department of State" or "Department"), the senior executive department of the United States Government in 1789, replacing the Department of Foreign Affairs, which was established in 1781. The Department advises the President in the formulation and execution of foreign policy. As head of the Department, the Secretary of State is the President's principal advisor on foreign affairs. The Department's primary objective is to promote the security and well-being of the United States.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Basis of Consolidation

The accompanying principal financial statements (statements) present the financial activity for the Department of State. The statements include the accounts of all funds under Department control that have been established and maintained to account for the resources entrusted to Department management, or for which the Department acts as a fiscal agent or custodian. The Department maintains General Funds, Special Funds, Revolving Funds, Trust Funds, and Deposit Funds.

- General and Special Funds are used to record financial transactions under Congressional appropriations or other authorization for spending general revenues.
- Revolving Funds are established by law to finance a continuing cycle of operations. Receipts derived from such operations are usually available in their entirety for the Funds to use without further action by Congress.
- Trust Funds are credited with receipts that are generated by the terms of a trust agreement or statute. At the point of collection, these receipts are either available immediately or unavailable depending upon statutory requirements. The largest trust fund is the Foreign Service Retirement and Disability Fund (FSRDF).
- Deposit Funds are established for: (1) amounts received for which the Department is acting as a fiscal agent or custodian; (2) unidentified remittances; (3) monies withheld from payments for goods and services received; and (4) monies held awaiting distribution on the basis of a legal determination.

Basis of Presentation

The accompanying statements have been prepared to report the financial position and results of operations for the Department of State. These statements are prepared as required by the Government Management and Reform Act (GMRA) of 1994 and presented in accordance with form and content requirements contained in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. OMB Circular A-136 defines the form and content for annual financial statements that are required to be submitted to the Director of OMB. The statements presented herein are in addition to the financial reports prepared by the Department in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources.

The statements have been prepared from the Department's books and records, and are in accordance with the Department's accounting policies (the significant policies are summarized below in this Note). The Department's accounting policies follow accounting principles generally accepted in the United States of America (GAAP). GAAP for Federal entities is the hierarchy of accounting principles prescribed in the American Institute of Certified Public Accountants' Statement of Auditing Standards No. 91, *Federal GAAP Hierarchy*, which is also incorporated in OMB Circular A-136.

Basis of Accounting

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, exchange revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

Budgets and Budgetary Accounting

Congress annually enacts one-year appropriations that provide the Department with the authority to obligate funds within the respective fiscal year for necessary expenses to carry out mandated program activities. In addition, Congress enacts multi-year appropriations and appropriations that are available until expended. All appropriations are subject to OMB apportionment as well as Congressional restrictions. The Department also implements internal restrictions to ensure efficient and proper use of all appropriations. One-year and multi-year appropriations are canceled and cannot be used for disbursements if five years have passed since the appropriation was last available for obligation.

Revenues and Other Financing Sources

Department operations are financed through appropriations, reimbursement for the provision of goods or services to other Federal agencies, proceeds from the sale of property, certain consular-related and other fees, and donations. In addition, the Department collects passport, visa, and other consular fees that are not retained by the Department but are deposited directly to a Treasury account. The passport and visa fees are reported as earned revenues on the Statement of Net Cost and as a transfer-out of financing sources on the Statement of Changes in Net Position.

For financial statement purposes, appropriations are recorded as a financing source (i.e., Appropriations Used) and reported on the Statement of Changes in Net Position at the time they are recognized as expenditures. Appropriations expended for capitalized property and equipment are recognized when the asset is purchased. The applicable depreciation expense for real and personal property is recorded over the asset's useful life as described below in Property and Equipment.

Work performed for other Federal agencies under reimbursable agreements is initially financed through the account providing the service and is subsequently reimbursed. Reimbursements are recognized as revenue when earned, i.e., goods have been delivered or services rendered, and the associated costs have been incurred.

Administrative support services at overseas posts are provided to other Federal agencies through the International Cooperative Administrative Support Services (ICASS). ICASS bills for the services it provides to agencies at overseas posts. These billings are recorded as revenue to ICASS and must cover all overhead costs, operating expenses, and replacement costs for capital assets needed to carry on the operation.

Proceeds from the sale of real property, vehicles, and other personal property are recognized as revenue when the proceeds are credited to the account from which the asset was funded. For non-capitalized property, the full amount realized is recognized as revenue. For capitalized property, revenue or loss is determined by whether the proceeds received were more or less than the net book value of the asset sold. The Department retains proceeds of sale, which are available for purchase of the same or similar category of property.

The Department is authorized to collect and retain specific user fees for machine-readable visas, expedited passport processing, and fingerprint checks on immigrant visa applicants. The Department is also authorized to credit the respective appropriations with (1) fees for the use of Blair House; (2) lease payments and transfers from the International Center Chancery Fees held in Trust to the International Center Project; (3) registration fees for the Office of Defense Trade Controls; (4) reimbursement for international litigation expenses; and (5) reimbursement for training foreign government officials at the Foreign Service Institute.

Generally, donations received in the form of cash or financial instruments are recognized as revenue at their fair value in the period received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, which would typically need to be purchased if not donated. Works of art, historical treasures, and similar assets that are added to collections are not recognized at the time of donation. If subsequently sold, proceeds from the sale of these items are recognized in the year of sale.

The Department receives most of the funding it needs to support the Repatriation Loan Program through an annual appropriation and permanent, indefinite borrowing authority. The appropriation has two components: (1) a subsidy portion for the present value of long-term cash flow, and (2) estimated expenses to administer the program. Appropriations are recognized as used at the time the loans are obligated and administrative expenses are incurred.

Fund Balances with Treasury

The Fund Balances with Treasury are available to pay accrued liabilities and finance authorized commitments relative to goods, services, and benefits. The Department does not maintain cash in commercial bank accounts for the funds reported in the Balance Sheet, except for the Emergencies in the Diplomatic and Consular Services, Office of Foreign Missions, Foreign Service National Defined Contributions Retirement Fund, and the International Center, which maintains a commercial account for lease fees held in trust — see Note 7, "Cash and Other Monetary Assets." Treasury processes domestic receipts and disbursements. During 2005 and 2004, the Department operated two Financial Service Centers, which are located in Bangkok, and Charleston, South Carolina, and provide financial support for the Department and other Federal agencies' operations overseas. (The Paris operations were relocated to Charleston and Bangkok during 2003). The U.S. Disbursing Officer at each Center has the delegated authority to disburse funds on behalf of the Treasury.

Accounts Receivable

Intragovernmental Accounts Receivable are due principally from other Federal agencies for ICASS services, reimbursable agreements, and Working Capital Fund (WCF) services. Accounts Receivable from non-Federal entities are primarily the result of International Boundary and Water Commission (IBWC) receivables for Mexico's share of IBWC activities, Repatriation Loans, and travel advances.

Accounts Receivable from non-Federal entities are subject to the full debt collection cycle and mechanisms, e.g., salary offset, referral to collection agents, and Treasury offset. In addition, Accounts Receivable from non-Federal entities are assessed interest, penalties and administrative fees if they become delinquent. Interest and penalties are assessed at the Current Value of Funds Rate established by Treasury. Except for amounts assessed on FSRDF accounts and repatriation loans, any interest, penalties or fees collected are not retained but are treated as miscellaneous receipts and are deposited directly to a Treasury account. Amounts assessed on FSRDF accounts are credited to the FSRDF. Amounts assessed on repatriation loans disbursed after 1991 are retained and credited to the loan program's financing fund.

Allowances for uncollectible Accounts Receivable are based on criteria established for each type of receivable. Due to the relatively small number and dollar amount of non-Federal receivables, accounts are independently assessed to determine whether they are collectible and need an offsetting allowance. All Intragovernmental Accounts Receivable are considered collectible. However, an allowance may be established to recognize billing disputes. Similar to non-Federal receivables, Intragovernmental Accounts Receivables are independently assessed to determine collectibility and the need for an offsetting allowance.

Interest Receivable

Interest earned on investments, but not received as of September 30, is recognized as interest receivable.

Loans Receivable

The Department provides Repatriation Loans for destitute American citizens overseas whereby the Department becomes the lender of last resort. These loans provide assistance to pay for return transportation, food and lodging, or medical expenses. The borrower executes a promissory note without collateral. Consequently, the loans are made anticipating a low rate of recovery. Interest, penalties, and administrative fees are assessed if the loan becomes delinquent.

Advances and Prepayments

Payments made in advance of the receipt of goods and services are recorded as advances or prepayments, and recognized as expenses when the related goods and services are received. Advances are made principally to Department employees for official travel, miscellaneous prepayments and advances to other entities for future services, and salary advances to Department employees transferring to overseas assignments. Advances and prepayments are reported as Other Assets on the Balance Sheet.

Valuation of Investments

The FSRDF investments consist solely of special issues of U.S. Government securities, which are redeemable on demand at par. For financial statement purposes, the investments are therefore valued at par. Interest on investments is paid semi-annually on June 30 and December 31.

The investments of the Gift Funds consist of U.S. guaranteed securities. These investments are reported at the acquisition cost, which equals the face value plus or minus the unamortized premium or discount. Premiums and discounts are amortized over the life of the Treasury bill using the straight-line method.

The Department administers the Israeli-Arab Scholarship and Eisenhower Exchange Fellowship Programs. The Israeli-Arab Scholarship Program provides grants and scholarships to Israeli-Arab students for degree programs at universities and colleges in the United States. The Eisenhower Exchange Fellowship Program honors the late president and increases educational opportunities for young leaders in preparation for and enhancement of their professional careers and advancement of peace through international understanding. The Israeli-Arab Scholarship Fund and Eisenhower Exchange Fellowship Program Trust Fund investments consist

of market-based U.S. Treasury Securities. Interest on investments is paid semiannually at various rates. Investments are valued at their par value, net of unamortized premiums and discounts. Premiums and discounts are amortized over the life of the security on an effective interest basis. See Note 5, "Investments."

Judith Miller
Water Lillies/Greenbrook Sanctuary #1

Works of Art and High Value Furnishings

The Department has collections of art and furnishings that are held for public exhibition, education, and official entertainment for visiting Chiefs of State, Heads of Government, Foreign Ministers, and other distinguished foreign and American guests. The Department has six separate collections: the Diplomatic Reception Rooms, the Art Bank, Art in Embassies, Curatorial Services Program, the Library Rare and Special Book Collection, and the Secretary of State's Register of Culturally Significant Property. The collections consist of items that were donated, purchased using donated or appropriated funds, or are on loan from individuals, organizations, or museums. The Department provides protection and preservation services for these collections.

The items that the Department owns are considered heritage assets (see " Required Supplementary Stewardship Information — Heritage Assets "). In accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, no value is assigned to these assets in the Consolidated Balance Sheet. Purchases of items for collections are recorded as an expense in the year of purchase. Proceeds from disposals are recognized as revenue in the year of sale and are designated for future collection acquisitions.

Inventories

Inventories are reported as Other Assets on the Department's Consolidated Balance Sheet and include inventories held by WCF's Publishing Services, and the Supply Services Center and Stock Account. The WCF inventory consists primarily of paper and ink used for printing and reproduction services (Publishing Services), furniture held for sale to bureaus in the Department (Supply Services Center and Stock Account), and publications held for sale.

The WCF's Publishing Services inventory is valued at the latest acquisition cost. The Supply Services Center and Stock Account inventory is valued monthly using a weighted moving average. The inventory value of the publications held for sale is based on the cost of production. Recorded values are adjusted for the results of periodic physical inventories.

Property and Equipment—Real Property

Real property assets primarily consist of facilities used for U.S. diplomatic missions abroad and capital improvements to these facilities, including unimproved land; residential and functional-use buildings such as embassy/consulate office buildings; office annexes and support facilities; and construction-in-progress. Title to these properties is held under various conditions including fee simple, restricted use, crown lease, and deed of use agreement. Some of these properties are considered historical treasures and are considered multi-use heritage assets. These items are reported on the Balance Sheet and included on the Required Supplementary Stewardship Information—Heritage Assets.

Since 1997, additions to the real property asset accounts have been based on historical costs. Construction-in-Progress represents the costs incurred for new facilities, major rehabilitations, or other improvements in the design or construction stage. After these projects

are completed, costs are transferred to Buildings and Structures or Leasehold Improvements as appropriate. The Department capitalizes construction of new buildings and all building acquisitions regardless of cost. The Department also capitalizes improvements greater than $250,000.

Prior to 1997, historical cost information for most of the Department's overseas properties was either unavailable or incomplete. The Department therefore estimated the value of overseas real property assets as of September 30, 1996.

The Department also owns several domestic real properties, including the National Foreign Affairs Training Center (Arlington, Va.); the International Center (Washington, D.C.); the Charleston Financial Services Center (S.C.); the Beltsville Information Management Center (Md.); the Florida Regional Center (Ft. Lauderdale); and consular centers in Charleston (S.C.); Portsmouth (N.H.) and Williamsburg (K.Y.). These properties have been recorded at either actual or estimated historical cost.

The International Boundary and Water Commission (IBWC) has buildings and structures related to its boundary preservation, flood control, and sanitation programs. IBWC's buildings and structures are capitalized at cost.

Depreciation of buildings and other structures is computed on a straight-line basis, and depreciated principally over a 30-year period.

The Tangier Old Legation, the first property that the United States Government acquired for a diplomatic mission, was presented as a gift to the American people by Sultan Moulay Suliman in 1821.

Property and Equipment—Personal Property

In general, personal property and equipment with an acquisition cost of $25,000 or more, and a useful life of two or more years is capitalized at cost. However, there are exceptions to this capitalization policy. All vehicles are capitalized as well as ADP software costing over $500,000 with a useful life of two or more years. Also capitalized are repairable aircraft items costing $100,000 or more, and certain other aircraft parts costing $50,000 or more.

Depreciation of property and equipment is typically calculated on a straight-line basis over the asset's estimated life with salvage values generally ranging from zero to 10%. Depreciation begins when the item is put into service. Vehicles are generally depreciated over periods ranging from 2 to 6 years. Other personal property and equipment is depreciated over periods generally ranging from 5 to

8 years. Telecommunication equipment is depreciated over 20 years. ADP software is generally amortized over the lesser of its estimated useful life or seven years. Aircraft repairable and other parts are not depreciated since they are held as replacements and not placed in service.

Capital Leases

Leases are accounted for as capital leases if they meet one of the following criteria: (1) the lease transfers ownership of the property by the end of the lease term; (2) the lease contains an option to purchase the property at a bargain price; (3) the lease term is equal to or greater than 75% of the estimated useful life of the property; or (4) the present value of the minimum lease payment equals or exceeds 90% of the fair value of the leased property. The initial recording of the lease's value (with a corresponding liability) is the lesser of the net present value of the lease payments or the fair value of the leased property. Capital leases are amortized over the term of the lease.

Grants

The Department awards educational, cultural exchange, and refugee assistance grants to various individuals, universities, and not-for-profit organizations. Budgetary obligations are recorded when grants are awarded. Grant funds are disbursed in two ways: grantees draw funds commensurate with their immediate cash needs via the Department of Health and Human Services (HHS) Payments Management System (PMS); or grantees submit invoices. In both cases, the expense is recorded upon disbursement.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities represent the amounts accrued for employees' salaries; employee and annuitant benefits; contracts for goods and services received but unpaid at the end of the fiscal year; unreimbursed grant expenditures; and unearned revenue from the sale of real property. The Department changed its method for estimating the value of domestic accounts payable beginning in FY 2003. In addition to payables recorded through the Department's normal business activities, domestic accounts payable also includes an estimate of unbilled payables existing at year end for which payment will be made in the subsequent period based on an average of actual disbursements over a five-year period. Before this change, the accrual for unbilled domestic accounts payable was based on actual post-year end disbursements. Beginning in FY 2005, the Department revised its method of estimating unbilled overseas accounts payable at year end, based on analysis of past payment trends applied towards current expenses.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. At the end of each fiscal year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. Current or prior year appropriations are not available to fund annual leave earned but not taken. Funding occurs in the year the leave is taken and payment is made. Sick leave and other types of non-vested leave are expensed as taken.

Employee Benefit Plans

Retirement Plans: Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Members of the Foreign Service participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS).

Employees covered under CSRS contribute 7% of their salary; the Department contributes 7%. Employees covered under CSRS also contribute 1.45% of their salary to Medicare insurance; the Department makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered

by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 0.80% of their salary, with the Department making contributions of 11.20%. FERS employees also contribute 6.20% to Social Security and 1.45% to Medicare insurance. The Department makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the Department automatically contributes 1% of pay and matches employee contributions up to an additional 4%.

Foreign Service employees hired prior to January 1, 1984, participate in FSRDS with certain exceptions. FSPS was established pursuant to Section 415 of Public Law 99-335, which became effective June 6, 1986. Foreign Service employees hired after December 31, 1983, participate in FSPS with certain exceptions. FSRDS employees contribute 7.25% of their salary; the Department contributes 7.25%. FSPS employees contribute 1.35% of their salary; the Department contributes 20.22%. Both FSRDS and FSPS employees contribute 1.45% of their salary to Medicare; the Department matches their contributions. Similar to FERS, FSPS also offers the TSP described above.

Foreign Service Nationals (FSNs) and Third Country Nationals (TCNs) at overseas posts who were hired prior to January 1, 1984, are covered under CSRS. FSNs and TCNs hired after that date are covered under a variety of local government plans in compliance with the host country's laws and regulations. In cases where the host country does not mandate plans or the plans are inadequate, employees are covered by a privately managed pension plan that conforms to the prevailing practices of comparable employers.

Health Insurance: Most American employees participate in the Federal Employees Health Benefits Program (FEHBP), a voluntary program that provides protection for enrollees and eligible family members in case of illness and/or accident. Under FEHBP, the Department contributes the employer's share of the premium as determined by the U.S. Office of Personnel Management (OPM).

Life Insurance: Unless specifically waived, employees are covered by the Federal Employees Group Life Insurance Program (FEGLIP). FEGLIP automatically covers eligible employees for basic life insurance in amounts equivalent to an employee's annual pay, rounded up to the next thousand dollars plus $2,000. The Department pays one-third and employees pay two-thirds of the premium. Enrollees and their family members are eligible for additional insurance coverage but the enrollee is responsible for the cost of the additional coverage.

Other Post Employment Benefits: The Department does not report CSRS, FERS, FEHBP or FEGLIP assets, accumulated plan benefits, or unfunded liabilities applicable to its employees; OPM reports this information. As required by SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, the Department reports the full cost of employee benefits for the programs that OPM administers. The Department recognizes an expense and imputed financing source for the annualized unfunded portion of CSRS, post-retirement health benefits, and life insurance for employees covered by these programs. The Department recognized $119.2 and $90.5 million in 2005 and 2004, respectively, for unfunded pension and post-retirement benefits. The additional costs are not actually owed or paid to OPM, and thus are not reported on the Balance Sheet as a liability, but instead are reported as an imputed financing source from costs absorbed from others on the Statement of Changes in Net Position.

Future Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover Federal employees injured on the job or who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to job-related injury or occupational disease. The U.S. Department of Labor (DOL) administers the FECA program. DOL initially pays valid claims and bills the employing Federal agency. DOL calculates the actuarial liability for future workers' compensation benefits and reports to each agency its share of the liability.

The present value of the liability for 2005 and 2004 was computed using discount rates of 4.5% for year one and 5.0% for all years thereafter. In 2005 and 2004, the Department's liability changed by ($3.1) million and $(1.6) million, respectively. The total actuarial liability for which the Department is responsible totaled $60.2 million and $60.0 million as of September 30, 2005 and September 30, 2004, respectively.

Valuation of FSN Separation Liability

Separation payments are made to eligible FSN employees who voluntarily resign, retire, or lose their jobs due to a reduction in force, and are in countries that require a voluntary separation payment. The amount required to finance the current and future costs of FSN separation pay is determined annually.

Actuarial Present Value of Projected Plan Benefits for the Foreign Service Retirement and Disability Program

The Department's financial statements present the Pension Actuarial Liability of the Foreign Service Retirement and Disability Program (the "Plan") as the actuarial present value of projected plan benefits, as required by the SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. The Pension Actuarial Liability represents the future periodic payments provided for current employee and retired Plan participants, less the future employee and employing Federal agency contributions, stated in current dollars.

Future periodic payments include benefits expected to be paid to (1) retired or terminated employees or their beneficiaries; (2) beneficiaries of employees who have died; and (3) present employees or their beneficiaries, including refunds of employee contributions as specified by Plan provisions. Total projected service is used to determine eligibility for retirement benefits. The value of voluntary, involuntary, and deferred retirement benefits is based on projected service and assumed salary increases. The value of benefits for disabled employees or survivors of employees is determined by multiplying the benefit the employee or survivor would receive on the date of disability or death, by a ratio of service at the valuation date to projected service at the time of disability or death.

Under existing law, an actuary from the Treasury determines the Pension Actuarial Liability. For FY 2004 and FY 2005, in order to meet its statutory requirement, Treasury contracted with independent actuaries to prepare the valuations. The Pension Actuarial Liability is calculated by applying actuarial assumptions to adjust the projected plan benefits to reflect the discounted time value of money and the probability of payment (by means of decrements such as death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The economic assumptions used for valuing the Plan are the same as the economic assumptions adopted by the Civil Service Board of Actuaries for valuing CSRS and FERS. The Plan uses the aggregate entry age normal actuarial cost method, whereby the present value of projected benefits for each employee is allocated on a level basis (such as a constant percentage of salary) over the employee's service between entry age and assumed exit age. The portion of the present value allocated to each year is referred to as the normal cost.

The calculation of normal cost considers both economic and demographic assumptions. Based on the new economic assumptions, the plan actuary revised the normal cost percentages. The table below presents the normal costs for FY 2005 and FY 2004.

	FY 2005	FY 2004
Normal Cost:		
FSRDS	28.86%	28.59%
FSPS	24.24%	21.57%

Actuarial assumptions are based on the presumption that the Plan will continue. If the Plan terminates, different actuarial assumptions and other factors might be applicable for determining the actuarial present value of accumulated plan benefits.

Net Position

The Department's net position contains the following components:

1. **Unexpended Appropriations** — the sum of undelivered orders and unobligated balances. Undelivered orders represent the amount of obligations incurred for goods or services ordered, but not yet received. An unobligated balance is the amount available after deducting cumulative obligations from total budgetary resources. As obligations for goods or services are incurred, the available balance is reduced.

2. **Cumulative Results of Operations** — include (1) the accumulated difference between revenues and financing sources less expenses since inception; (2) the Department's investment in capitalized assets financed by appropriation; (3) donations; and (4) unfunded liabilities, whose liquidation may require future Congressional appropriations or other budgetary resources.

Foreign Currency

Accounting records for the Department are maintained in U.S. dollars, while a significant amount of the Department's overseas expenditures are in foreign currencies. For accounting purposes, overseas obligations and disbursements are recorded in U.S. dollars based on the rate of exchange as of the date of the transaction. Foreign currency payments are made by the U.S. Disbursing Office

2 REPORTING IMPROVEMENTS

As prescribed by OMB Circular A-136, *Financial Reporting Requirements*, the Department implements financial statement reporting requirements and new Statement of Federal Financial Accounting Standards (SFFAS) when they become effective. No new SFFASs were implemented during FY 2005 and FY 2004.

3 ASSETS

The Department's assets are classified as entity assets and non-entity assets. Entity assets are those assets that the Department has authority to use for its operations. Non-entity assets are those held by the Department but are not available for use in its operations. The vast majority of the Department's assets are entity assets. The non-entity assets consist primarily of foreign donations of monetary assistance received in response to Hurricane Katrina relief efforts. Total non-entity assets at September 30, 2005 and 2004 were $130.1 million and $13.2 million, respectively. These items are included in amounts reported as Cash and Other Monetary Assets (See Note 7, " Cash and Other Monetary Assets " for further information).

4 FUND BALANCES WITH TREASURY

Fund Balances with Treasury at September 30, 2005 and 2004, are summarized below (Dollars in Thousands).

Fund Balances	2005	Restated 2004
Appropriated Funds	$ 13,516,620	$ 11,541,528
Revolving Funds	303,818	123,697
Trust Funds	102,317	109,064
Special Funds	12,844	11,726
Deposit & Receipt Accounts	87,943	114,554
Total	$ 14,023,542	$ 11,900,569

Status of Fund Balance	2005	Restated 2004
Unobligated Balances		
Available	$ 3,860,903	$ 3,284,411
Unavailable	410,203	188,922
Obligated Balances not yet Disbursed	$ 9,664,493	8,312,682
Total Unobligated and Obligated	$ 13,935,599	$ 11,786,015
Deposit & Receipt Accounts	87,943	114,554
Total	$ 14,023,542	$ 11,900,569

5 INVESTMENTS

The Department has activities that have the authority to invest excess cash resources. A description of those activities, the investments made and a listing of the outstanding investments follow. Although funds in the Chancery Development Trust Account and the Bosnia Federation Defense Fund are invested, because they are considered non-entity assets the investments for these funds are not shown in this section, but are described in Note 7, " Cash and Other Monetary Assets."

Foreign Service Retirement and Disability Fund (FSRDF)

Treasury initially invests FSRDF receipts in special, non-marketable U.S. Government securities. These special-issue Certificates of Indebtedness mature on the following June 30. On June 30, the Treasury rolls over the Certificates of Indebtedness into special, non-marketable bonds, with maturities spread over 15 years and a yield equaling the average of all marketable Treasury securities. All securities are purchased and redeemed at par, regardless of market conditions. Interest is paid semi-annually on December 31 and June 30. Maturity dates on these securities range from FY 2006 through 2019, and interest rates range from 3.50% to 8.125%.

Israeli-Arab Scholarship, Eisenhower Exchange Fellowship Program, and Middle Eastern-Western Dialogue Trust Funds

The Israeli-Arab Scholarship, Eisenhower Exchange Fellowship Program, and Middle Eastern-Western Dialogue Trust Funds are invested in market-based securities, issued at either a premium or a discount, and are redeemable for par at maturity. The discounts and premiums on these investments are amortized over the life of the security using the effective interest method. Maturity dates on these securities range from FY 2006 to 2014; interest rates range from 2.25% to 7.00%.

Gift Funds

The Gift Funds invest in U.S. Government non-marketable, market-based securities, which are issued at either a premium or a discount, and are redeemable for par at maturity. The discounts and premiums on these investments are amortized over the life of the Treasury bill using the straight-line method. These securities mature in FY 2006; interest rates range from 1.54% to 1.57%.

Summary of Investments

Investments at September 30, 2005 and 2004, are summarized below (Dollars in Thousands). All investments are classified as Intragovernmental Securities.

At September 30, 2005:	Par	Amortization Method	Unamortized (Discount)	Investments (Net)	Market Value
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	$ 5,095,483	N/A	$ —	$ 5,095,483	$ 5,095,483
FSRDF Special Bonds	8,264,003	N/A	—	8,264,003	8,264,003
Subtotal	$ 13,359,486		$ —	$ 13,359,486	$ 13,359,486
Non-Marketable, Market Based:					
Israeli-Arab Scholarship, Notes	4,974	Interest	21	4,995	5,034
Eisenhower Exchange Fellowship, Notes	7,516	Interest	11	7,527	7,650
Middle Eastern–Western Dialogue, Note	12,367	Interest	729	13,096	12,902
Gift Funds, Bills	4,010	Straight-line	(24)	3,986	4,020
Subtotal	$ 28,867		$ 737	$ 29,604	$ 29,606
Total Investments	$ 13,388,353		$ 737	$ 13,389,090	$ 13,389,092

At September 30, 2004:	Par	Amortization Method	Unamortized (Discount)	Investments (Net)	Market Value
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	$ 3,812,351	N/A	$ —	$ 3,812,351	$ 3,812,351
FSRDF Special Bonds	9,015,277	N/A	—	9,015,277	9,015,277
Subtotal	$ 12,827,628		$ —	$ 12,827,628	$ 12,827,628
Non-Marketable, Market Based:					
Israeli-Arab Scholarship, Notes	4,277	Interest	42	4,319	4,409
Eisenhower Exchange Fellowship, Notes	7,534	Interest	(51)	7,483	9,112
Middle Eastern–Western Dialogue, Note	5,771	Interest	859	6,630	6,624
Subtotal	$ 17,582		$ 850	$ 18,432	$ 20,145
Total Investments	$ 12,845,210		$ 850	$ 12,846,060	$ 12,847,773

6 ACCOUNTS AND LOANS RECEIVABLE, NET

The Department's Accounts Receivable and Loans Receivable at September 30, 2005 and 2004, are summarized here (Dollars in Thousands). All are entity receivables.

	2005			Restated 2004		
	Entity Receivables	Allowance for Uncollectible Receivables or Subsidy Allowance	Net Receivables	Entity Receivables	Allowance for Uncollectible Receivables or Subsidy Allowance	Net Receivables
Intragovernmental Accounts Receivable	$ 622,575	$ (28,338)	$ 594,237	$ 486,815	$ (22,515)	$ 464,300
Non-Federal Accounts and Loans Receivable	79,154	(8,797)	70,357	86,010	(9,622)	76,388
Total Receivables	$ 701,729	$ (37,135)	$ 664,594	$ 572,825	$ (32,137)	$ 540,688

Included in Non-Federal Accounts and Loans Receivable above, net of allowance for uncollectible loans or subsidy allowance, are approximately $417 thousand and $827 thousand, in 2005 and 2004, respectively, of Repatriation Loans made under a program administered by the Department that enables destitute American citizens overseas to return to the United States. Repatriation direct loans made prior to 1992 are reported net of an allowance for uncollectible loans based upon historical experience. The Federal Credit Reform Act of 1990 (the Act), as amended, governs Repatriation loan obligations made after 1991, and the resulting direct loans. The Act requires that the present value of all costs (i.e., interest rate differentials, estimated delinquencies and defaults) associated with a loan be recognized and funded completely in the year the loan is disbursed. This value is termed the "subsidy cost" for the year, and is expressed as a percentage of the total face amount of loans disbursed that year. Funding for subsidy costs for loans made after 1991 establishes the subsidy allowance against which future collections and future loan write-offs are netted. Per the provisions of the Act, we borrow from Treasury the difference between the face value of loans disbursed and their calculated subsidy costs. Additionally, we budget and receive funding for administrative costs separately.

7 CASH AND OTHER MONETARY ASSETS

The Cash and Other Monetary Assets at September 30, 2005 and 2004, are summarized below (Dollars in Thousands). There are no restrictions on entity cash. Non-Entity cash is restricted as discussed below.

	2005			2004		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Hurricane Katrina Relief Efforts	$ —	$ 116,418	$ 116,418	$ —	$ —	$ —
Chancery Development						
Trust Account:						
Cash	—	—	—	—	—	—
Treasury Bills, at par	—	13,826	13,826	—	13,278	13,278
Unamortized Discount	—	(163)	(163)	—	(70)	(70)
Cash-Imprest and Other Funds	29,121	—	29,121	18,395	—	18,395
Total	$ 29,121	$ 130,081	$ 159,202	$ 18,395	$ 13,208	$ 31,603

Lease fees collected from foreign governments by the Department for the International Chancery Center are deposited into an escrow account called the Chancery Development Trust Account. The funds are unavailable to the Department at time of deposit, and do not constitute expendable resources until funds are necessary for additional work on the Center project. The Chancery Development Trust account invests in six-month marketable Treasury bills issued at discount and redeemable for par at maturity. A corresponding liability for these amounts is reflected as Funds Held in Trust and Deposit Accounts.

Hurricane Katrina made landfall near New Orleans, Louisiana, on August 29, 2005. In response to the ensuing widespread devastation in the Gulf Coast region, the United States received a generous outpouring of assistance from foreign governments and other foreign entities. Under the International Coordination Support Annex of the National Response Plan, the Department, in collaboration with the U.S. Agency for International Development (USAID), "acts as the intermediary for foreign offers of assistance to the U.S. Government…" As called for in the Plan, the Department and USAID, "work with other U.S. Government departments and agencies to respond appropriately to such requests" and to "expedite delivery of assistance that is accepted." The Department facilitated the consideration of offers of foreign assistance as well as the collection of donations of monetary assistance, which are being directed to the Department's custodial Treasury deposit account pending transfer to entities assisting in the recovery efforts. Pledged monetary donations as of September 30, 2005 are not reflected in the Department's financial statements due to the uncertainty of collection. The Department did not receive any in-kind contributions relating to Hurricane Katrina. A corresponding liability for the amount of monetary assistance collected by the Department as of September 30, 2005 is reflected as Funds Held in Trust and Deposit Accounts.

8 PROPERTY AND EQUIPMENT, NET

Property and equipment balances at September 30, 2005 and 2004, are shown in the following table (Dollars in Thousands):

	2005			2004		
Major Classes	**Cost**	**Accumulated Depreciation**	**Net Value**	**Cost**	**Accumulated Depreciation**	**Net Value**
Real Property:						
Overseas —						
Land and Land Improvements	$ 1,982,304	$ (272)	$ 1,982,032	$ 1,955,595	$ (224)	$ 1,955,371
Buildings and Structures	4,362,838	(2,642,525)	1,720,313	3,889,344	(2,503,792)	1,385,552
Construction-in-Progress	2,165,515	—	2,165,515	1,792,133	—	1,792,133
Assets Under Capital Lease	55,707	(27,257)	28,450	62,074	(28,332)	33,742
Leasehold Improvements	74,985	(27,068)	47,917	61,372	(22,996)	38,376
Domestic —						
Structures, Facilities and Leaseholds	583,944	(218,316)	365,628	564,809	(203,793)	361,016
Construction-in-Progress	21,006	—	21,006	37,703	—	37,703
Land and Land Improvements	80,733	(4,774)	75,959	80,681	(4,461)	76,220
Subtotal — Real Property	$ 9,327,032	$ (2,920,212)	$ 6,406,820	$ 8,443,711	$ (2,763,598)	$ 5,680,113
Personal Property:						
Vehicles	$ 317,652	$ (169,120)	$ 148,532	$ 255,911	$ (155,015)	$ 100,896
Communication Equipment	59,981	(38,289)	21,692	53,137	(16,432)	36,705
ADP Equipment	56,177	(45,319)	10,858	23,022	(19,379)	3,643
Reproduction Equipment	12,933	(10,434)	2,499	13,262	(10,987)	2,275
Security	87,138	(44,178)	42,960	85,104	(41,331)	43,773
Software	194,666	(86,243)	108,423	114,299	(43,719)	70,580
Software-in-Development	99,539	—	99,539	108,928	—	108,928
Other Equipment	754,003	(350,361)	403,642	388,483	(111,480)	277,003
Subtotal — Personal Property	$ 1,582,089	$ (743,944)	$ 838,145	$ 1,042,146	$ (398,343)	$ 643,803
Total	$ 10,909,121	$ (3,664,156)	$ 7,244,965	$ 9,485,857	$ (3,161,941)	$ 6,323,916

Real and personal property holdings increased from $6.3 billion in FY 2004 to $7.2 billion in FY 2005. Overseas real property land and buildings is the single largest component of property owned by the Department of State. The overseas real property net value increased from $5.2 billion in FY 2004 to $5.9 billion in FY 2005. This increase is attributed to acquisitions, initiation of new construction projects, and deliveries of newly completed buildings in overseas locations. Security upgrades and capitalized leasehold improvements overseas also contributed to the increase.

Personal property consists of several asset categories with vehicles and other equipment being the largest. Most vehicles require armoring and for some locations large utility vehicles are used instead of conventional sedans. With the increased presence in Iraq and Afghanistan, the costs for the vehicles, armoring and shipping resulted in increases in this asset segment in FY 2005. Other property consists of a variety of equipment items including aircraft and support equipment for International Crime and Drug programs.

9 OTHER ASSETS

The Department's other assets at September 30, 2005 and 2004, are summarized below (Dollars in Thousands).

	2005	2004
Salary Advances to Employees	$ 8,140	$ 8,321
Travel Advances to Employees	37,472	62,311
Other Advances and Prepayments	14,262	13,995
Inventory Held for Current Sale	6,358	5,821
Total Other Assets	$ 66,232	$ 90,448

10 LIABILITIES

The Department's liabilities are classified as covered by budgetary resources or not covered by budgetary resources. Liabilities not covered by budgetary resources result from the receipt of goods and services, or occurrence of eligible events in the current or prior periods, for which revenue or other funds to pay the liabilities have not been made available through appropriations or current earnings of the Department. The major liabilities in this category include assessments from international organizations, unfunded actuarial liability for FSRDF, future workers' compensation benefits, capital leases, and accrued annual leave. Liabilities not covered by budgetary resources at September 30, 2005 and 2004, are summarized below (Dollars in Thousands).

	2005	Restated 2004
Intragovernmental Liabilities –		
Accounts Payable	$ —	$ —
Other Liabilities	16,813	18,565
Total Intragovernmental Liabilities	$ 16,813	$ 18,565
Foreign Service Retirement Actuarial Liability	(72,528)	345,831
Liability to International Organizations	1,178,130	897,381
Capital Lease Liability	39,497	45,627
Funds Held in Trust and Deposit Accounts	130,081	13,208
Federal Employees' Compensation Act Benefits	60,288	59,984
Accrued Annual Leave	224,401	211,860
Environmental Liabilities	392,300	206,000
Total Liabilities not Covered by Budgetary Resources	$ 1,968,982	$ 1,798,456
Total Liabilities Covered by Bugetary Resources	$ 15,111,016	$ 14,533,739
Total Liabilities	$ 17,079,998	$ 16,332,195

Other Liabilities on the Balance Sheet at September 30, 2005 and 2004 were $329.8 million and $286.5 million, respectively, and consist primarily of accrued employee benefits. The Environmental Liabilities on the Balance Sheet at September 30, 2005 and 2004 were $392.3 million and $206.0 million, respectively, and represent the estimated cost of upgrades, constructions, and projected operation and maintenance costs of wastewater treatment plants owned and operated by IBWC.

11 FOREIGN SERVICE RETIREMENT ACTUARIAL LIABILITY

The Foreign Service Retirement and Disability Fund finances the operations of the FSRDS and the FSPS. The FSRDS and the FSPS are defined-benefit single-employer plans. FSRDS was originally established in 1924; FSPS in 1986.

The FSRDS is a single-benefit retirement plan. Retirees receive a monthly annuity from FSRDS for the rest of their lives. FSPS provides benefits from three sources: a basic benefit (annuity) from FSPS, Social Security, and the Thrift Savings Plan.

The following table presents the calculation of the combined FSRDS and FSPS Pension Actuarial Liability and the assumptions used in computing it for the years ended September 30, 2005 and 2004 (Dollars in Millions).

For the Year Ended September 30,	2005	2004
Pension Actuarial Liability, Beginning of Year	$ 13,317.9	$ 13,093.8
Add Pension Expense:		
Normal Cost	237.6	220.7
Interest on Pension Liability	818.7	804.8
Prior Service Costs	—	—
Actuarial Losses/(Gains)	(267.8)	(147.9)
Total Pension Expense	788.5	877.6
Less Payments to Beneficiaries (annuities and refunds)	(677.1)	(653.5)
Pension Actuarial Liability, End of Year	13,429.3	13,317.9
Less: Net Assets Available for Benefits	(13,501.8)	(12,972.1)
Actuarial Unfunded Pension Liability for Projected Plan Benefits	$ (72.5)	$ 345.8
Actuarial Assumptions:		
Rate of Return on Investments	6.25%	6.25%
Rate of Inflation	3.25%	3.25%
Salary Increase	4.00%	4.00%

Net Assets Available for Benefits at September 30, 2005 and 2004, consist of the following (Dollars in Thousands):

	2005	2004
Fund Balances with Treasury	$ 78	$ 2
Receivables	198,701	198,512
Investments in USG Securities	13,359,486	12,827,628
Total Assets	13,558,265	13,026,142
Less: FSRDF Liabilities	(56,437)	(54,074)
Net Assets Available for Benefits	$ 13,501,828	$ 12,972,068

12 LIABILITY TO INTERNATIONAL ORGANIZATIONS

The Department reports an unfunded liability for the accumulated arrears assessed by the United Nations (UN), its affiliated agencies, and other international organizations in the amount of $60.0 million for both 2005 and 2004 for regular budget assessments and international peacekeeping. These financial commitments mature into obligations (as that term is used in domestic law) only when funds are authorized and appropriated by Congress. As of September 30, 2005, a total of $926 million had been appropriated by Congress for payment of the U.S. arrearage.

The financial statements also report an unfunded liability of $1.1 billion and $837.4 million at September 30, 2005 and 2004, respectively, for the current year 2005 and 2004 unfunded or restricted annual assessments from the United Nations, its affiliated agencies and several other international organizations, as well as for peacekeeping. It has been the Department's policy to pay annual assessments for the UN and certain international organizations out of the following fiscal year's appropriation, usually in the last quarter of the calendar year (i.e., the 2005 calendar year assessment is paid from the Department's 2006 appropriation). The Liability to International Organizations at September 30, 2005 and 2004, is summarized below (Dollars in Thousands).

	2005	2004
Accumulated Arrears	$ 60,029	$ 60,029
Unfunded Annual Assessments	1,118,101	837,352
Liability to International Organizations	$ 1,178,130	$ 897,381

13 LEASES

The Department is committed to over 10,000 leases, which cover office and functional properties, and residential units at diplomatic missions overseas. The majority of these leases are short-term operating leases. In most cases, management expects that the leases will be renewed or replaced by other leases. Personnel from other U.S. Government agencies occupy some of the leased facilities (both residential and non-residential). These agencies reimburse the Department for the use of the properties. Reimbursements are received for approximately $55.3 million of the lease costs.

Capital Leases

The Department has various long-term leases (more than 10 years) for overseas real property that meet the criteria as a capital lease in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Assets that meet the definition of a capital lease and their related lease liability, are initially recorded at the present value of the future minimum lease payments or fair market value, whichever is less. In general, capital assets are depreciated over the estimated remaining life of the asset, and the related liability is amortized over the term of the lease, which can result in a different value in the asset versus the liability.

Following is a summary of Net Assets Under Capital Leases and future minimum lease payments as of September 30 (Dollars in Thousands).

	2005	2004
Net Assets Under Capital Leases:		
Land and Buildings	$ 55,707	$ 62,074
Accumulated Depreciation	(27,257)	(28,332)
Net Assets under Capital Leases	$ 28,450	$ 33,742

Future Minimum Lease Payments:

2005		2004	
Fiscal Year	Lease Payments	Fiscal Year	Lease Payments
2006	$ 2,616	2005	$ 3,271
2007	2,670	2006	2,923
2008	2,719	2007	2,977
2009	3,099	2008	3,026
2010	2,772	2009	3,406
2011 and thereafter	99,377	2010 and thereafter	123,945
Total Minimum Lease Payments	$ 113,253		$ 139,548
Less: Amount Representing Interest	(73,756)		(93,921)
Obligations under Capital Leases	$ 39,497		$ 45,627

During FY 2004, the Department performed a periodic review of its lease portfolio to ensure consistency with GAAP for federal entities. As a result of this process, certain leases were determined to be operating leases. This resulted in a decrease in *Net Assets under Capital Leases* and *Obligations under Capital Leases* of $34 million and $39 million, respectively, as of September 30, 2004, which did not materially affect the Department's principal financial statements.

Operating Leases

The Department leases real property in overseas locations under operating leases. These leases expire in various years. Minimum future rental payments under operating leases having remaining terms in excess of one year as of September 30, 2005 for each of the next 5 years and in aggregate are as follows (Dollars in Thousands).

Year Ended September 30	Operating Lease Amounts
2006	$ 375,729
2007	264,784
2008	178,993
2009	110,211
2010	71,411
2011 and thereafter	133,047
Total Minimum Future Lease Payments	$ 1,134,175

14 COMMITMENTS AND CONTINGENCIES

Commitments

In addition to the future lease commitments discussed in Note 13, "Leases," the Department is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders — see Note 15, "Unexpended Appropriations" and Note 17, "Statement of Budgetary Resources") at fiscal year end. In FY 2005 appropriations, the Department of State received $6 million to subsidize the cost of a direct loan of up to $1.2 billion to the United Nations to cover the cost of renovating its headquarters in New York City. As of the date of this Report, the loan agreement had not been ratified.

Contingencies

Rewards for Justice Program. The Department operates rewards programs for information critical to combating international terrorism, narcotics trafficking, and war crimes. The Terrorism Information Rewards Program offers rewards up to $25 million for information leading to: the arrest or conviction in any country of persons committing (or conspiring or attempting to commit, or aiding or abetting the commission of) acts of international terrorism against United States persons or property;

the prevention, frustration or favorable resolution of such acts; the identification or location of key leaders of a terrorist organization; or the disruption of financial mechanisms of a foreign terrorist organization. The Narcotics Information Rewards Program offers rewards up to $5 million for information leading to: the arrest or conviction in any country of persons committing (or conspiring or attempting to commit, or aiding and abetting the commission of) major foreign violations of U.S. narcotics laws or the killing or kidnapping of U.S. narcotics law enforcement officers or their family members; or the prevention, frustration or favorable resolution of such criminal acts. The War Crimes Information Rewards Program currently offers rewards up to $5 million for information leading to the arrest, transfer, or conviction of persons indicted by the International Criminal Tribunal for the Former Yugoslavia or the International Criminal Tribunal for Rwanda for serious violations of international humanitarian law, or their arrest or conviction in any country for such violations. Authority exists to create a similar war crimes program for information related to indictees of the Special Court of Sierra Leone.

The Department is a party in various administrative proceedings, legal actions, environmental suits, and claims brought by and against it. Some of the actions are not related directly to Department programs but the Department is involved because of its status as the U.S. Government's foreign policy agency. In the opinion of management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of the Department.

Claims Filed in Response to Embassy Bombings: Nearly 4,000 Kenyan nationals filed administrative tort claims against the Department alleging that Department negligence was responsible for the damages they suffered when terrorists bombed the American Embassy in Nairobi, Kenya on August 7, 1998. These claims are for sums ranging from $150 to $10,000,000 and total approximately $1.5 billion. Two lawsuits, in the amounts of $1 billion and $500 million, arising from these tort claims were dismissed this year by the Federal District Court in Washington, D.C. Both of the cases have been appealed to the D.C. Circuit Court of Appeals. After that court affirmed the District Court's dismissal of the $1 billion action in July 2003, the plaintiffs in the other, almost identical, suit abandoned their appeal. The plaintiffs in the first case have petitioned the Supreme Court for certiorari, which was denied. In addition, the families of eleven of the twelve Americans killed in the bombing also filed administrative tort claims with the Department alleging that Department negligence led to the death of their family members in Nairobi. These claims, including those by the estates of the deceased, are for a total of $117 million. The Department is vigorously defending against all of the tort claims and lawsuits. Any settlements or judgments in excess of $2,500 would be funded and paid from the Judgment Fund maintained by the Treasury.

North American Free Trade Agreement (NAFTA) Arbitrations: NAFTA allows Canadian and Mexican investors to bring arbitration proceedings against the United States for breaches of certain NAFTA provisions. These cases raise allegations of expropriation as well as other claims of treatment inconsistent with international law or specific treaty commitments that provide investment protections. The United States has successfully defended itself against two claims submitted to arbitration under Chapter 11 of the NAFTA. The United States is currently defending itself against six claims submitted to arbitration and three claims not yet submitted under Chapter 11 of NAFTA. These claims total approximately $2.8 billion. The United States has also received notice of another claim not submitted in the amount of either $5.8 billion or $13.6 billion, depending on how one interprets the notice. The U.S. Government intends to vigorously contest these claims. In no case is the Department a named respondent in these arbitrations. The Department's involvement is due to its unique experience with international arbitration, particularly with respect to these types of claims. Any adverse award in any of these cases would be paid out of the Judgment Fund.

Certain legal matters to which the Department is a party are administered and, in some instances, litigated and paid by other U.S. Government agencies. Generally, amounts to be paid under any decision, settlement, or award pertaining to these legal matters are funded from the Judgment Fund. None of the amounts paid under the Judgment Fund on behalf of the Department in 2005 and 2004 had a material effect on the financial position or results of operations of the Department.

15 UNEXPENDED APPROPRIATIONS

Unexpended Appropriations include the amount of unobligated appropriations and undelivered orders outstanding for Congressional appropriations provided to the Department. As these accounts incur obligations, the available balance of the appropriation is reduced.

Unobligated balances are the amount of appropriations or other authority that remains after deducting cumulative obligations. The unobligated balance is classified as unavailable for all expired accounts and for amounts appropriated subject to certain conditions. Undelivered orders represent the amount of obligations incurred for goods or services ordered but not yet received.

16 STATEMENT OF NET COST

The Consolidated Statement of Net Cost reports the Department's gross and net cost for its strategic objectives and strategic goals. The net cost of operations is the gross (i.e., total) cost incurred by the Department, less any exchange (i.e., earned) revenue.

The Consolidating Schedule of Net Cost categorizes costs and revenues by strategic goal and responsibility segment. A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. For the Department, a Bureau (e.g., Bureau of African Affairs) is considered a responsibility segment. For presentation purposes, Bureaus have been summarized and reported at the Under Secretary level (e.g., Under Secretary for Political Affairs). For 2000 and beyond, a new responsibility segment has been added for the Under Secretary for Public Diplomacy and Public Affairs as a result of the merger of the former USIA. Information on the Bureaus (or equivalent) that report to each Under Secretary can be found on the Organization Chart for the Department provided in the MD&A Section of this report.

The presentation of program results by strategic objectives and strategic goals is based on the Department's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993.

As outlined in the Strategic Plan, the United States conducts relations with foreign governments and others to pursue U.S. national interests, and create a more secure, democratic and prosperous world for the benefit of the American people and the international community. These strategic objectives and strategic goals are:

STRATEGIC OBJECTIVE	STRATEGIC GOAL	GOAL DESCRIPTION
Achieve Peace and Security	Regional Stability	Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States.
	Counterterrorism	Prevent attacks against the United States, our allies, and our friends, and strengthen alliances and international arrangements to defeat global terrorism.
	Homeland Security	Protect the homeland by enhancing the security of our borders and infrastructure.
	Weapons of Mass Destruction	Reduce the threat of weapons of mass destruction to the United States, our allies, and our friends.
	International Crime and Drugs	Minimize the impact of international crime and illegal drugs on the United States and its citizens.
	American Citizens	Assist American citizens to travel, conduct business, and live abroad securely.
Advance Sustainable Development and Global Interests	Democracy and Human Rights	Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom.
	Economic Prosperity and Security	Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation.
	Social and Environmental Issues	Improve health, education, environment, and other conditions for the global population.
	Humanitarian Response	Minimize the human costs of displacement, conflicts, and natural disasters.
Promote International Understanding	Public Diplomacy and Public Affairs	Increase understanding for American values, policies, and initiatives to create a receptive international environment.
Strengthen Diplomatic and Program Capabilities	Management and Organizational Excellence	Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.

The Management and Organizational Excellence strategic goal relates to the Department's responsibilities for managing infrastructure, information, and human resources. The ability of the Department to advance national and foreign policy interests depends on the quality of these items — the two largest and most visible of which are Diplomatic Security and Overseas Buildings Operations.

DEPARTMENT OF STATE

CONSOLIDATING SCHEDULE OF NET COST

For the year ended September 30, 2005

(Dollars in Thousands)	Under Secretary for							
STRATEGIC GOAL	**Arms Control, Int'l Security**	**Economic, Business and Agriculture**	**Global Affairs**	**Political Affairs**	**Public Diplomacy and Public Affairs**	**Management - Consular Affairs**	**Eliminations**	**Total**
Regional Stability								
Total Cost	$ 156,421	$ 11,370	$ 34,694	$ 1,216,640	$ —	$ (20)	$ (49,683)	$ 1,369,422
Earned Revenue	(22,473)	(1,264)	(3,752)	(100,064)	—	(28)	49,683	(77,898)
Net Program Costs	133,948	10,106	30,942	1,116,576	—	(48)	—	1,291,524
Counterterrorism								
Total Cost	124,385	9,041	27,589	967,464	—	(16)	(39,508)	1,088,955
Earned Revenue	(17,871)	(1,005)	(2,983)	(79,570)	—	(22)	39,508	(61,943)
Net Program Costs	106,514	8,036	24,606	887,894	—	(38)	—	1,027,012
Homeland Security								
Total Cost	76,086	5,531	16,876	591,793	—	(10)	(24,167)	666,109
Earned Revenue	(10,931)	(615)	(1,825)	(48,673)	—	(14)	24,167	(37,891)
Net Program Costs	65,155	4,916	15,051	543,120	—	(24)	—	628,218
Weapons of Mass Destruction								
Total Cost	71,101	5,168	15,770	553,018	—	(9)	(22,583)	622,465
Earned Revenue	(10,215)	(575)	(1,705)	(45,484)	—	(13)	22,583	(35,409)
Net Program Costs	60,886	4,593	14,065	507,534	—	(22)	—	587,056
International Crime and Drugs								
Total Cost	—	—	1,858,968	47,620	2,046	—	(8,936)	1,899,698
Earned Revenue	—	—	(421,489)	(6,293)	(42)	—	8,936	(418,888)
Net Program Costs	—	—	1,437,479	41,327	2,004	—	—	1,480,810
American Citizens								
Total Cost	—	—	65	956,422	304,857	1,232,783	(163,686)	2,330,441
Earned Revenue	—	—	(2,098)	(173,455)	(42,871)	(1,935,652)	163,686	(1,990,390)
Net Program Costs	—	—	(2,033)	782,967	261,986	(702,869)	—	340,051
Democracy and Human Rights								
Total Cost	76,903	5,590	17,057	598,149	—	(10)	(24,426)	673,263
Earned Revenue	(11,049)	(622)	(1,844)	(49,195)	—	(14)	24,426	(38,298)
Net Program Costs	65,854	4,968	15,213	548,954	—	(24)	—	634,965
Economic Prosperity and Security								
Total Cost	125,693	9,136	27,879	977,634	—	(16)	(39,923)	1,100,403
Earned Revenue	(18,059)	(1,016)	(3,015)	(80,406)	—	(23)	39,923	(62,596)
Net Program Costs	107,634	8,120	24,864	897,228	—	(39)	—	1,037,807
Social and Environment Issues								
Total Cost	34,651	2,519	7,686	269,517	—	(4)	(11,006)	303,363
Earned Revenue	(4,978)	(280)	(831)	(22,167)	—	(6)	11,006	(17,256)
Net Program Costs	29,673	2,239	6,855	247,350	—	(10)	—	286,107
Humanitarian Response								
Total Cost	—	—	1,032,991	2,147	87	—	(340)	1,034,885
Earned Revenue	—	—	(400)	10	(1)	—	340	(51)
Net Program Costs	—	—	1,032,591	2,157	86	—	—	1,034,834
Public Diplomacy and Public Affairs								
Total Cost	152,008	11,049	33,716	1,182,315	455,680	(19)	(48,282)	1,786,467
Earned Revenue	(21,839)	(1,229)	(3,646)	(97,241)	(46,355)	(27)	48,282	(122,055)
Net Program Costs	130,169	9,820	30,070	1,085,074	409,325	(46)	—	1,664,412
Executive Direction and Other Costs Not Assigned								
Total Cost	3,335	4,099	80,557	4,265,518	459,022	2,480	(1,575,889)	3,239,122
Earned Revenue	(1,899)	(2,358)	(35,110)	(2,508,028)	(266,255)	(1,427)	1,545,936	(1,269,141)
Net Program Costs	1,436	1,741	45,447	1,757,490	192,767	1,053	(29,953)	1,969,981
Total Cost	820,583	63,503	3,153,848	11,628,237	1,221,692	1,235,159	(2,008,429)	16,114,593
Total Revenue	(119,314)	(8,964)	(478,698)	(3,210,566)	(355,524)	(1,937,226)	1,978,476	(4,131,816)
Total Net Cost	701,269	$ 54,539	$ 2,675,150	$ 8,417,671	$ 866,168	$ (702,067)	$ (29,953)	$11,982,777

Executive Direction and Other Costs Not Assigned relate to high-level executive direction (e.g., Office of the Secretary, Office of the Legal Adviser), international commissions, general management, and certain administrative support costs that cannot be directly traced or reasonably allocated to a particular program. For the year ended September 30, 2005 and 2004, these consist of costs and earned revenue summarized below (Dollars in Thousands).

	2005			2004 Restated		
Program	Total Prior to Eliminations	Intra-Departmental Eliminations	Total	Total Prior to Eliminations	Intra-Departmental Eliminations	Total
Costs:						
Executive Direction	$ 2,577,586	$ 327,607	$ 2,249,979	$ 2,307,455	$ 284,605	$ 2,022,850
FSRDF	788,524	385,508	403,016	877,574	369,338	508,236
ICASS	1,174,812	859,989	314,823	1,075,703	862,758	212,945
International Commissions	274,089	2,785	271,304	298,178	1,366	296,812
Total Costs	$ 4,815,011	$ 1,575,889	$ 3,239,122	$ 4,558,910	$ 1,518,067	$ 3,040,843
Earned Revenue:						
Executive Direction	$ 436,405	$ 327,607	$ 108,798	$ 492,876	$ 284,605	$ 208,271
FSRDF	1,206,883	355,555	851,328	1,185,546	337,227	848,319
ICASS	1,158,916	859,989	298,927	1,095,169	862,758	232,411
International Commissions	12,873	2,785	10,088	9,686	1,366	8,320
Total Earned Revenue	$ 2,815,077	$ 1,545,936	$ 1,269,141	$ 2,783,277	$ 1,485,956	$ 1,297,321
Total Net Cost for Executive Direction and Other Costs Not Assigned	$ 1,999,934	$ 29,953	$ 1,969,981	$ 1,775,633	$ 32,111	$ 1,743,522

Program Costs

These costs include the full cost of resources consumed by a program, both direct and indirect, to carry out its activities. Direct costs can be specifically identified with a program. Indirect costs include resources that are commonly used to support two or more programs, and are not specifically identified with any program. Indirect costs are assigned to programs through allocations. Full costs also include the costs of goods or services received from other Federal entities (referred to as inter-entity costs), whether or not the Department reimburses that entity.

Indirect Costs: Indirect costs consist primarily of Management and Organizational Excellence charges for central support functions performed in 2005 and 2004 under the Under Secretary for Management by the following organizations (Dollars in Thousands):

Bureau (or equivalent)	2005	2004 Restated
Bureau of Diplomatic Security	$ 1,577,271	$ 965,145
Office of Overseas Buildings Operations	1,066,393	1,082,432
Bureau of Administration	608,459	654,033
Bureau of Information Resource Management	283,294	306,249
Bureau of Personnel	337,069	311,659
Bureau of Resource Management	287,581	761,382
Foreign Service Institute	127,178	121,908
Medical Services and Other	210,719	185,195
Total Central Support Costs	$ 4,497,964	$ 4,388,003

These support costs were distributed to programs on the basis of a program's total base salaries for its full-time employees, as a percentage of total base salaries for all full-time employees, except for the Office of Overseas Buildings Operations. Since the Office of Overseas Buildings Operations supports overseas operations, its costs were allocated based on the percentage of budgeted cost by program for the regional bureaus. The distribution of support costs to programs in 2005 and 2004 was as follows (Dollars in Thousands):

Program Receiving Allocation	2005	Restated 2004
Regional Stability	$ 384,704	$ 385,357
Counterterrorism	305,914	306,434
Homeland Security	187,126	187,444
Weapons of Mass Destruction	174,865	175,162
International Crime and Drugs	57,030	65,899
American Citizens	1,026,953	1,023,009
Democracy and Human Rights	189,136	189,457
Economic Prosperity and Security	309,130	309,655
Social and Environmental Issues	85,222	85,366
Humanitarian Response	20	20
Public Diplomacy and Public Affairs	373,850	374,485
Executive Direction and Other Costs Not Assigned	1,404,014	1,285,715
Total	$ 4,497,964	$ 4,388,003

Since the cost incurred by the Under Secretary for Management and the Secretariat are primarily support costs, these costs were distributed to the other Under Secretaries to show the full costs under the responsibility segments that have direct control over the Department's programs. One exception within the Under Secretary for Management is the Bureau of Consular Affairs, which is responsible for the American Citizens program. As a result, these costs were not allocated and continue to be reported as the Under Secretary for Management.

The Under Secretary for Management/Secretariat costs (except for the Bureau of Consular Affairs) were allocated to the other Department responsibility segments based on the percentage of total costs by organization for each program. The allocation of these costs to the other Under Secretaries and to the Bureau of Consular Affairs was as follows (Dollars in Thousands):

Under Secretary	2005	Restated 2004
Political Affairs	$ 4,905,502	4,569,079
Public Diplomacy	666,619	692,126
Management (Consular Affairs)	711,964	586,646
Arms Control, International Security Affairs	445,251	328,789
Global Affairs	216,155	150,662
Economic, Business and Agriculture Affairs	34,596	34,451
Total	$ 6,980,087	6,361,753

Inter-Entity Costs and Imputed Financing: The Department is an agency of the U.S. Government, which performs many services for other U.S. Government agencies, especially overseas. Conversely, other U.S. Government agencies make financial decisions and report certain financial matters on behalf of the U.S. Government as a whole, including matters to which the Department may be an interested party.

To measure the full cost of activities, SFFAS No. 4, *Managerial Cost Accounting*, requires that total costs of programs include costs that are paid by other U.S. Government entities, if material. As provided by SFFAS No. 4, OMB issued a Memorandum in April 1998, entitled "Technical Guidance on the Implementation of Managerial Cost Accounting Standards for the Government." In that Memorandum, OMB established that reporting entities should recognize inter-entity costs for (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post-retirement benefits for retired, terminated and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under the *Federal Employees' Compensation Act*; and (4) payments made in litigation proceedings. This requirement to recognize specific inter-entity costs was extended in September 2001 and September 2000 to FY 2002 and 2001 financial statements by Bulletin 01-09 and OMB Memorandum M-00-14, "Technical Amendments to OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*," respectively.

The Department recognizes an imputed financing source on the Statement of Changes in Net Position for the value of inter-entity costs paid by other U.S. Government entities. This consists of all inter-entity amounts as reported below except for the Federal Workers' Compensation Benefits (FWCB). For FWCB, the Department recognizes its share of the change in the actuarial liability for FWCB as determined by the Department of Labor (DoL). The Department reimburses DoL for FWCB paid to current and former Department employees.

The following inter-entity costs and imputed financing sources were recognized in the Statement of Net Cost and Statement of Changes in Net Position, respectively, for the years ended September 30, 2005 and 2004 (Dollars in Thousands):

Inter-Entity Cost	2005	Restated 2004
Other Post-Employment Benefits:		
Civil Service Retirement Program	$ 25,272	$ 25,603
Federal Employees Health Benefits Program	93,648	64,621
Federal Employees Group Life Insurance Program	269	246
Litigation funded by Treasury Judgment Fund	283	847
Subtotal – Imputed Financing Source	$ 119,472	$ 91,317
Future Workers' Compensation Benefits	10,198	6,245
Total Inter-Entity Costs	$ 129,670	$ 97,562

Intra-departmental Eliminations. Intra-departmental eliminations of cost and revenue were recorded against the program that provided the service. Therefore the full program cost was reported by leaving the reporting of cost with the program that received the service.

Earned Revenues

Earned revenues occur when the Department provides goods or services to the public or another Federal entity. Earned revenues are reported regardless of whether the Department is permitted to retain all or part of the revenue. Specifically, the Department collects but does not retain passport, visa, and certain other consular fees. Earned revenues for the year ended September 30, 2005 and 2004, consist of the following (Dollars in Thousands):

	2005			Restated 2004		
Program	Total Prior to Eliminations	Intra-Departmental Eliminations	Total	Total Prior to Eliminations	Intra-Departmental Eliminations	Total
Consular Fees:						
Passport, Visa and Other Consular Fees	$ 826,058	$ —	$ 826,058	$ 673,719	$ —	$ 673,719
Machine Readable Visa	636,478	—	636,478	623,679	—	623,679
Expedited Passport	154,745	—	154,745	108,563	—	108,563
Passport and Visa Surcharges	92,345	—	92,345	—	—	—
Fingerprint Processing, Diversity Lottery, and Affadavit of Support	59,197	—	59,197	21,631	—	21,631
Subtotal – Consular Fees	$ 1,768,823	$ —	$ 1,768,823	$ 1,427,592	$ —	$ 1,427,592
FSRDF	$ 1,206,883	$ 345,581	$ 861,302	$ 1,185,546	$ 337,227	$ 848,319
ICASS	1,162,774	859,989	302,785	1,095,169	862,758	232,411
Other Reimbursable Agreements	1,647,508	591,287	1,056,221	994,741	493,150	501,591
Working Capital Fund	297,410	171,645	125,765	307,290	138,973	168,317
Other	26,894	9,974	16,920	60,773	—	60,773
Total	$ 6,110,292	$ 1,978,476	$ 4,131,816	$ 5,071,111	$ 1,832,108	$ 3,239,003

Pricing Policies

Generally, a Federal agency may not earn revenue from outside sources unless it obtains specific statutory authority. Accordingly, the pricing policy for any earned revenue depends on the revenue's nature, and the statutory authority under which the Department is allowed to earn and retain (or not retain) the revenue. Earned revenue that the Department is not authorized to retain is deposited into the Treasury's General Fund.

The FSRDF finances the operations of the Foreign Service Retirement and Disability System (FSRDS) and the Foreign Service Pension System (FSPS). The FSRDF receives revenue from employee/employer contributions, a U.S. Government contribution, and interest on investments. By law, FSRDS participants contribute 7.25% of their base salary, and each employing agency contributes 7.25%; FSPS participants contribute 1.35% of their base salary and each employing agency contributes 20.22%. Employing agencies report employee/employer contributions biweekly. Total employee/employer contributions for 2005 and 2004 were $214.9 million and $203.5 million, respectively.

The FSRDF also receives a U.S. Government contribution to finance (1) FSRDS benefits not funded by employee/employer contributions; (2) interest on FSRDS unfunded liability; and (3) FSRDS disbursements attributable to military service. The U.S. Government contributions for 2005 and 2004 were $225.1 million and $218.0 million, respectively. FSRDF cash resources are invested in special

non-marketable securities issued by the Treasury. Total interest earned on these investments in 2005 and 2004 was $766.8 million and $763.9 million, respectively.

Consular Fees are established primarily on a cost recovery basis and are determined by periodic cost studies. Reimbursable Agreements with Federal agencies are established and billed on a cost-recovery basis. ICASS billings are computed on a cost- recovery basis; billings are calculated to cover all operating, overhead, and replacement of capital assets, based on budget submissions, budget updates, and other factors. In addition to services covered under ICASS, the Department provides administrative support to other agencies overseas for which the Department does not charge. Areas of support primarily include buildings and facilities, diplomatic security (other than the local guard program), overseas employment, communications, diplomatic pouch, receptionist and selected information management activities. The Department receives direct appropriations to provide this support; individual costs for these activities have not been determined.

Gross Cost and Earned Revenue by Budget Functional Classification (BFC)

The Department's costs and revenue are included in the *Financial Report of the United States Government – Fiscal 2005* (formerly the Consolidated Financial Statements of the United States Government), which is published by the Department of the Treasury. The *Financial Report of the United States Government – Fiscal 2005* presents gross costs and earned revenue by BFC. Following is the Department's gross cost and earned revenue for both federal and non-federal vendors by BFC for the years ended September 30, 2005 and 2004 (Dollars in Thousands and reported net of intra-departmental eliminations):

	2005			Restated 2004		
Budget Functional Classification	**Gross Cost**	**Earned Revenue**	**Net Cost**	**Gross Cost**	**Earned Revenue**	**Net Cost**
International Affairs	$ 15,053,892	$ 3,096,147	$ 11,957,745	$ 12,902,359	$ 2,363,237	$ 10,539,122
Income Security	800,603	1,029,206	(228,603)	557,961	871,031	(313,070)
Natural Resources	260,098	6,463	253,635	281,788	4,735	277,053
Total	$ 16,114,593	$ 4,131,816	$ 11,982,777	$ 13,742,108	$ 3,239,003	$ 10,503,105

17 STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of and for the years ended September 30, 2005 and 2004. Intra-departmental transactions have not been eliminated in the amounts presented.

The Budgetary Resources section presents the total budgetary resources available to the Department. For 2005 and 2004, the Department received approximately $25.0 billion and $21.3 billion in budgetary resources, respectively, primarily consisting of the following:

Source of Budgetary Resources	2005	2004
Budget Authority:		
Direct or related appropriations	$ 15.6 billion	$ 13.6 billion
Authority financed from Trust Funds	1.2 billion	1.2 billion
Spending authority from providing goods and services	4.3 billion	3.5 billion
Unobligated Balances – Beginning of Year	3.5 billion	2.6 billion
Other	0.4 billion	0.4 billion
Total Budgetary Resources	$ 25.0 billion	$ 21.3 billion

The Department received permanent indefinite appropriations of $41.9 million and $39.2 million for 2005 and 2004, respectively. The permanent indefinite appropriation provides payments to the Foreign Service Retirement and Disability Fund to finance the interest on the unfunded pension liability for the year and disbursements attributable to military service. The amount of budgetary resources obligated for undelivered orders for all activities as of September 30, 2005 and 2004 was approximately $8.6 billion and $7.6 billion, respectively. This includes amounts of $320 million for September 30, 2005 and $650 million for September 30, 2004, pertaining to revolving funds, trust funds, and substantial commercial activities.

Information on U.S. Government agencies' budgets is reported in the *Budget of the United States Government, Fiscal Year 2006* – Appendix (*Appendix*). The *Appendix* includes for each agency (including the Department), among other things, budget schedules for the agency's accounts. Information on budgetary resources and their status will be displayed in the *Program and Financing (P&F)* Schedule under each account. Amounts presented in the *P&F Schedules* are in millions of dollars. Each agency is responsible for submitting the data presented in the *P&F Schedules*. Amounts shown on the 2005 Statement of Budgetary Resources will differ from "2005 Actual" reported in the *P&F Schedules* for the Department's accounts as follows:

- The Budget Authority and Net Outlays reported on the Statement of Budgetary Resources includes $1,268 and $1,395 million, respectively, the Department received in 2005 to administer programs related to International Security Assistance. Amounts for these programs are not presented under the Department in the *Appendix*, but are reported in the *Appendix* under the section titled International Assistance Programs.

- The Unobligated Balances and Obligated Balance, Net – Beginning of Year reported on the Statement of Budgetary Resources includes a $64 million increase and a $90 million decrease, respectively, pertaining to undelivered orders that will not be reported in the *Appendix*.

- The Unobligated Balances – Beginning of Year and End of Year reported on the Statement of Budgetary Resources includes $222 million and $225 million, respectively, of unavailable unobligated balances (primarily for expired annual accounts) that will not be reported in the *Appendix*. These unavailable unobligated balances in expired accounts (2004 and prior) remain available for adjustment, liquidation of obligations and other purposes authorized by law, until such amounts are closed as required by law (Public Law 101-510) and any remaining amounts will be returned to the General Fund of the U.S. Treasury. However, they are not available to incur new obligations since their period of availability to do such has expired. The P&F Schedule reports only available unobligated balances (versus unavailable) as budgetary resources available for obligation.

- The Unobligated Balance, Available and Unavailable and Obligated Balance, Net– End of Year reported on the Statement of Budgetary Resources includes a $333 million adjustment (increase and decrease, respectively) pertaining to undelivered orders that will not be reported in the *Appendix*.

- The Department's 2005 Statement of Budgetary Resources reflects Offsetting Receipts consistent with the requirements of OMB Circular A-136. However, the Department also receives "General Funds Receipts" that are not included in the Statement of Budgetary Resources, which is consistent with Circular A-136, even though they are included in the *Appendix* for the Department. General Fund Receipts for 2005 are approximately $822 million primarily for passport and visa services.

The *Appendix* is organized by major subordinate organizations or program areas within the agency, and then by the nature of account(s) (e.g., general, special, revolving, trust) within organization or program area. The Department's section consists of the following areas: Administration of Foreign Affairs, International Organizations and Conferences, International Commissions, Foreign Assistance, and Other. The Combining Schedule of Budgetary Resources appearing as Required Supplementary Information presents amounts in the Combined Statement of Budgetary Resources by these areas.

18 CONSOLIDATED STATEMENT OF FINANCING

Accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources. The Statement of Financing for the years ended September 30, 2005 and 2004, presents information to reconcile these different measures. In doing so, the Statement of Financing provides assurance that the financial information is consistent with similar amounts found in budget reports. The Statement of Financing reconciles obligations of budget authority to the accrual-based net cost of operations. The Net Cost of Operations as presented on the Statement of Financing is determined by netting the obligations as adjusted and non-budgetary resources and making adjustments for the total resources that do not fund net cost of operations, the total costs that do not require resources, and financing sources yet to be provided. The result is Net Cost of Operations as reported on the Statement of Net Cost.

19 CUSTODIAL ACTIVITY

The Department administers certain activities associated with the collection of non-exchange revenues, which are deposited and recorded directly to the General Fund of the Treasury. The Department does not retain the amounts collected. Accordingly, these amounts are not considered or reported as financial or budgetary resources for the Department. At the end of each fiscal year, the accounts are closed and the balances are brought to zero by Treasury. Specifically, the Department collects interest, penalties and handling fees on accounts receivable; fines, civil penalties and forfeitures; and other miscellaneous receipts. In 2005 and 2004, the Department collected $15.3 million and $13.0 million, respectively, in custodial revenues that were transferred to the Treasury.

20 DEDICATED COLLECTIONS

The Department administers nine Trust Funds that receive dedicated collections. In the U.S. Government budget, Trust Funds are accounted for separately and used only for specified purposes. A brief description of these Funds and their purpose follows.

Foreign Service Retirement and Disability Fund (19X8186)

The Foreign Service Retirement and Disability Fund (FSRDF) was established in 1924 to provide pensions to retired and disabled members of the Foreign Service. The FSRDF's revenues consist of contributions from active participants and their U.S. Government agency employers; appropriations; and interest on investments. Monthly annuity payments are made to eligible retired employees or their survivors. Separated employees without title to an annuity may take a refund of their contributions. P.L. 96-465 limits the amount of administrative expense that can be charged to the fund to $5,000. The total cost for administering FSRDF was $3.6 million in both 2005 and 2004, respectively. Cash is invested in U.S. Treasury securities until it is needed for disbursement.

Foreign Service National Separation Liability Trust Fund (FSNSLTF) (19X8340)

FSNSLTF funds separation liabilities to foreign service national (FSNs) and personal service contractor (PSCs) employees who voluntarily resign, retire, or lose their jobs due to a reduction in force. The liability is applicable only in those countries that, due to local law, require a lump-sum voluntary separation payment based on years of service. The FSNSLTF was authorized in 1991 and initially capitalized with a transfer from the Department. Contributions are made to the FSNSLTF by the Department's appropriations, from which the FSNs and PSCs are paid. Once the liability to the separating FSN or PSC is computed in accordance with the local compensation plan, the actual disbursement is made from the FSNSLTF.

Conditional and Unconditional Gift Funds (19X8821 and 19X8822)

The Department maintains two Trust Funds for receiving and disbursing donations. It is authorized to accept gifts from private organizations and individuals in the form of cash, gifts-in-kind, and securities. Gifts are classified as Restricted or Unrestricted Gifts. Restricted Gifts must be used in the manner specified by the donor. Unrestricted Gifts can be used for any expense normally covered by an appropriation, such as representational purposes or embassy refurbishment.

Israeli-Arab Scholarship Program (19X8271)

The Israeli-Arab Scholarship Program provides grants and scholarships to Israeli-Arab students for degree programs at universities and colleges in the United States. This program was authorized by Section 214 of the Foreign Relations Authorization Act, Fiscal Years 1992 and 1993 (P.L. 102-138). A permanent endowment of $4.9 million was established in 1992.

Eisenhower Exchange Fellowship Program Trust Fund (95X8276)

The Eisenhower Exchange Fellowship Act of 1990 (P.L. 101-454) authorized a permanent endowment for the Eisenhower Exchange Fellowship Program to honor the late president by increasing educational opportunities for young leaders who wish to prepare for and enhance their professional careers and advance peace through international understanding. The 1992 Department of State and Related Agencies Appropriations Act provided $5.0 million to establish a permanent endowment for the Program, and appropriated the interest and earnings. The 1995 Department of State and Related Agencies Appropriations Act made an additional payment of $2.5 million to the endowment.

Miscellaneous Trust Funds, Information and Exchange Programs (19X8166, 19X8167, 19X8272, and 19X8813)

Funds advanced by other governments, business concerns, and private organizations to the Department are used to send experts abroad to perform requested services; give foreign nationals scientific, technical, or other training; purchase films and other products owned or controlled by the Department; and for international exhibitions. In FY 04, DOS received an appropriation to establish a trust fund for operation of an International Center for Middle Eastern – Western Dialogue in Istanbul, Turkey (19x8813). The center will develop programs of cooperative study, training, and research for students and scholars to exchange views and ideas.

State Secretary of the German Foreign Office Klaus Scharioth, German Minister of the Interior Otto Schily, Ambassador of the United States in Germany Daniel Coats, Director of Overseas Buildings Operations of the U.S. Department of State Charles Williams and the Governing Mayor of Berlin Klaus Wowereit, from left, during the groundbreaking ceremony of the new U.S. Embassy next to the Brandenburg Gate in Berlin. © AP/ Wide World

(Dollars in Thousands)	FSRDF	FSNSLTF	Gift Funds	Israeli-Arab Scholarship	Eisenhower Exchange Fellowship	Misc. Trust Funds
As of September 30, 2005:						
Assets:						
Fund Balances with Treasury	$ 78	$ 89,796	$ 9,930	$ (191)	$ 1	$ 2,704
Investments	13,359,486	—	3,986	4,995	7,527	13,096
Other Assets	198,701	—	16	72	46	190
Total Assets	13,558,265	89,796	13,932	4,876	7,574	15,990
Liabilities:						
Payable to Beneficiaries	45,914	—	—	—	—	—
Actuarial Liability	13,429,300	—	—	—	—	—
Other Liabilities	10,523	—	174	—	—	—
Total Liabilities	13,485,737	—	174	—	—	—
Net Position (Deficit)	72,528	89,796	13,758	4,876	7,574	15,990
Total Liabilities and Net Position	$ 13,558,265	$ 89,796	$ 13,932	$ 4,876	$ 7,574	$ 15,990
For the year ended September 30, 2005:						
Revenues and Financing:						
Exchange Revenue:						
Intragovernmental	$ 1,180,922	$ 9,974	$ —	$ —	$ —	$ —
Governmental	25,961	—	—	—	—	—
Non Exchange Revenue:						
Intragovernmental	—	—	86	164	848	7,247
Governmental	—	—	4,246	—	—	—
Other Financing Sources	—	—	—	—	—	—
Total Revenues and Financing	1,206,883	9,974	4,332	164	848	7,247
Expenses:						
Program Expenses	10	13,113	3,962	218	764	166
Actuarial Expenses	788,514	—	—			
Total Expenses	$ 788,524	$ 13,113	$ 3,962	$ 218	$ 764	$ 166

(Dollars in Thousands)	FSRDF	FSNSLTF	Gift Funds	Israeli-Arab Scholarship	Eisenhower Exchange Fellowship	Misc. Trust Funds
As of September 30, 2004:						
Assets:						
Fund Balances with Treasury	$ 2	$ 92,935	$ 13,385	$ 506	$ 6	$ 2,230
Investments	12,827,628	—	—	4,319	7,483	6,630
Other Assets	198,512	—	21	105	—	51
Total Assets	13,026,142	92,935	13,406	4,930	7,489	8,911
Liabilities:						
Payable to Beneficiaries	44,086	—	—	—	—	—
Actuarial Liability	13,317,900	—	—	—	—	—
Other Liabilities	9,987	—	18	—	—	2
Total Liabilities	13,371,973	—	18	—	—	2
Net Position (Deficit)	(345,831)	92,935	13,388	4,930	7,489	8,909
Total Liabilities and Net Position	$ 13,026,142	$ 92,935	$ 13,406	$ 4,930	$ 7,489	$ 8,911
For the year ended September 30, 2004:						
Revenues and Financing:						
Exchange Revenue:						
Intragovernmental	$ 1,159,673	$ 10,086	$ —	$ —	$ —	$ —
Governmental	25,873	—	—	—	—	—
Non Exchange Revenue:						
Intragovernmental	—	—	39	255	—	6,927
Governmental	—	—	4,302	—	—	—
Other Financing Sources	—	—	—	—	—	—
Total Revenues and Financing	1,185,546	10,086	4,341	255	—	6,927
Expenses:						
Program Expenses	—	7,088	(306)	303	—	589
Actuarial Expenses	877,574	—	—	—	—	—
Total Expenses	$ 877,574	$ 7,088	$ (306)	$ 303	$ —	$ 589

21 RESTATEMENTS

The accompanying FY 2004 financial statements have been restated to correct errors of unrecorded transactions for (1) collections of passport fees, (2) receivables for value added taxes, and (3) overseas disbursements. In FY 2004, the Department transitioned its financial operations from Arlington, Virginia to Charleston, South Carolina. During the transition, Consular Affair (CA) revenues totaling $117 million for passport fees collected at lockboxes throughout the United States were not recorded in the Department's financial systems. Although the funds were deposited with the U.S. Treasury in FY 2004, the transactions were not recorded until FY 2005. These fees are deposited directly to Treasury and are not retained or available for use by the Department. These amounts are treated as earned revenue on the Statement of Net Cost and as a transfer-out of financing sources on the Statement of Changes in Net Position. As a result, revenues and transfers-out were increased in FY 2004 by $117 million.

The FY 2004 financial statements also did not include a receivable of $20 million for value added taxes (VAT) receivable from foreign countries. VAT are sales taxes the U.S. Government is not required to pay, but because it is typically included in the cost of items purchased overseas, the Department must request a refund from the foreign government. The restatement also corrects a $26 million overstatement in accounts payable and Fund Balance with Treasury for overseas disbursements made in FY 2004 that were not recorded in the Department's general ledger.

The net effect of these corrections on the Department's FY 2004 financial statements is as follows:

- Total Assets decreased $6.3 million;
- Total Liabilities decreased $25.9 million;
- Total Net Position increased $19.6 million;
- Total Net Cost decreased $137 million; and
- Net Outlays increased 25.9 million.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION HERITAGE ASSETS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2005 AND 2004

The Department has collections of art objects, furnishings, books, and buildings that are considered heritage or multi-use heritage assets. These collections are housed in the Diplomatic Reception Rooms, senior staff offices in the Secretary's suite, offices, reception areas, conference rooms, the cafeteria and related areas, and embassies throughout the world. The items have been acquired as donations, are on loan from the owners, or were purchased using gift and appropriated funds. The assets are classified into six categories: the Diplomatic Reception Rooms, Art Bank, Art in Embassies, Curatorial Services Program, Library Rare & Special Book Collection, and Secretary of State's Register of Culturally Significant Property. Items in the Register of Culturally Significant Property category are classified as multi-use heritage assets due to their use in general government operations.

Diplomatic Reception Rooms

Under the management of the Curator's Office, the Diplomatic Reception Room collection is comprised of museum-caliber American furnishings from the 1750 to 1825 period. These items are used to decorate the Diplomatic Reception Rooms located on the 8th floor of the Department of State, as well as 19 offices on the 7th floor used by the Secretary of State and the Secretary's senior staff. These items have been acquired through donations or purchases funded through gifts from private citizens, foundations, and corporations. Tax dollars have not been used to acquire or maintain the collection.

Photo: Richard Cheek

Philadelphia mahogany table-desk on which Thomas Jefferson drafted the Declaration of Independence.

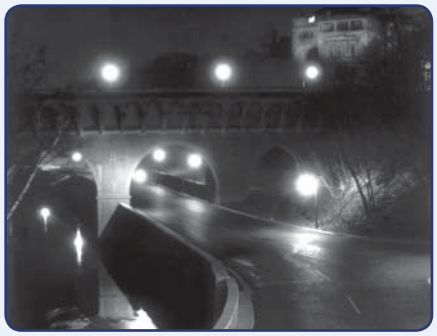
Thomas Jefferson State Reception Room.

Photo: Richard Cheek

The Benjamin Franklin State Dining Room.

Art Bank

The Art Bank was established in 1984 to acquire artworks that could be displayed throughout the Department's offices and annexes. The works of art are displayed in staff offices, reception areas, conference rooms, the cafeteria, and related public areas. The collection consists of original works on paper (watercolors and pastels) as well as limited edition prints, such as lithographs, woodcuts, intaglios, and silk-screens. These items are acquired through purchases funded by contributions from each participating bureau.



Volkwup Wertzel
(clockwise from top left)
U.S. Capitol
The Washington Monument
Q Street Bridge
Pennsylvania Avenue

Rare & Special Book Collection

In recent years, the Library has identified books that require special care or preservation. Many of these publications have been placed in the Rare Books and Special Collections Room, which is located adjacent to the Reading Room. Among the treasures is a copy of the Nuremberg Chronicles, which was printed in 1493; volumes signed by Thomas Jefferson; and books written by Foreign Service authors.

Curatorial Services Program

The Curatorial Services Program, which is managed by the Overseas Buildings Operations' Interior Planning, Design and Furnishings Division, is responsible for antiques, works of art, and high-value furnishings that the Department owns abroad. These objects are important due to their historical significance, antiquity, rare quality, or high dollar value. These items may have been donated or obtained as part of the furnishings acquired with a building.

Art in Embassies

The Art in Embassies Program was established in 1964 to promote national pride and the distinct cultural identity of America's arts and its artists. The program, which is managed by the Bureau of Overseas Buildings Operations, provides original U.S. works of art for the representational rooms of United States ambassadorial residences worldwide. The works of art were purchased or are on loan from individuals, organizations, or museums.

1. Jerry Hovanec, Persimmon with Pulled Stem-Cap 1998, Persimmon with Copper Stem-Cap 1997, and Untitled/Persimmon Vessel 1997, (17 x 13 x 13 cm) blown glass. Courtesy of the artist, Lusby, Maryland

Secretary of State's Register of Culturally Significant Property

The Secretary of State's Register of Culturally Significant Property was established in January 2001 to recognize the Department's owned properties overseas, which have historical, architectural, or cultural significance. Properties in this category include chanceries, consulates, and residences. All these properties are used predominantly in general government operations and are thus classified as multi-use heritage assets. Financial information for multi-use heritage assets is presented in the principal statements.

Situated adjacent to Regent's Park in London, England, Winfield House is the residence of the U.S. Ambassador to the Court of St. James. Heiress Barbara Hutton built this country manor in 1936, and named it after her grandfather F.W. (Winfield) Woolworth, who had founded the famous Woolworth stores where any item could be purchased for five or ten cents. After World War II, Hutton offered the building to the United States Government to use as the ambassador's residence for the price of one American dollar.

	Diplomatic Reception Rooms Collection	Art Bank	Art in Embassies Program	Curatorial Services Program	Library Rare & Special Book Collection	Secretary of State's Register of Culturally Significant Property
Description	Collectibles – Art and furnishings from the period 1750 to 1825	Collectibles – American works of art	Collectibles – American works of art	Collectibles – Art and furnishings of cultural or historic value	Collectibles – Rare books and other publications of historic value	Noncollection – Buildings of historic, cultural, or architectural significance
Acquisition and Withdrawal	Acquired through donation or purchase using donated funds. Excess items are sold.	Acquired through purchase. Excess items are sold.	Acquired through purchase or donation. Excess items are sold.	Acquired through purchase or donation. Excess items are sold.	Acquired through purchase or donation. Excess items are sold.	Acquired through purchase. Excess items are sold.
Condition	Good to excellent	Good to excellent	Good to excellent	Good to excellent	Good to excellent	Poor to Excellent
Number of Items – 09/30/2003	3,412	2,121	962	4,458	1,033	8
Acquisitions	10	48	6	10	—	—
Adjustments	(1)	—	7	—	—	—
Disposals	10	—	—	—	—	—
Number of Items – 09/30/2004	3,411	2,169	975	4,468	1,033	8
Deferred Maintenance – 09/30/2004	N/A	N/A	N/A	N/A	N/A	$19,247,587
Acquisitions	2	46	5	8	—	—
Adjustments	—	(72)	2	—	—	—
Disposals	—	—	3	1	—	—
Number of Items – 09/30/2005	3,413	2,143	979	4,475	1,033	8
Deferred Maintenance – 09/30/2005	N/A	N/A	N/A	N/A	N/A	$4,459,522

DEPARTMENT OF STATE

COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2005
(Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Budgetary Authority:						
Appropriations received	$ 9,064,465	$ 2,352,000	$ 64,130	$ 1,173,994	$ 4,092,778	$ 16,747,367
Borrowing Authority	306	—	—	—	—	306
Net transfers	25,174	(50,000)	—	93,361	(62,284)	6,251
Other	—	—	—	—	—	—
Unobligated Balance:						
Beginning of period	2,629,659	544	5,349	430,226	407,555	3,473,333
Net Transfers	223,704	—	—	45,354	19,895	288,953
Anticipated Transfers, PY balance	—	—	—	—	—	—
Spending Authority from Offsetting Collections:						
Earned						
Collected	3,798,704	—	6,926	251,881	41,928	4,099,439
Receivable from Federal sources	82,918	—	(759)	(5,509)	162,607	239,257
Change in unfilled customer orders						
Advances Received Federal sources	—	—	(16)	—	—	(16)
Without advance from Federal sources	—	—	1,565	—	—	1,565
Anticipated for rest of year	—	—	—	—	—	—
Recoveries from Prior Year Obligations:						
Actual	825,767	28,707	3,780	144,437	116,473	1,119,164
Anticipated	—	—	—	—	—	—
Temporarily Not Available Pursuant to Public Law:	(699,796)	—	—	—	(12,553)	(712,349)
Permanently Not Available:	(219,181)	(31,675)	(1,097)	(16,344)	(37,319)	(305,616)
Total Budgetary Resources	15,731,720	2,299,576	79,878	2,117,400	4,729,080	24,957,654

DEPARTMENT OF STATE

COMBINING SCHEDULE OF BUDGETARY RESOURCES *continued*

For the Year Ended September 30, 2005
(Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Obligations Incurred:						
Direct	9,292,245	2,299,183	64,575	1,401,536	3,692,201	16,749,740
Reimbursable	3,470,051	67	6,040	224,056	236,594	3,936,808
Unobligated Balance:						
Apportioned	2,687,625	240	7,774	442,090	712,759	3,850,488
Exempt from apportionment	—	—	—	—	10,415	10,415
Other Available	—	—	—	—	—	—
Unobligated Balance Not Available:	281,799	86	1,489	49,718	77,111	410,203
Total Status of Budgetary Resources	15,731,720	2,299,576	79,878	2,117,400	4,729,080	24,957,654
Obligated Balance, Net,Beginning of Year:	4,347,951	490,967	18,960	952,464	2,742,319	8,552,661
Obligated Balance Transferred, Net	—	—	—	—	—	—
Obligated Balance, Net, End of Year:						
Accounts Receivable	(760,908)	67	—	(3,420)	(170,091)	(934,352)
Unfilled customer orders	—	—	(4,217)	—	—	(4,217)
Undelivered orders	4,809,614	—	23,079	603,901	3,189,865	8,626,459
Accounts payable	748,657	72,516	—	192,572	638,858	1,652,603
Outlays:						
Disbursements	11,400,278	2,688,927	66,126	1,646,075	2,733,402	18,534,808
Collections	(3,794,783)	—	(6,909)	(251,881)	(41,928)	(4,095,501)
Less: Offsetting receipts	(247,475)	—	—	—	(483)	(247,958)
Net Outlays	$ 7,358,020	$ 2,688,927	$ 59,217	$ 1,394,194	$ 2,690,991	$ 14,191,349

Intragovernmental Amounts

Intragovernmental amounts represent transactions between Federal entities included in the *Financial Report of the United States Government – Fiscal Year 2005* (formerly the Consolidated Financial Statements of the United States Government) published by the U.S. Department of the Treasury. All amounts presented are net of intra-departmental eliminations.

The amount of intragovernmental assets and liabilities classified by trading partner at September 30, 2005 and 2004, are summarized below (Dollars in Thousands).

As of September 30, 2005:	ASSETS				LIABILITIES	
Trading Partner	Fund Balance With Treasury	Investments	Interest Receivable	Accounts Receivable, Net	Accounts Payable	Other Liabilities
Department of Agriculture				$ 6,508	$ 1	
Department of Commerce				10,144	1	
Department of Defense				227,021	735	
Department of Justice				26,274	—	
Department of Labor				11	7	$ 16,813
Department of the Treasury	$ 14,023,542	$ 13,389,090	$ 189,721	3,372	13	1,488
Agency for International Development				24,672	—	—
Environmental Protection Agency				106	—	63
Office of Personnel Management				51	—	6,796
Other Agencies				296,078	57	1,214
Total	$ 14,023,542	$ 13,389,090	$ 189,721	$ 594,237	$ 814	$ 26,374

As of September 30, 2004:	ASSETS				LIABILITIES	
Trading Partner	Fund Balance With Treasury	Investments	Interest Receivable	Accounts Receivable, Net	Accounts Payable	Other Liabilities
Department of Agriculture				$ 4,300	$ 71	
Department of Commerce				6,676	326	
Department of Defense				111,970	16,234	
Department of Justice				23,184	7,964	
Department of Labor				26	—	$ 18,565
Department of the Treasury	$ 11,900,569	$ 12,846,060	$ 190,263	6,805	—	13,614
Agency for International Development				22,459	153	—
Environmental Protection Agency				336	—	—
Office of Personnel Management				17	10,377	5,406
Other Agencies				288,527	1,921	6,055
Total	$ 11,900,569	$ 12,846,060	$ 190,263	$ 464,300	$ 37,046	$ 43,640

The amounts of intragovernmental earned revenues classified by trading partner and related gross costs, which generated this revenue, categorized by budget functional classification for the years ended September 30, 2005 and 2004, are summarized below (Dollars in Thousands). The gross cost to generate intragovernmental revenue represents costs, for both federal and non-federal vendors, the Department incurred to provide goods and services to other Federal entities. This differs from the intra-governmental expenses presented on the following page. Intragovernmental expenses represent costs the Department incurred for goods and services received from other federal entities.

Intragovernmental Earned Revenues

For the Year Ended September 30,	2005	2004
Trading Partner	**Earned Revenue**	**Earned Revenue**
Executive Office of the President	$ 11,682	$ 6,022
Department of Agriculture	43,945	24,075
Department of Commerce	31,165	28,900
Department of Defense	688,993	211,760
Department of Energy	9,536	10,242
Department of Health and Human Services	17,209	13,352
Department of Justice	65,996	79,536
Department of Transportation	3,201	1,165
Department of the Treasury	774,312	765,711
Agency for International Development	124,537	191,418
Environmental Protection Agency	1,136	436
Social Security Administration	11,838	10,777
Other Agencies	491,992	462,378
Total	$ 2,275,542	$ 1,805,772

For the Year Ended September 30,	2005			2004		
Budget Functional Classification	**Gross Cost to Generate Revenue**	**Earned Revenue**	**Net Cost**	**Gross Cost to Generate Revenue**	**Earned Revenue**	**Net Cost**
International Affairs	$ 1,483,298	$ 1,436,945	$ 46,353	$ 958,080	$ 970,435	$ (12,355)
Income Security	788,332	835,281	(46,949)	872,896	832,533	40,363
Natural Resources	27,217	3,316	23,901	6,387	2,804	3,583
Total	$ 2,298,847	$ 2,275,542	$ 23,305	$ 1,837,363	$ 1,805,772	$ 31,591

The amounts of intragovernmental non-exchange revenues classified by trading partner for the years ended September 30, 2005 and 2004 are summarized below (Dollars in Thousands).

For the Year Ended September 30,	2005	2004
Trading Partner	**Non-Exchange Revenue**	**Non-Exchange Revenue**
Department of the Treasury	$ 1,441	$ 294

The amounts of intragovernmental expenses classified by trading partner and by budget functional classification for the years ended September 30, 2005 and 2004, are summarized below (Dollars in Thousands).

For the Year Ended September 30,	2005	2004
Trading Partner	**Expenses**	**Expenses**
Department of Agriculture	$ 152	$ 1,829
Department of Commerce	9,668	7,954
Department of Defense	91,166	51,089
Department of Energy	14,933	9,003
Department of Justice	10,155	3,848
Department of Labor	1,622	7,211
Department of the Treasury	8,756	9,376
General Services Administration	325,564	549,709
Government Printing Office	119	17
Office of Personnel Management	291,887	269,592
U.S. Postal Service	3,219	7,420
Other Agencies	14,368	35,326
Total	$ 771,609	$ 952,374

For the Year Ended September 30,	2005	2004
Budget Functional Classification	**Expenses**	**Expenses**
International Affairs	$ 763,440	$ 945,987
Natural Resources	8,169	6,387
Income Security	—	—
Total	$ 771,609	$ 952,374

Deferred Maintenance For the Fiscal Year Ended September 30, 2005

The Department occupies more than 3,000 government-owned or long-term leased real properties at more than 260 overseas locations. It uses a condition assessment survey method to evaluate the asset's condition, and determine the repair and maintenance requirements for its overseas buildings.

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, requires that deferred maintenance (measured using the condition survey method) and the description of the requirements or standards for acceptable operating condition be disclosed. Fundamentally, the Department considers all of its overseas facilities to be in an "acceptable condition" in that they serve their required mission. Adopting standard criteria for a classification of acceptable condition is difficult due to the complex environment in which the Department operates.

From a budgetary perspective, funding for maintenance and repair has been insufficient in the past. As a result, the Department has identified current maintenance and repair backlog of $521.4 million for buildings and facilities-related equipment that have not been funded. This figure is less than the $644.7 million reported for 2004. The current estimate is a more realistic measure of maintenance and repair work that must be done to buildings and equipment to bring them up to where the Department believes they should be.

Working Capital Fund

The Working Capital Fund (WCF) is a revolving fund, which was authorized in the Foreign Assistance Act of 1963 (P.L. 88-205) as an amendment to the Department of State Basic Authorities Act. It was created to finance a continuing cycle of business-type operations for the Department.

The WCF serves bureaus and offices within the Department of State, U.S. Government agencies operating abroad, foreign governments, and international organizations located in the U.S. WCF consists of two lines of business. The products/services provided by each business line are as follows:

- WCF — Provides centralized management for equipment, services and maintenance of unclassified voice/data telecommunications; arranges ocean and airfreight shipment of personal property and official supplies from the U.S. to overseas posts; provides permanent storage of household belongings for employees assigned to overseas posts; provides printing and editorial services; procures all publications, periodicals, books and newspapers for the Department; assists overseas posts with procuring local supplies and materials; provides motor vehicle transportation; and provides moving and delivery services; regulates foreign government activities undertaken in the U.S.; registers and licenses motor vehicles belonging to a foreign mission or its staff; administers travel restrictions and controls on members of foreign missions; reviews and approves/denies all foreign mission real property acquisitions, leases, and sales; and protects and preserves foreign mission properties that belong to countries that no longer maintain diplomatic relations with the U.S.

- International Cooperative Administrative Support Service (ICASS) — Manages the interagency administrative support services for overseas posts, which includes services such as computer and financial management services, guard service, mail and messenger service, and motor pool and health services.

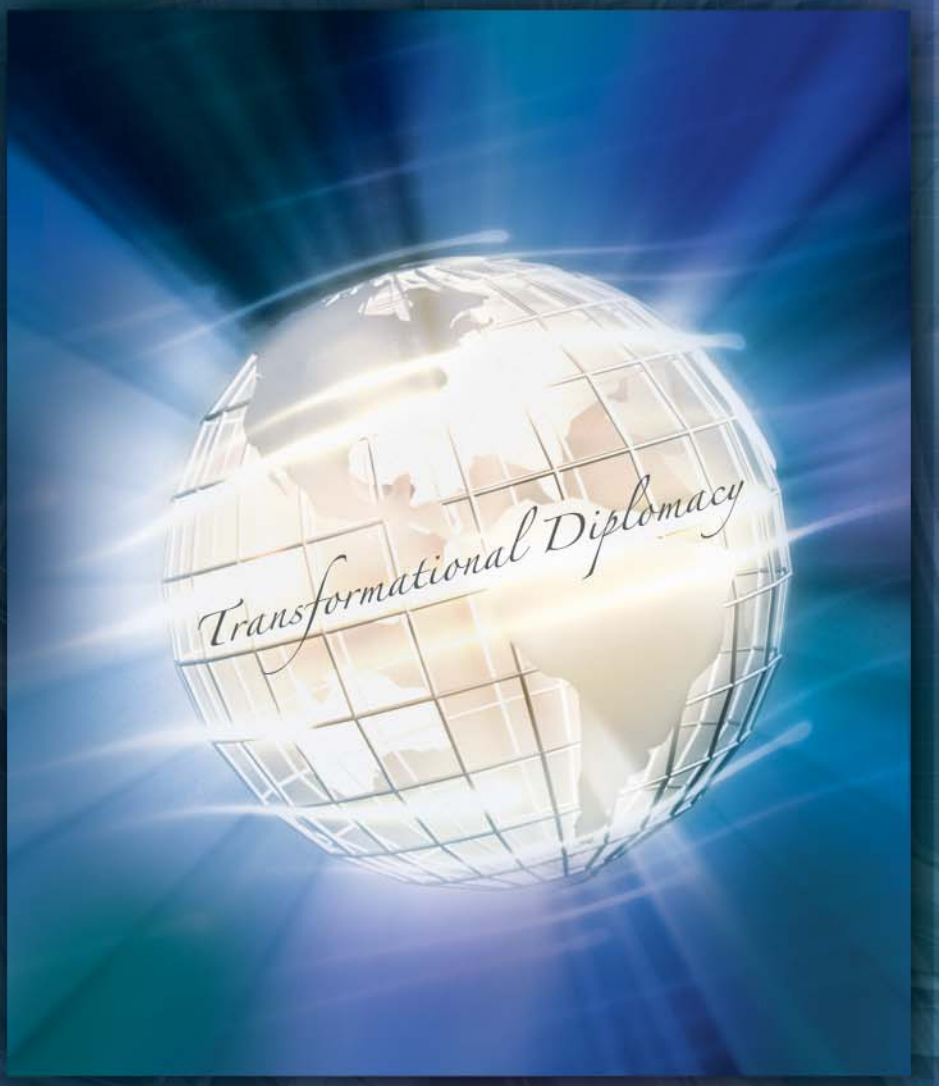
The WCF balance sheet at September 30, 2005 and 2004, is presented below (Dollars in Thousands).

	2005			2004		
	WCF	**ICASS**	**Total**	**WCF**	**ICASS**	**Total**
Assets:						
Fund Balances with Treasury	$ 71,197	$ 226,854	298,051	$ 23,917	$ 101,736	$ 125,653
Accounts Receivable, Net	20,862	136,878	157,740	58,172	276,603	334,775
Plant, Property and Equipment, Net	17,703	44,023	61,726	32,845	40,297	73,142
Other Assets	6,532	5,787	12,319	5,884	6,543	12,427
Total Assets	116,294	413,542	529,836	120,818	425,179	545,997
Liabilities:						
Accounts Payable	26,673	50,144	76,817	32,638	59,705	92,343
Other Liabilities	3,119	59,762	62,881	2,323	61,215	63,538
Total Liabilities	29,792	109,906	139,698	34,961	120,920	155,881
Cumulative Results of Operations	$ 86,502	$ 303,636	$ 390,138	$ 85,857	$ 304,259	$ 390,116

The cost of providing services and the exchange revenue earned for the years ended September 30, 2005 and 2004 are presented below (Dollars in Thousands). These amounts do not include intra-departmental eliminations.

	WCF	**ICASS**	**Total**
2005			
Costs	$ 295,853	$1,178,809	$1,474,662
Exchange Revenue	(297,410)	(1,162,774)	(1,460,184)
Other Financing Sources	912	(15,412)	(14,500)
Net Cost (Revenue)	$ (645)	$ 623	$ (22)
2004			
Costs	$ 320,844	$1,075,703	$1,396,547
Exchange Revenue	(307,290)	(1,095,169)	(1,402,459)
Other Financing Sources	(1,476)	(6,708)	(8,184)
Net Cost (Revenue)	$ 12,078	$ (26,174)	$ (14,096)

Supplemental Information and Other Reporting Requirements



FINANCIAL MANAGEMENT PLANS AND REPORTS

OVERVIEW

INTRODUCTION

The Department's Bureau of Resource Management (RM), headed by the Assistant Secretary for Resource Management and Chief Financial Officer (CFO), employs over 500 people around the globe--in Washington, Charleston, South Carolina, and Bangkok, Thailand. With five major operating units, the CFO oversees all strategic and performance planning, State operations and foreign assistance budgeting and resource management, global accounting, disbursing and payroll, financial systems, and issuance of the financial statements and "annual report" of the Department. The CFO also coordinates and leads the remediation of vulnerabilities within the Department's global critical infrastructure. RM produces a number of essential documents including the Department's Strategic Plan, Joint Performance Plan with USAID, Performance and Accountability Report, Budget-in-Brief, and the Congressional Budget Justification Document.

RM's customers are all embassies, consulates, and missions overseas, nearly 40 other U.S. Government agencies overseas, all domestic bureaus and employees of the State Department, and the Broadcasting Board of Governors. RM's services to its customers are critical in order that they can do their job to create a more secure, democratic, and prosperous world.

MISSION

"To integrate strategy, budgeting, and performance management, and secure and manage the resources necessary to accomplish the Department of State's mission."

The CFO's mission statement is incorporated into the Department's strategic goal for Management and Organizational Excellence as Performance Goal 5. This Performance Goal has two initiatives, one each for the President's Management Agenda's initiatives for Improved Financial Performance and Budget and Performance Integration.

IMPROVED FINANCIAL PERFORMANCE

GOALS AND STRATEGIES

INITIATIVE GOAL STATEMENT

Provide world-class financial services that support strategic decision-making, mission performance, the President's Management Agenda, and improved accountability to the American people.

Improving financial performance means that the Department knows where every dollar comes from and where every dollar goes in a timely and accurate manner. Accurate and timely information is critical to managing our programs on a day-to-day basis, obtaining the best performance, and ensuring accountability to the American public. It is also a core competency of world–class organizations.

To do this, RM will:

- Produce on-time, accurate and useful financial statements on a routine basis.
- Obtain an unqualified ("clean") opinion on annual Departmentwide financial statements.
- Produce award winning Performance and Accountability Reports.
- Implement seamless financial systems and processes that meet Federal and Department requirements.
- Ensure effective internal controls are in place and functioning.
- Consolidate and standardize financial operations.
- Leverage best business practices and electronic technologies (E-Gov).
- Build a top-notch finance team.
- Undertake other value-added activities that support strategic decision-making and mission performance.

Key measures of our success in this area are aligned with how OMB scores financial management related to achieving a "green" status rating on the President's Management Agenda. Other measures of success include:

- Are we on target in our consolidation of financial services to the Charleston Financial Services Center?
- Are we implementing the President's mandate to effectively adopt E-Gov solutions, especially in the areas of payroll, travel and grants?
- Are we adequately investing in our greatest asset – our people?

PERFORMANCE

At the end of FY 2004, the Department had met seven of the nine OMB-established criteria and achieved a "Yellow" score for status. During FY 2005, the Department satisfied the remaining two criteria. As a result, in the first quarter of FY 2005, the Department achieved its goal of obtaining a "Green" status score for improved financial performance.

- ☑ *Receives an unqualified audit opinion on its annual financial statements;*
- ☑ *Meets financial statement reporting deadlines;*
- ☑ *Reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act;*
- ☑ *Has no chronic or significant Anti-Deficiency Act Violations;*
- ☑ *Has no material auditor-reported internal control weaknesses;*
- ☑ *Has no material non-compliance with laws or regulations;*
- ☑ *Has no material weaknesses or non-conformances reported under Section 2 and Section 4 of the Federal Managers' Financial Integrity Act that impact the agency's internal control over financial reporting or financial systems;*
- ☑ *Currently produces accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operations; and*
- ☑ *Is implementing a plan to continuously expand the scope of its routine data use to inform management decision-making in additional areas of operations.*

Consolidating and Standardizing our Worldwide Financial Operations

While we modernize our major corporate financial management systems, we are also consolidating our worldwide financial operations to our Charleston and Bangkok Financial Service Centers (FSC) to provide world-class financial services. The recent highlights of RM consolidation efforts are:

- Completed relocation of the Department's Washington DC – based financial operations to Charleston FSC.
- Continued hiring, staffing and training of the Charleston FSC staff.

Customer Service

Customer service is the hallmark of the Bureau of Resource Management. As the Department moves to a single world-class financial system, RM has redoubled its emphasis on customer service and support. The Overseas Post Support Desk, in addition to helping posts with implementation of new financial systems and changes, has been expanded to become a state-of-the-art help desk for financial management professionals in the Department and in other agencies we service. As part of this effort, RM is moving the customer support function towards a 24/7 operation, leveraging our presence in time zones roughly equidistant around the globe (Charleston, Bangkok and Paris), and integrating former Washington-based operations into our customer support regime. For example, the former American Payroll Resolution Center is now operational in Charleston.

Building a Top-Notch Finance Team

Establishing a worldwide cadre of qualified financial managers presents a difficult challenge to the CFO. Unlike most other Government agencies, the CFO must manage the dynamics of three personnel systems that include financial management personnel: Foreign Service, Civil Service and Foreign Service Nationals (FSNs). Our primary strategy is to maintain a vigorous and active training program for financial management practitioners. We view the training program as critical — in implementing new systems, establishing RM as the lead bureau within the Department on financial management issues, and also in ensuring that information in the field is current and authoritative. In 2005, the training program was strengthened to provide overseas customers a full line-up of training opportunities — offering 107 separate courses, for a total of 1,605 training seats available in 14 different locations around the globe. Our training program enjoys customer approval ratings in excess of 90 percent.

THE ROAD AHEAD

Looking ahead, State will continue to achieve fundamental "compliance" results. Moving beyond compliance-based results, State management is making decisions based on meaningful financial information to achieve better performance results in the form of lower costs, improved efficiencies and/or improved outcomes for agency mission.

State will also undertake other value added activities that support effective strategic decision-making and mission performance. These activities include:

- **Enhancing management and internal controls.** The Department maintains a robust system of management controls overseen by senior leadership and administered by RM. The Department's strong commitment to management controls has served as a positive catalyst for change and there are no material weaknesses reported under FMFIA or by the independent auditors. Recent events in the private sector have increased concerns related to financial management, and in particular on internal controls. To address these concerns, Congress passed the Sarbanes-Oxley Act of 2002, which establishes new demands for corporate accountability and includes several important sections related to internal controls for public companies. In December 2004, OMB revised Circular A-123, *Management's Responsibility for Internal Control,* to strengthen internal control in the Federal government. The Department is well-positioned to fully implement the requirements of revised circular A-123 in FY 2006, as required.
- **Streamlining and consolidating global financial operations.** In FY 2005, State completed a multi-year effort to consolidate and streamline our worldwide financial operations in our Charleston, South Carolina and Bangkok, Thailand locations.
- **Leveraging best business practices and electronic technologies (E-Gov).** The Department will select and begin implementation of an electronic Travel (eTS) program, beginning with our overseas locations. The program will be piloted at several overseas locations by July 2005. In addition, working with the Department of Agriculture's National Finance Center, State will reach a decision for migrating its current Consolidated American Payroll Processing System (that pays both civil service and foreign service employees).
- **Partnering with other Federal agencies.** The Joint Financial Management System (JFMS) investment is a cooperative effort by the Department of State and USAID to improve service and save money through collaboration on financial systems and functions. USAID and State are working together to migrate from two separate financial systems operations that use commercial off-the-shelf (COTS) software and different technical architectures to a common technical environment. The end goal of the JFMS is to create a common financial systems platform for State and USAID to manage all domestic and overseas financial management activities starting in FY 2006.

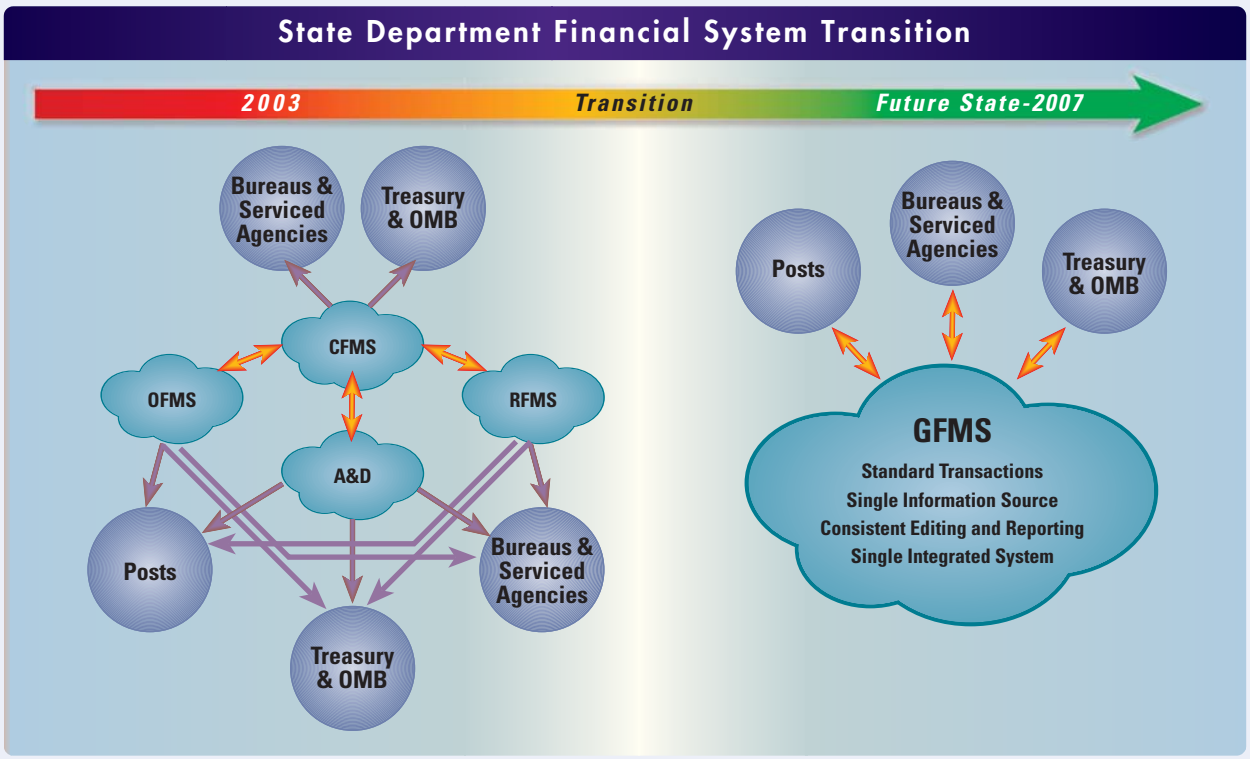
FINANCIAL MANAGEMENT SYSTEMS

IMPLEMENT A GLOBAL FINANCIAL MANAGEMENT SYSTEM (GFMS)

For the past two decades, the Department accounted for its resources through multiple outdated and disjointed legacy financial systems. Some posts effectively conducted operations through the integration of little more than a collection of Excel spreadsheets. Often, it could take up to 45 days after a financial event occurred for overseas financial data to update the Department's Central Financial Management System (CFMS).

The Global Financial Management System (GFMS) project integrates the Department's overseas and domestic financial operations onto common financial management software platform in Charleston. The GFMS program replaces the Department's 20-year-old overseas systems and legacy mainframe systems with modern open systems technology and COTS software certified by JFMIP. The platform will provide a single integrated view of financial data through data standardization, common business processes, and the seamless exchange of information through the Department's financial and administrative sectors. This will dramatically improve operations and reduce costs by eliminating system redundancies and replacing obsolete and unsupported financial systems. It will also provide the infrastructure for integrating other administrative activities within the Department, such as the Integrated Logistics Management System (ILMS).

The diagram below depicts the state of our financial systems at the beginning of FY 2003 and the end state of our global vision for the beginning of FY 2007.



The following implementations will become the Department's Global Financial Management System.

Regional Financial Management System (RFMS)

RFMS is the new global accounting and disbursing system that has been implemented for posts around the world, and the building block of GFMS. RFMS is comprised of a commercial-off-the-shelf, accounting system for funds management, obligation, and voucher processing, and the RFMS/D disbursing system developed by the Department for Treasury disbursing services. The worldwide implementation of RFMS replaced the obsolete Paris Accounting and Disbursing system (mainframe-based) used at FSC Paris and the Overseas Financial Management System (Wang-based) used at FSCs Charleston and Bangkok. RFMS incorporates State's standard account structure and improves transaction standardization and timeliness between RFMS and CFMS, which results in the consistent, timely processing and recording of financial data on a worldwide basis. In addition, the overseas interface was reengineered for RFMS and now provides daily updates of overseas financial transactions to CFMS. These daily updates allow headquarters managers to ascertain the worldwide balance of our accounts on a daily basis, something never before possible.

In addition, RFMS implemented a new reporting tool, called R/Viewer which provides daily updates on all financial transactions to 168 posts overseas and allows them to analyze, and "slice and dice" their financial data for local reporting purposes using modern reporting and query tools on their local workstation.

Central Financial Management System (CFMS)

CFMS is the Department's primary and central accounting system in Washington. It is a mainframe-based COTS product that will be upgraded to the RFMS-based software beginning in FY 2006. Upon completion of this conversion, the Department will have in place a common worldwide core financial management system software platform.

Global Direct Connect

Global Direct Connect will move posts that have operationally practical and reliable network connections (estimated at over 85 percent of our embassies) from their current batch processing environment to a real time, on line connection with GFMS. Currently, there are 28 posts using Global Direct Connect. Our plan is to 20 to 25 more posts to Global Direct Connect by the end of FY 2006.

Becoming a Financial Line of Business Center of Excellence

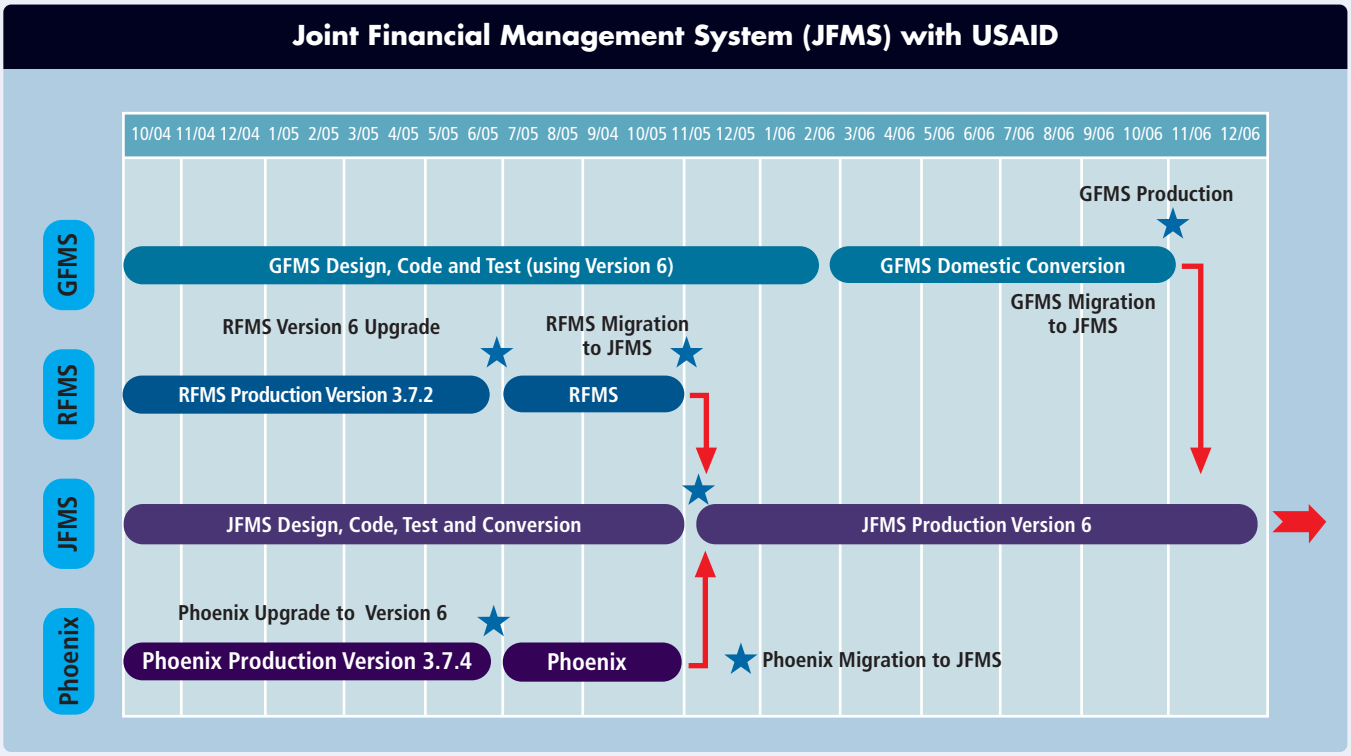
In FY2004, the Administration asked agencies with the skills and capabilities to function as government-wide service providers in the area of Financial Management to submit business cases for doing so as part of the Fiscal Year 2006 budget process. After assessing potential service providers' in several areas, including but not limited to past performance, current capabilities, and ability to operate a customer-focused organization, four agencies were designated Financial Management (FM) Line of Business (LoB) Centers of Excellence (COEs).

Recognizing that the offerings of these four service providers were geared toward domestic operations, the Department prepared an FY07 Exhibit 300 business case and application to become a COE for foreign affairs agencies. The Department welcomes this opportunity to continue to service the foreign affairs community and further the President's Management Agenda and has prepared and submitted a proposal to become a Financial Line of Business Center of Excellence.

Joint Financial Management System (JFMS) with USAID

The Joint Financial Management System (JFMS) investment is a cooperative effort by the Department of State and USAID to improve service and save money through collaboration on financial systems and functions. At issue was the pursuit of separate implementations of the same financial system software when a joint effort would improve efficiency based on economies of scale.

The goal of the JFMS is to create a common financial systems platform for State and USAID to manage all domestic and overseas financial management activities starting in FY 2006. The JFMS investment combines the Department's Global Financial Management System (GFMS) and USAID's Phoenix investment.



Joint Assistance Management System (JAMS) with USAID

USAID and the Department of State are implementing a Joint Assistance Management System (JAMS). The system will collect assistance information and will interface with the Joint Financial Management System being implemented by the two agencies. JAMS will be based on a commercial product called "Grantium." Grantium was selected from a field of commercial products because of its ability to be easily configured for assistance processes. Other features include a robust reporting capability.

First Quarter FY 2006 will be devoted to an analysis of current assistance processes at both agencies. Processes will be mapped to determine similarities and differences so that common processes can be developed to the maximum extent practicable. State and USAID are identifying subject matter experts and other team members for the project. Current plans are to perform a proof of concept of JAMS during FY 2006.

MANAGEMENT OF OBLIGATIONS TO THE DEPARTMENT

DEBT MANAGEMENT

Outstanding debt from non-Federal sources (net of allowances) increased from $56.9 million in 2004 to $70.3 million in 2005. Refer to Notes to the Principal Financial Statements, Note 6, for an analysis of Accounts Receivable balances. Non-Federal receivables consist of debts owed to the International Boundary and Water Commission, and amounts owed for Repatriation Loans, medical costs, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

Of the delinquent receivables over 365 days old, $4.9 million is for the Repatriation Loan Program. These are loans given to destitute American citizens stranded overseas to allow them to return to the United States. The loans are given only if the individual cannot obtain funds from relatives, friends, employers, or another source. The Department acts as the lender of last resort. The loan becomes delinquent 60 days after repatriation to the United States. Due to their poor economic situation, most of these individuals are unable to repay the loans on time.

The Department uses installment agreements, salary offset, and restrictions on passports as tools to collect its receivables. It also receives collections through its cross-servicing agreement with the Department of the Treasury. In 1998, the Department entered into a cross-servicing agreement with the Department of the Treasury for collection of delinquent receivables. In accordance with the agreement and the Debt Collection Improvement Act of 1996 (Public Law 104-134), the Department referred $955,714 to Treasury for cross-servicing in 2005. *The 2002 first quarter anthrax related U.S. mail disruptions affected the Department's ability to receive payments and to provide debtors proper due process notification. Thus, the Department was unable to refer debts to Treasury for most of 2002.* Of the current and past debts referred to Treasury, $349,038 was collected in 2005.

Receivables Referred to the Department of the Treasury for Cross-Servicing

	FY 2005	FY 2004	FY 2003
Number of Accounts	638	253	927
Amounts Referred (In Thousands)	$ 956	$ 261	$ 960

FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT ACT

The Federal Civil Penalties Inflation Adjustment Act of 1990 established annual reporting requirements for civil monetary penalties assessed and collected by Federal agencies. Civil penalties are defined as any non-criminal penalty, fine or other sanction for which a given dollar amount or maximum amount is specified by Federal law, and which is assessed or enforced by an agency as a result of an administrative proceeding or civil action in the Federal courts. The Department has assessed fines on individuals and companies for exporting defense materials without required approvals and for misrepresenting facts on an export application.

COMPANY NAME	VIOLATION	DATE ASSESSED	AMOUNT ASSESSED	PAYMENT SCHEDULE
SPACE SYSTEMS/LORAL, INC.	Violating the express terms and conditions of the Department's munitions licenses and exporting defense services without a munitions license or other authorization to the People's Republic of China.	1/9/2002	$14,000,000	$2,200,000 initially, then $1,685,714 for seven subsequent years
HUGHES ELECTRONICS CORP. & BOEING SATELLITE SYSTEMS	Violating the terms and conditions of the Department's munitions licenses and exporting defense services without munitions licenses or other authorizations (and conduct relating to two failed launches of rockets carrying spacecraft) to the People's Republic of China.	3/4/2003	$12,000,000	$1,500,000 for eight years
EDO CORPORATION	Violations incurred by Condor Systems, Inc. prior to the acquisition of business assets by EDO that included the terms and conditions of the Department's munitions license and exporting defense services without munitions license or other authorizations.	11/24/2003	$1,750,000	$583,334 initially, then $583,333 for two years
ITT CORPORATION	Exporting defense articles and services (night vision products and space remote sensing technical data and defense services) in violation of the terms or conditions of other approvals that were provided by the Department.	11/1/2004	$8,000,000	$1,000,000 initially, then $1,000,000 for two years
GENERAL MOTORS CORPORATION	Exporting defense articles and services (to foreign person employees of proscribed countries) in violation of the terms or conditions of other approvals that were provided by the Department.	11/1/2004	$20,000,000	$2,000,000 initially, then $1,500,000 for four years
ORBIT ADVANCED TECHNOLOGIES INC.	Violating the terms and conditions of the Department's munitions and licenses by agreeing to sell defense articles (Radome Measurement System – AL8098/AL8099) to the People's Republic of China	08/29/05	$500,000	$33,334 initially, then $33,333 over two years, then $200,000 over three years
TOTAL			**$56,250,000**	

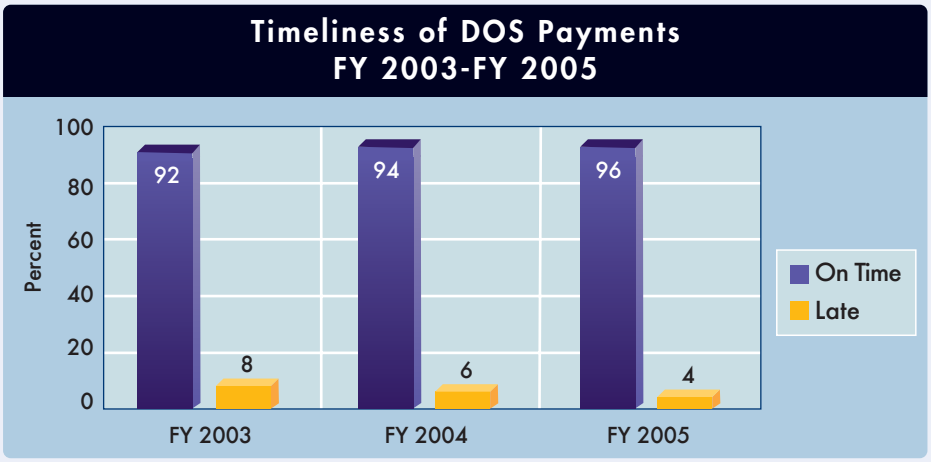
COMPANY NAME	Balance Outstanding September 30, 2004	Fiscal Year 2005 Assessments	Fiscal Year 2005 Collections	Balance Outstanding September 30, 2005
SPACE SYSTEMS/LORAL, INC.	$ 10,114,284	—	— (Chapter 11 Bankruptcy granted January 2004)	$ 10,114,284
HUGHES ELECTRONICS CORP. & BOEING SATELLITE SYSTEMS	$ 9,000,000	—	$ 4,000,000	$ 5,000,000
EDO CORPORATION	$ 1,166,666	—	$ 583,333	$ 583,333
ITT CORPORATION	$ —	$ 3,000,000	$ 1,000,000	$ 2,000,000
GENERAL MOTORS CORPORATION	$ —	$ 8,000,000	$ 2,000,000	$ 6,000,000
ORBIT ADVANCED TECHNOLOGIES INC.	$ —	$ 300,000	$ 33,334	$ 266,666
TOTAL	**$ 20,280,950**	**$ 11,300,000**	**$ 7,616,667**	**$ 23,964,283**

MANAGEMENT OF PAYMENTS

PROMPT PAYMENT ACT

TIMELINESS OF PAYMENTS

The Prompt Payment Act (PPA) requires Federal agencies to pay their bills on time or an interest penalty must be paid to vendors. During FY 2005, 96% of invoices were paid on time. Presented below is a chart that reflects the timeliness of the Department's payments from FY 2003 through FY 2005.



During FY 2005, 2% of invoices required interest penalties compared to 2% for FY 2004.

SELECTED PAYMENT DATA

	2005	2004	2003
Interest Paid ($000)	557	431	396
Interest Under $1 Not Due ($000)	—	—	—
Interest Due But Not Paid ($000)	—	—	—
Number of Procurement Card Transactions			
Domestic	54,061	61,838	57,312
Overseas	75,407	66,416	112,766

ELECTRONIC PAYMENTS

The Department successfully increased the percentage of payments it makes electronically. In 2005, 85% of all payments were made by electronic funds transfer (EFT). Domestically, 98% of payments were made electronically. The Department processed 77% of its 2005 overseas payments by EFT, a 10% increase from 2004.

EFT and Check Payment Volumes

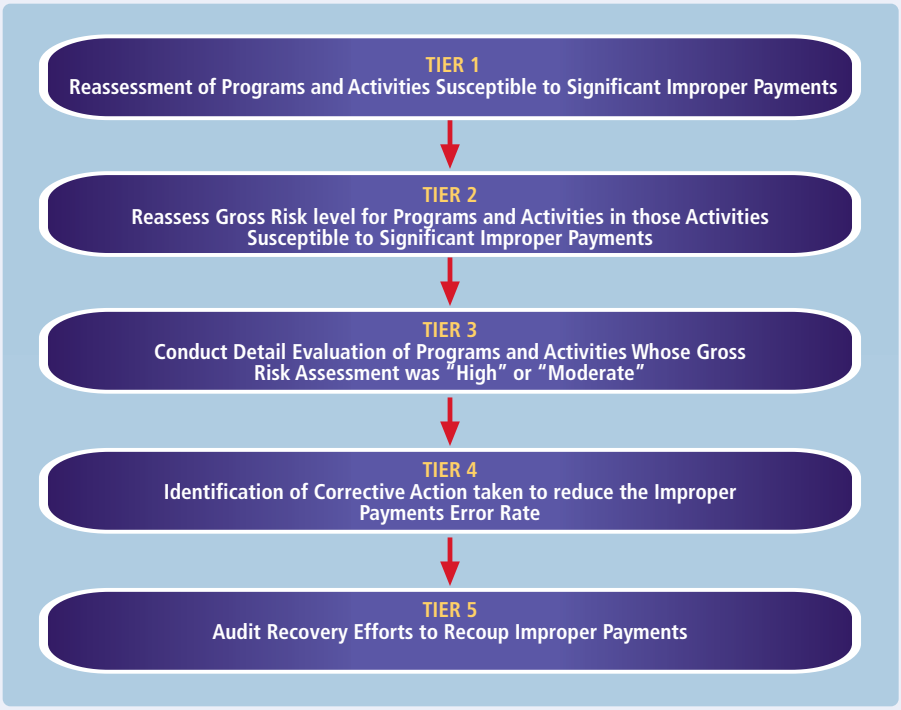
	2005		2004		2003	
Payment Type	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
EFT:						
Domestic	1,120,735		981,427		1,248,335	
Overseas	1,309,530		885,623		988,329	
EFT Subtotal	2,430,265	85	1,867,050	80	2,236,664	79
Checks:						
Domestic	23,539		26,012		47,043	
Overseas	400,985		440,394		531,046	
Checks Subtotal	424,524	15	466,406	20	578,089	21
Total Payments	2,854,789	100	2,333,456	100	2,814,753	100

IMPROPER PAYMENTS INFORMATION ACT

The *Improper Payments Information Act of 2002* (Public Law No. 107-300) (IPIA) requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments. OMB Circular A-136, *Financial Reporting Requirements,* requires a brief summary of actual and planned accomplishments towards implementing the IPIA, which is presented in the Management's Discussion and Analysis section of this Report. OMB also requires more detailed information relating to IPIA, which is provided on the following pages.

Risk Assessment Procedures and Processes.

For the identification and determination of significant improper payments in FY 2005, the Department implemented the approach as follows:



The first tier identifies the types of payments made by the Department. The second tier assesses the risk of these types of payments. The third tier relates to the testing of a sample of transactions for the payment classifications considered high or moderate risk for significant improper payments, and then analyzing the results of those tests to determine causes, effects and trends. The fourth tier relates to the identification of corrective actions needed to prevent and detect improper payments. The final tier relates to the Department's audit recovery efforts to recoup improper payments.

TIER 1: *Reassessment of Programs and Activities Susceptible to Significant Improper Payments*

WORK PERFORMED IN FY 2004

In FY 2004, the Department began to institute an effort that identified programs that were susceptible to significant improper payments. An assessment was performed based on a number of factors such as dollar volume, number of vendors or recipients, internal controls, audit reports of the programs, and management's institutional knowledge. Based on the results of this assessment, the Department classified all payments into the following three categories:

- Employee Pay
- Vendor Payments
- Federal Financial Assistance

The two types of payments that were identified as having a potential high risk for significant improper payments were Federal Financial Assistance Programs and Vendor Payments. The following programs were identified as high-risk and tested in FY 2004:

Federal Financial Assistance Area

- International Information Program (IIP) – U.S. Speaker and Specialist Program
- International Narcotics and Law Enforcement (INL) – Narcotics Program

Vendor Pay Area

- Other Contractual Services
- Structures & Equipment (test work in this area was started in FY 2004 and completed in FY 2005)

WORK PERFORMED IN FY 2005

In FY 2005, the Department performed a reassessment of risk to determine which categories identified in FY 2004 were still susceptible to significant improper payments. Based on the results of this reassessment of risk, the following was noted:

- Employee Pay - Based the Department's institutional knowledge and the results of past internal control reviews over this process, this category did not appear to be susceptible to significant improper payments in FY 2005. This category of payments will be considered for susceptibility to improper payments in the future.

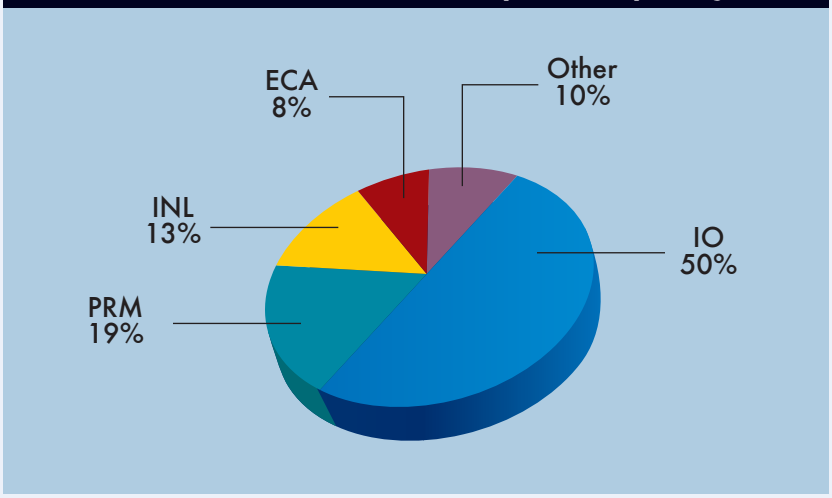
- Vendor Payments – This category was tested for improper payments in FY 2004. Based on the results of this test work (as summarized in Tiers 3 and 4 below) and the audit recovery work currently underway, this category of payments was also not considered to be susceptible to significant improper payments in FY 2005. This category of payments will be considered for susceptibility to improper payments in FY 2006.

- Federal Financial Assistance - This was the only category of payments considered to be susceptible to significant improper payments in FY 2005.

TIER 2: ***Reassess Gross Risk level for Programs and Activities in those Activities Susceptible to Significant Improper Payments***

Using data for the last quarter of FY 2004 and the first three quarters of FY 2005, the Department identified the population of Federal Financial Assistance payments by specific programs within each bureau. The following is a breakout of these expenditures by bureau:

Federal Financial Assistance Payments by Program



The OMB threshold of $10 million and 2.5% of program payments was applied to each program within the bureaus to identify those programs that could be susceptible to significant improper payments. For the programs meeting the threshold, the Department conducted a reassessment of risk to determine whether these programs had a High, Moderate, or Low risk of susceptibility to improper payments. In addition, the Department also identified three programs that did not meet the OMB threshold but, based on the Department's institutional knowledge, could be susceptible to significant improper payments. The Department evaluated each program and assessed a risk of High, Moderate, or Low for the following fourteen attributes:

Complexity of laws and regulations	Complexity of the calculation of payments
Emphasis on expediting payments	Expended amount in relation to other programs
Lack of audit requirements	Lack of monitoring procedures of program recipients
Need-based status of program	Significant volume and variability of transactions
Payments to ineligible recipients	Political sensitivity of the specific program's goals or objectives
Probability of growth of the specific program	The type and reputation of program recipients
The number of program recipients	Past history of material weaknesses, internal control deficiencies, and other financial miscues

The following is a list of the programs that were classified as being susceptible to significant improper payments and the overall risk assessment for each program based on the individual risk assigned to each of the fourteen attributes noted above:

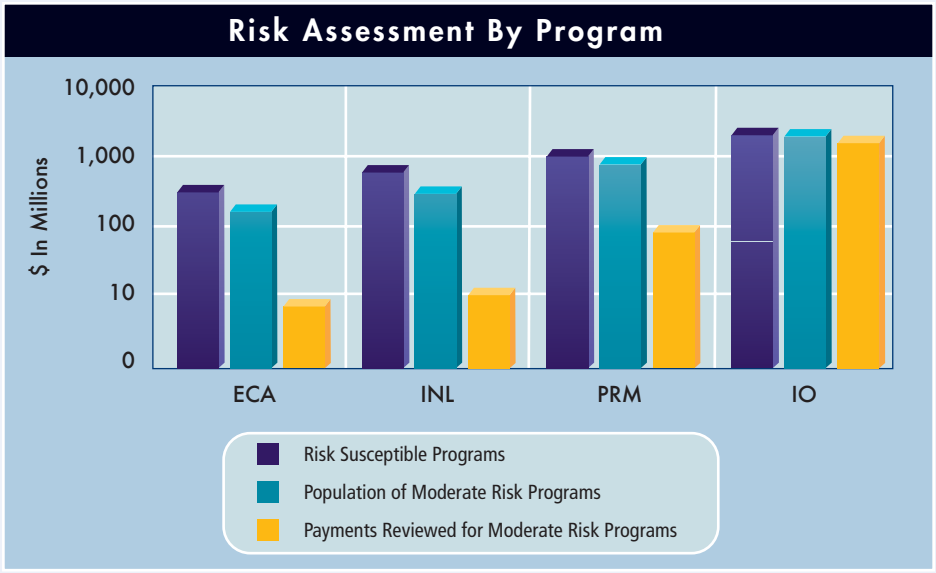
Program	Risk Assessment
Educational & Cultural Affairs (ECA) – Fulbright Program	Moderate
ECA – Teacher Exchange*	Low
ECA – Humphrey Program*	Low
ECA – Study of the U.S.*	Low
INL – Law Enforcement Support, Eradication, Aviation Support, & Support to the Military	Moderate
Population, Refugee and Migration (PRM) – Humanitarian Migration to Israel	Low
PRM – Refugee assistance through International Organizations	Low
PRM – Refugee Admissions	Low
PRM – Refugee Assistance (grants and contributions)	Moderate
International Organizations (IO) – Contributions to International Organizations and Peacekeeping	Moderate

** Although these programs did not meet the OMB threshold, the Department identified them as being susceptible to improper payments due to the similarity in the scope of these programs to the Fulbright Program. However, based on the results of the risk assessments, these programs were classified as having a low risk of susceptibility to improper payments.*

In addition, Structures and Equipment (classified under the Vendor Payments category in FY 2004) was classified as high-risk. The improper payments review for Structures and Equipment was started in FY 2004 and completed in FY 2005.

TIER 3: *Conduct Detail Evaluation of Programs and Activities Whose Gross Risk Assessment was "High" or "Moderate"*

As noted in Tier 2 above, no new high-risk programs were identified in FY 2005. As a result, the Department performed detailed evaluations for all programs classified as moderate risk and completed the review of Structures and Equipment which was classified as high-risk in FY 2004. Testing was conducted based on a statistical sample to determine if the transactions were proper or improper as defined in the OMB guidance. Improper transactions were reported as an error.



The following chart shows a breakdown of the Federal Financial Assistance dollars for the risk susceptible bureaus, the population of expenditures for moderate risk programs (identified above) for each risk susceptible bureau, and the payments reviewed for the moderate risk programs in FY 2005.

STATISTICAL SAMPLING PROCESS

Using OMB guidance, the Department assumed a 2.5 percent or less rate of error for each of the programs sampled since the Department had no historical error rate to use in calculating the sample sizes of the different populations. A sample size of 126 transactions was reviewed for each program (except for IO which is explained below). The sample size selected was based on the minimum required to yield an estimate with a 90% confidence level and a confidence interval of plus or minus 2.5%.

In selecting the sample for the IO program, the Department did not use a statistical sample. The population of IO payments is made up of large payments to a limited number of international organizations. As a result, the Department selected a sample of 37 of the largest payments that yielded 80% coverage of the entire population of payments.

RESULTS

One of the challenges faced during the testing of the Federal Financial Assistance Programs for improper payments is that the level of testing was performed based on the supporting documentation maintained at the Department. The Department did not extend the testing to the grantee level to obtain further supporting documentation to support whether the funds were spent in accordance with the grant agreement. As a result, although the Department's testing of sampled transactions yielded an actual error rate and amount of error at low levels, the results could have been different if the level of testing was extended to the grantee level. The Department will seek OMB's guidance in FY 2006 to determine whether the level of testing for Federal Financial Assistance should be extended to the grantee level. The Department will also consider best practices to follow in FY 2006.

	ACTUAL						PROJECTED								
	First Nine Months FY 2004			Last Quarter of FY 2004 and first Three Quarters of FY 2005			FY 2006			FY 2007			FY 2008		
Program (Dollars in Millions)	Outlays	IP %	IP $	Outlays	IP %	IP $	Outlays	IP %	IP $	Outlays	IP %	IP $	Outlays	IP %	IP $
Year Reviewed: 2005															
Federal Financial Assistance Prgrams															
ECA - Fulbright Program	N/A	N/A	N/A	$ 169	0.00%	$ -	$ 187	0.00%	$ -	$ 196	0.00%	$ -	$ 205	0.00%	$ -
PRM - Refugee Assistance	N/A	N/A	N/A	$ 682	0.00%	$ -	$ 870	0.00%	$ -	$ 1,009	0.00%	$ -	$ 1,039	0.00%	$ -
IO - Contributions to International Organizations and Peacekeeping	N/A	N/A	N/A	$ 1,891	0.00%	$ -	$ 1,948	0.00%	$ -	$ 2,006	0.00%	$ -	$ 2,066	0.00%	$ -
Vendor Payments															
Structures & Equipment	$ 671	3.97%	$ 0.325	$ 485	<1%*	$ 0.235	$ 691	<1%	$ 0.335	$ 712	<1%	$ 0.345	$ 733	<1%	$ 0.355
Year Reviewed: 2004															
Federal Financial Assistance Prgrams															
INL-Narcotics Program	$ 313	0.87%	$ 1.7	$ 114	<1%*	$ 0.574	$ 117	<1%	$ 0.544	$ 121	<1%	$ 0.512	$ 125	<1%	$ 0.477
IIP-U.S. Speaker and Specialist Program	$ 30	81.18%	$ 1.4	$ 41	81.18%	$ 1.897	$ 43	40.00%	$ 1.183	$ 45	2.00%	$ 0.655	$ 47	<1%	$ 0.648
Vendor Payments															
Other Contractual Services	$ 1,534	2%	$ 0.78	$ 3,299	<1%*	$ 0.358	$ 3,398	<1%	$ 0.369	$ 3,500	<1%	$ 0.380	$ 3,605	<1%	$ 0.391

* For programs reviewed in FY 2004, the IP% and IP$ in the last quater of FY 2004 and first three quarters of FY 2005 are projected.

TIER 4: *Identification of Corrective Action taken to reduce the Improper Payments Error Rate*

The potential for the Department making improper payments is low based on the FY 2004 review of high-risk programs and the FY 2005 review of moderate-risk programs. The following is a summary of the improper payments identified in FY 2004 and FY 2005, the cause of the improper payment, and corrective action plans to reduce the estimated rate of improper payments.

Program	Description of Improper Payment	Cause	Steps to Prevent Future Occurrences
Year Reviewed: FY 2005			
Federal Financial Assistance Prgrams			
ECA – Fulbright Program	No improper payments were identified	N/A	N/A
PRM – Refugee Assistance	No improper payments were identified	N/A	N/A
INL – Law Enforcement, Eradication, Aviation Support, & Support to the Military	Test work was started in FY 2005 and will be completed in FY 2006 and reported in the FY 2006 PAR	N/A	N/A
IO – Contributions to International Organizations and Peacekeeping	No improper payments were identified	N/A	N/A
Vendor Payments			
Structures & Equipment	1) Total amount paid was not fully supported on the invoice and/or purchase order; 2) Insufficient supporting documentation was provided for purchase card transactions; 3) Non-compliance with the Prompt Payment Act; 4) Overpayment	These errors appeared to be isolated incidents caused by human error.	The Department will review and enforce its policies related to these improper payments.
Year Reviewed: FY 2004			
Federal Financial Assistance Prgrams			
IIP-U.S. Speaker and Specialist Program	Participants in this program were formerly identified as invitational travelers who should have been required to complete and submit vouchers at the completion of their travel.	The lack of travel vouchers submitted at the completion of travel made most of the travel reimbursement payments improper under IPIA.	The Department issued a revised Grants Policy Directive on Oct. 1, 2005, that reclassifies participants as grantees rather than invitational travelers. This change has been implemented, which will reduce this improper payment issue.
INL Narcotics Program	Federal financial assistance funds should not be used to pay for federal employee travel.	Federal financial assistance funds were used to pay for a federal employee's travel.	The Department will review and enforce its policies related to this improper payment
Vendor Payments			
Other Contractural Services	Insufficient supporting documentation was provided to support the payment	This error appeared to be an isolated incident caused by human error.	The Department will be review and enforce its policies related to this improper payment.

TIER 5: *Audit Recovery Efforts to Recoup Improper Payments*

RECOVERY AUDIT PROGRAM RESULTS

In FY 2004, a recovery audit of vendor payments was initiated in accordance with the Improper Payments Information Act of 2002. This act required agencies to report annually on the extent of erroneous payments and the actions being taken to reduce them. An erroneous payment is any payment that should not have been made or that was made in an incorrect amount (overpayments or underpayments). In the latter half of FY 2004, the Department contracted with a recovery audit firm. Our recovery auditor reviewed all vendor domestic commercial payments from FY 2003 through June of FY 2005 subject to the Prompt Payment Act.

At the end of FY 2005, approximately 40 potential duplicate payments were identified. Of these, four payments totaling approximately $50,000 have been validated as duplicate payments and the Department has sent demand letters to the affected vendors. There are three additional payments, still in the validation process, totaling about $45,000 that are not included in the confirmed duplicate payments presented in the table below.

The Charleston Financial Services Center (CFSC) also sent letters to the Department's vendors requesting account statements. The purpose was to identify vendors with balances owed to the Department. About 4,000 letters were mailed and about 900 vendor statements were received as of September 30, 2005. Additional accounts, totaling approximately $108.7 thousand, were identified by the recovery auditors with potential balances owed to the Department. The CFSC is in the process of validating the balances in the accounts.

U.S. DEPARTMENT OF STATE DEBT RECOVERY PROGRAM

Audit Program	Amount of Payments Subject to Review	Number of Payments Reviewed	Number				Amount (in $000)		
			Potential Duplicates	Actual Duplicates Confirmed	Claims Collected	Outstanding Claims	Duplicate Payments Confirmed	Duplicate Payments Collected	Outstanding Claims
Recovery Auditor	$8.4 Billion	419,688	39	4	—	4	$ 51	$ —	$ 51
Internal CFSC Audit	$22.2 Billion	709,235	284	255	172	83	$ 5,299	$ 5,190	$ 109
Total	$30.6 Billion	1,128,923	323	259	172	87	$ 5,350	$ 5,190	$ 160

To monitor on a routine basis the quality of the Department's payment processes, the CFSC has in place its own debt recovery program and a management structure to monitor for duplicate and erroneous payments. The Financial Oversight and Coordination Office (FOC) and the Office of Claims perform a monthly audit of all payments focusing on identifying potential erroneous and duplicate domestic payments. FOC uses data mining software that identifies potential duplicate and erroneous payments. Once the potential duplicate and erroneous payments are identified, the Office of Claims validates them and the collection process begins. In addition, the Office of Claims has established a debt management support structure, specifically focused on early detection, identification and collection of erroneous and duplicate commercial claims. For FY 2005, there were 284 payments identified as potential duplicate/erroneous payments. Of these, 255 were confirmed duplicate payments totaling approximately $5.3 million as shown in the above table. Of the 255 confirmed duplicate payments, 172 have been collected totaling $5.19 million while 83 remain outstanding totaling $109 thousand.

ACCOUNTABILITY

The Department is committed to reducing erroneous payments issued domestically and overseas. Programs and procedures have been instituted that will strengthen agency management and internal control procedures for prevention, detection and recovery of erroneous payments. The following improvements are being undertaken:

- Issue updated guidance for performing program reviews and risk assessments
- Strengthen policies and procedures with regard to proper documentation requirements for payments
- Provide training to affected staff regarding proper payment requirements and documentation
- Strengthen payment and debt management programs policies and practices that will improve detection, referral and recovery efforts
- Report information on improper payments in the annual *Performance and Accountability Report*

INFORMATION SYSTEMS

Based on the improper payment reviews conducted in FY 2004 and FY 2005, the improper payments identified did not result from the lack of proper information systems. Although the Department is currently in transition to implement a global financial management system by FY 2007, the current financial management system did not have an impact on the level of improper payments identified.

ISSUES

As previously mentioned, one of the challenges the Department faced in FY 2005 was determining to what extent federal financial assistance should be tested to obtain reasonable assurance that improper payments are not occurring at the grantee level. The Department performed limited procedures to test for improper payments that did not involve reviewing payments at the grantee level. However, to supplement the test work performed, the Department relied on monitoring procedures performed at the program offices, the A-133 reports of grantees, and the results of OIG reviews. In FY 2006, the Department will consider establishing procedures in the Bureau of Resource Management to monitor financial transactions. The Department will also seek guidance from OMB in FY 2006 to determine the most feasible way to test federal financial assistance for compliance with the IPIA. The Department will also review best practices to follow in FY 2006.

The Department of State Charleston Financial Service Center.
Department of State Photo

MANAGEMENT OF AUDIT FOLLOW-UP

The information on the Department's follow-up on audit recommendations covers 2005. It includes information on the status of recommendations more than one year old without final management decisions, and the dollar value of those reports in which funds could be put to better use or costs could be disallowed.

During 2005, the Department of State tracked 19 audit reports that were more than one year old and included a total of 60 recommendations in which final action was not taken, which would have brought closure to the reports. These audits contain over $2,070,718 in disallowed costs and funds put to better use. The Department is working to bring closure to the 19 audits and recognizes that the follow-up actions and compliance to the recommendations are essential to improving the effectiveness and efficiency of program operations.

Management Statistical Summary
19 Audits Over One Year Old Requiring Final Action

Program Area	Number of Audit Reports	Recommendations
Financial Management	11	44
Information Management	1	6
Security Oversight	–	–
Support Programs	–	–
Property Management and Procurement	2	5
Contracts and Grants	5	5
TOTALS	**19**	**60**

Status of Audits with Recommendations that Funds Be Put to Better Use or Costs be Disallowed

On October 1, 2004, there were no audits with recommendations to put funds to better use. One audit was completed during the year with disallowed costs of $1,800,000. The balance on September 30, 2005 was $1,800,000.

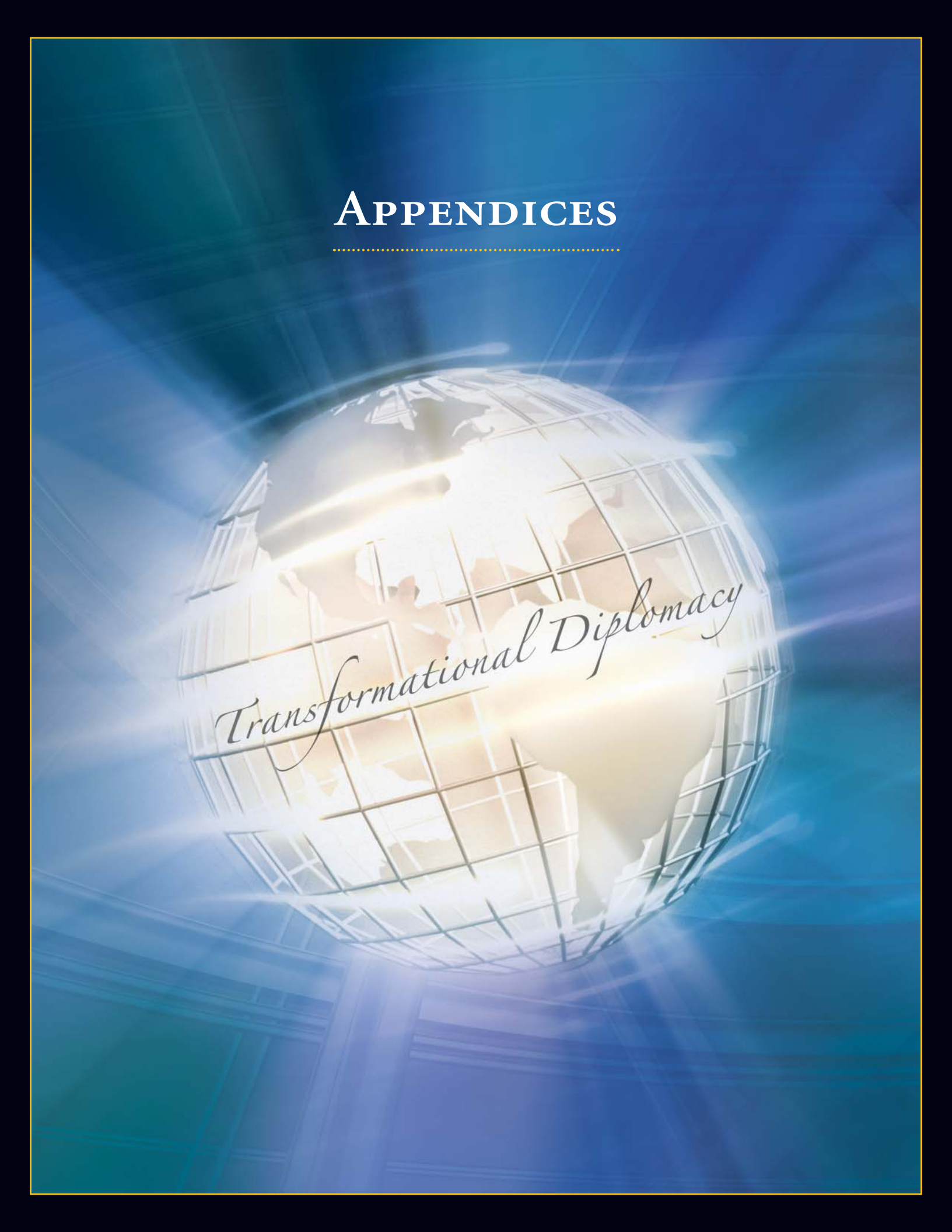
Status of Audits of Disallowed Costs

On October 1, 2004, there was one audit with management decision on which final action had not been taken with a dollar value of disallowed costs totaling $110,851. During the year, two audits were completed that included disallowed costs of $159,867. Therefore, the resulting balance on September 30, 2005 was $270,718.

Funds Put to Better Use and Disallowed Costs in Audit Reports

	Number of Audit Reports Identifying Amount of Funds Put to BetterUse	Amount of Funds Put to Better Use	Number of Audit Reports Identifying Disallowed Costs	Disallowed Costs
Beginning Balance	—	—	1	$ 110,851
New Audits	1	$ 1,800,000	2	159,867
Implemented Actions	—	—	—	—
Ending Balance	1	$ 1,800,000	3	$ 270,718

Appendices



JUSTIFICATIONS FOR CHANGED INDICATORS AND TARGETS

Justifications are provided for changes made to the Department of State's FY 2005 performance indicators and targets since publication of the FY 2005 Department Performance Plan (DPP). *(No changes were permitted after May 2005.)*

Strategic Goal 1: Regional Stability	
I/P #4: Military Assistance for New NATO and NATO Aspirant Nations	
Indicator #5: Status of U.S.-South Korean Relations	
Initial	Indicator description: Status of U.S.-South Korean Relations.
Revised	Strength of Treaty Relationships – Japan and Korea.
Justification	The indicator description was updated to ensure consistency with the FY 2007 Joint Performance Plan.
I/P #4: Military Assistance for New NATO and NATO Aspirant Nations	
Indicator #6: Number of Countries Reaching Sustainable State of Niche Capacities	
Initial	FY 2005 Target: 4/10
Revised	2/13
Justification	The original target was consistent with expectations at the time. In 2004, the target was revised to reflect the more realistic yet ambitious expectations of NATO Force review standards.
I/P #8: Peacekeeping Participation	
Indicator #4: Percentage of Enhanced International Peacekeeping Capabilities funded, Peacekeeping Operations-trained Countries that Pledge Military Units or Participate in the UN Peacekeeping Standby Arrangement System or Multinational Military Operations of High U.S. Foreign Policy Interest	
Revised	Indicator deleted.
Justification	The EIPC program and the African Contingency Operation Training and Assistance program are now funded through the Global Peace Operations Initiative. The impact and outcome of relevant peacekeeping activities are monitored using indicators under I/P #5: Conflict Management and Mitigation and I/P #12: Security Assistance Programs in Sub-Saharan Africa.
I/P #11: Peacekeeping Operations - OSCE	
Indicator #8: Implementation of New Police Training Programs in Former Soviet States	
Revised	Indicator deleted.
Justification	This is not an OSCE PART indicator. The targets are out of date and do not reflect current OSCE police activity priorities in the former Soviet Union.
I/P #11: Peacekeeping Operations - OSCE	
Indicator #9: Withdrawal of Russian Forces from Moldova and Georgia; OSCE Voluntary Fund Status	
Revised	Indicator deleted.
Justification	This was originally intended to be an OSCE PART indicator, but it was ultimately not selected as such and data was therefore not collected for this measure. In addition, the original FY 2005 targets were not realistic and were subsequently revised and incorporated into indicator #3 – Progress on Implementation of Adapted Conventional Forces in Europe (CFE) Treaty – under I/P #7: An Enhanced and Expanded Euro-Atlantic Partnership.

Strategic Goal 2: Counterterrorism	
I/P #3: Terrorist Interdiction Program	
Indicator #4: Number of TIP Installations at Immigration Points and Number of Immigration Officials Trained to Use TIP	
Revised	Indicator deleted.
Justification	Program performance will be reported under I/P #4, Indicator #7, the Terrorist Interdiction Program.
Foreign Military Financing – Western Hemisphere Affairs (PART Program Efficiency Measure)	
Indicator #8: Ratio of FMF Program Costs to the Number of Days a Year That the Cano-Limon Pipeline is Fully Operational	
Revised	Indicator description: Level of Terrorist Activity and Security in Colombia.
Justification	The revised indicator is a better measure of the intended outcome of the program.
I/P #8: U.S.-EU Cooperation on Border Security	
Indicator #3: Regional and Bilateral Counterterrorism Cooperation	
Revised	Indicator deleted.
Justification	The I/P, U.S.-EU Cooperation on Border Security, is currently reported on in Chapter 3, Homeland Security. Please see indicator #3, I/P #2, in Strategic Goal Chapter 3 (Passenger Manifest Requirements) for more information about advanced electronic data receipts on travelers who may threaten the U.S. and how the Department is facilitating the travel of persons with legitimate reasons to visit the United States.

Strategic Goal 3: Homeland Security	
I/P #5: Cyber Security	
Indicator #1: Number of Countries with Critical Infrastructure Protection Action Plans	
Revised	Indicator deleted.
Justification	For the purposes of showing the effectiveness and importance of the CIP program, indicator #2 (Canada, Mexico and U.S. Strategic Allies Implement Critical Physical and Cyber Infrastructure Protection Action Plans) is sufficient.
I/P #6: Protect Transportation Infrastructure	
Indicator #3: More Robust ICAO Security Standards and an Effective Audit Program	
Initial	FY 2005 target: Virtually all countries require manifests before boarding and have machine-readable passports with biometrics. Countries with poor security audits have received remedial assistance.
Revised	Virtually all countries require manifests before boarding and have machine-readable passports with biometrics. Audits are completed in another 40 countries. Countries with poor security audits have received remedial assistance.
Justification	Adding the number of completed audits helps to track previous targets and results more closely.
I/P #7: Maritime Security	
Indicator #4: Implementation of International Security Standards for Shipping and Ports	
Initial	FY 2005 Target: Countries representing 90% of all shipping calling on U.S. ports implement IMO standards. Implement ILO standards for 75% of all mariners calling in U.S. ports. Agreement with Canada and Mexico on background checks of truck drivers operating in each other's countries.
Revised	Countries representing 90% of all shipping calling on U.S. ports implement IMO standards. USCG assesses 30 foreign ports.
Justification	Deleted reference to implementation of ILO standards for mariners because biometric design for seafarers' identity cards is being redesigned to provide greater security.

Strategic Goal 5: International Crime and Drugs	
I/P #6: Anticorruption	
Indicator #4: Status of Regional Anticorruption Frameworks	
Initial	FY 2005 target: Initiate process in each regional body to determine impact of efforts to encourage implementation of regional anticorruption commitments.
Revised	Initiate review process in one or more regions to determine impact and effectiveness of efforts to encourage implementation of regional anticorruption initiatives.
Justification	All mechanisms are geared toward promoting implementation of regional anticorruption conventions. Most of these mechanisms are relatively new, and will need time to operate before assessing the impact of their work on promoting implementation of commitments. More seasoned mechanisms, such as the Council of Europe Group of States Against Corruption, should conduct reviews of compliance first.
I/P #2: Global Poppy Cultivation	
Indicator #4: Global Cultivation of Illicit Opium Poppy in Hectares	
Initial	FY 2005 target: 128,000.
Revised	190,000 hectares under cultivation. U.S. Government-supported program eradicates 15,000 hectares.
Justification	Lack of central, provincial and local government support of eradication policy; limitations placed on Central Poppy Eradication Force (CPEF) teams; inadequate supply of promised labor forces; inadequate targeting of cultivated areas; CPEF teams not expanded from four to six as planned due to lack of funding; late deployment of CPEF teams due to unusually harsh winter.

Strategic Goal 6: American Citizens	
I/P #1: American Citizen Services	
Indicator #3: Status of Hague Convention on Intercountry Adoption	
Target #1	
Initial	Adoption Visa processing regulations finalized.
Revised	Adoption Visa processing regulations drafted.
Justification	Change made due to need to make such regulations consistent with regulations being prepared by the Department of Homeland Security (DHS), which have a target date of FY 2006.
Target #2	
Initial	Software finalized and deployed.
Revised	Adoption case registry and tracking software developed and testing underway.
Justification	Further functionality will be designed and tested once additional regulatory material prepared by DHS is completed as noted above.
Target #3	
Initial	Adoption service providers accredited/approved.
Revised	Begin negotiations with accrediting entities.
Justification	Adoption service providers cannot be accredited before accreditation regulations finalized and negotiations with potential accrediting entities successfully completed.
Target #4	
Initial	U.S. instrument of ratification deposited in 2006.
Revised	U.S. instrument of ratification deposited in 2007.
Justification	Ratification cannot take place until adoption accreditation regulations finalized, which have been delayed to ensure consistency with DHS regulations that will be drafted in FY 2006.

Strategic Goal 7: Democracy and Human Rights	
I/P #1: Diplomatic Engagement to Advance Democracy	
Indicator #1: Freedom House Index; World Bank Institute Survey Analysis; Community of Democracies Participation	
Initial	Indicator originally included country participation in Community of Democracy ministerial meetings.
Revised	Participation in Community of Democracies ministerial meetings was deleted as a component of the indicator. Actual results and follow-up actions are better indicators of performance than the number of participants at Community of Democracies meetings.
Justification	Indicator could not be validated due to complex nature of Community of Democracies memberships and category of attendance at ministerial meetings. Replaced with World Bank Institute Good Governance Index.
Human Rights Democracy Fund (HRDF) PART Program Efficiency Measure	
Indicator #9: Number of HRDF and Partnership to Eliminate Sweatshops Program (PESP) Grants Processed/Average Time Elapsed	
Initial	Indicator description: Number of HRDF/PESP Grants Processed/Average Time Elapsed.
Revised	The measure was revised as operating costs (staff unit cost) divided by the number of grants/projects managed.
Justification	The new indicator more precisely measures the efficient use of resources.
FREEDOM Support Act (FSA) and Support for East European Democracy (SEED) PART Program Efficiency Measure	
Indicator #10: Percent of FSA and SEED country programs with expanded pipeline greater than 24 months as of the end of the fiscal year	
Initial	Indicator description: Amount of Unobligated and Obligated but Unexpended Funding on Hand at the End of Each Fiscal Year (measured in months, based on the prior year's expenditure rate).
Revised	Percent of FSA and SEED country programs with timeline of greater than 24 months between the obligation of funding and expenditure at the of the end of the fiscal year.
Justification	The revised indicator is more precise. The level of analysis has been changed from the account-wide level to the country sub-account level. The revised indicator also provides a better sense of what portion of the overall program is above, below or on target.
Initial	FY 2005 target: 16 months.
Revised	4.8% (1 out of 21 country programs).
Justification	The standard norm for unexpended pipeline funding is 18 expenditure-months. With the inclusion of unobligated funding, the norm for "expanded pipeline" funding becomes 24 months. The previous target of 16 months contradicts these established norms. Also, rather than expressing an amount of time, this target expresses the program manager's desire for only one of the 21 country programs to have a pipeline greater than 24 months.
I/P #4: Democratic Systems and Practices in Europe and Eurasia	
Indicator #7: Respect for Human Rights and Religious Freedom	
Revised	Indicator deleted.
Justification	Indicator folded into I/P #1, Indicator #1 due to unavailability of independent indices on Human Rights and Religious Freedom.

Strategic Goal 8: Economic Prosperity and Security	
I/P #1: Development Strategies	
Indicator #1: Average Developing Country Growth Competitiveness Index	
Initial	Indicator description: Average Developing Country Growth Competitiveness Index.
Revised	Reduce the number of days to start a business in Millennium Challenge Account (MCA) eligible and threshold countries as reported in the World Bank's Annual "Doing Business" Report.
Justification	The Average Developing Country Growth Competitiveness Index focuses too heavily on technological change — over 50% of the index — and fails to reflect adequately the progress in an enabling policy environment to support sustained economic growth.
I/P #3: International Organization Economic Development Policy and Operational Activities	
Indicator #4: Incorporation of the Central Principles of MCA in the International Development Norm Setting Process and UN Agency Activities	
Initial	FY 2005 target: Effective normative development policy debate leads to change at national levels.
Revised	Shift in focus of UN policy debate toward principles of economic freedom promotes policy changes at national levels.
Justification	The revised target more accurately reflects U.S. goals and activities.
I/P #4: Create Open and Dynamic World Markets	
Indicator #4: Number of Countries with Laws and Regulations Inconsistent With the WTO Trade-Related Aspects of the Intellectual Property Rights Agreement	
Initial	Indicator description: Number of Countries With Laws and Regulations Inconsistent with the World Trade Organization (WTO) Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement.
Revised	Number of countries removed from the Special 301 Priority Foreign Country or Priority Watch List due to improvements in their intellectual property regimes.
Justification	The previous measure was based on countries' non-compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. The target has proved difficult to quantify and is not clearly attributable to State efforts. The new measurement is based on improvements on key issues of concern to industry (which may or may not be TRIPS related) and is easily quantifiable through the Special 301 process. The Department has a strong role in advocating improvements both through advocacy in Washington and by economic sections in overseas missions.

Strategic Goal 9: Social and Environmental Issues	
I/P #1: Global Health – President's Emergency Plan for AIDS Relief	
Indicator # 1: Countries or Regions With Stabilized or Reduced Rates of New HIV Infections	
Revised	Indicator description: The Number of People Receiving HIV/AIDS Treatment in the 15 Focus Countries.
Justification	At the time the FY 2005 Department Performance Plan was written, the President's Emergency Plan for AIDS Relief did not exist. Subsequently, PEPFAR became the largest single effort to prevent the spread of HIV/AIDS and the program adopted these three performance indicators to measure progress toward the high-level goals of treatment, prevention and care. These new measures were used in the FY 2006 and FY 2007 Joint Performance Plan and the FY 2004 Performance and Accountability Report.
Indicator # 2: Implementation of the President's Emergency Plan for AIDS Relief	
Revised	Indicator description: Estimated Number of HIV Infections Prevented in the 15 Focus Countries.
Justification	At the time the FY 2005 Department Performance Plan was written, the President's Emergency Plan for AIDS Relief did not exist. Subsequently, PEPFAR became the largest single effort to prevent the spread of HIV/AIDS and the program adopted these three performance indicators to measure progress toward the high-level goals of treatment, prevention and care. These new measures were used in the FY 2006 and FY 2007 Joint Performance Plan and the FY 2004 Performance and Accountability Report.

Strategic Goal 9: Social and Environmental Issues *(continued)*	
I/P #1: Global Health – President's Emergency Plan for AIDS Relief *(continued)*	
Indicator # 3: Status of International Collaboration and Partnerships to Support Health, Including the Global Fund to Fight AIDS, Tuberculosis and Malaria	
Revised	Indicator description: Status of International Collaboration and Partnerships to Support Health, Including the Global Fund to Fight AIDS, Tuberculosis and Malaria.
Justification	At the time the FY 2005 Department Performance Plan was written, the President's Emergency Plan for AIDS Relief did not exist. Subsequently, PEPFAR became the largest single effort to prevent the spread of HIV/AIDS and the program adopted these three performance indicators to measure progress toward the high-level goals of treatment, prevention and care. These new measures were used in the FY 2006 and FY 2007 Joint Performance Plan and the FY 2004 Performance and Accountability Report.
I/P #1: Global Health	
Indicator # 5: Number of High Risk Countries or Regions With National Plans to Combat Malaria	
Revised	Indicator deleted.
Justification	Every high-risk country or region now has a national plan to combat malaria, so 100% of the target was achieved during FY 2005. Furthermore, the Department of State no longer manages this program, nor does it monitor this data. The U.S. Agency for International Development's Global Health Bureau now manages this program.
Indicator # 6: Percentage of World Population with Access to Tuberculosis Care and Treatment	
Revised	Indicator deleted.
Justification	The Department of State no longer manages this program, nor does it monitor this data. The U.S. Agency for International Development's Global Health Bureau now manages this program.

Strategic Goal 10: Humanitarian Response	
I/P #4: Humanitarian Demining	
Indicator #5: Square Meters of Land Cleared in U.S. Program Countries	
Revised	Indicator deleted.
Justification	Per agreement with OMB during PART review, this metric was deemed irrelevant to humanitarian demining in favor of tracking of countries completing mine action services (graduating).
Indicator #6: Number of U.S. Program Countries in Sustainment or End State (Cumulative)	
Initial	Indicator description: Number of U.S. Program Countries in Sustainment or End State (Cumulative).
Revised	Number of Countries Reaching Sustainment of End State/Cumulative Budget Authority.
Justification	This measure was replaced because the new indicator more accurately and comprehensively measures program performance.
Initial	FY 2005 target: 28 countries, $383 million, Measure: 4.7
Revised	15 countries, $442 million, Measure: 3.4
Justification	The revised target reflects more accurately the number of countries planned to graduate. The total cumulative NADR dollars obligated was incorrect, as was the measurement coefficient.

Strategic Goal 10: Humanitarian Response *(continued)*	
I/P #6: Partner Accountability	
Indicator #8: Number of Negative Findings in Financial Audits of Our International and Nongovernmental Organization Partners	
Revised	Percentage of International Organization and NGO Partners That Take Corrective Action Within One Year of Receiving "Critical Recommendations" in Financial Audits.
Justification	Language has been modified in indicator and targets to replace "negative findings" with "critical recommendations," consistent with language used in auditors' reports.
Humanitarian Migrants to Israel (PART Program Efficiency Measure)	
Indicator #11: Reduction in Time Migrants from the Former Soviet Union Stay at Absorption Centers, Thereby Reducing Cost	
Revised	2003-2004 results and 2005 targets were adjusted.
Justification	Adjustments reflect greater accuracy in reporting by the implementing agency.

Strategic Goal 11: Public Diplomacy and Public Affairs	
I/P #1: Reaching Out to Allies and Regional Powers	
Indicator #3: Level of International Public Understanding of U.S. Policies	
Revised	Percentage of key audience members with a better understanding of U.S. policy, society and values after using/attending International Information Programs products/programs.
Justification	The change in indicator description ensures consistency with the FY 2007 Joint Performance Plan.
I/P #3: Muslim Outreach	
Indicator #5: Level of Public Understanding of U.S. Policies in Muslim Societies	
Revised	Indicator description: Level of Public Understanding of U.S. Policies, Society and Values in Muslim Societies
Justification	Revised to be consistent with current program objectives.

Strategic Goal 11: Public Diplomacy and Public Affairs *(continued)*	
I/P #4: Reaching Younger Audiences	
Indicator #1: Number of Foreign Youth Participants Reached by Exchange Programs	
Initial	Indicator description: Number of Foreign Youth Participants Reached by Exchange Programs.
Revised	Number of Foreign Youth Participants in Regions With Significant Muslim and Arab Populations Reached by the Youth Exchange and Study (YES) Program.
Justification	The Youth and Exchange Study Program is the cornerstone program for foreign high school student exchanges to the United States from predominantly Muslim countries and is closely aligned with the Department's strategic goals. The Department is closely tracking the development of this program as the model for expanded youth programming.
Initial	FY 2005 Performance Target. 5% increase in new participants in youth exchange programs from 2003. NEA: 400 WHA: 65 EAP: 200 AF: 100 EUR: 7230 NIS: 1525 SA: 225 Total: 9750
Revised	FY 2005 Performance Target. 30% increase in new participants in youth exchange programs from 2004. NEA: 245 EAP: 150 SA: 130 AF: 50 EUR: 25 Total: 600
Justification	The performance target for this indicator was changed to reflect the new focus on the YES program. The revised target numbers exclude other youth programs, particularly those within Europe and Eurasia, which inflated world totals by including, for example, the large number of youth participants that came from a single country's bi-lateral programs. The new totals instead reflect only the building of the new YES Program.
I/P #8: Engage Young People	
Indicator #4: Sales of Arabic-Language Periodicals for the Under-30 Generation	
Initial	To be determined, once budget levels have been identified.
Revised	Percentage increase in monthly circulation and number of online visits for *Hi Magazine.*
Justification	Revised to be consistent with current program objectives.

Strategic Goal 12: Management and Organizational Excellence	
I/P #6: Americans Employed by UN System Organizations	
Indicator #11: Percentage of UN System Organizations' Workforce That Are American Citizens	
Initial	FY 2005 (CY 2004) target: 12.2%
Revised	11.1%
Justification	The original FY 2005 (CY 2004) target of 12.2% for the average percentage of Americans employed by a select group of U.N. System organizations was amended to 11.1% in September 2004. The original target did not include data for UNESCO. When the U.S. rejoined the organization after a 19-year absence, the target was adjusted to include UNESCO data and to build on the average results from the previous year for the other select organizations.
I/P #10: Leveraging Information Technology to Streamline Operations	
Indicator #6: Availability of User-Empowered Administrative Systems	
Revised	Indicator deleted.
Justification	In August 2004, the indicator was dropped from the FY 2006 Joint Performance Plan because it does not rise to the level of a Department performance plan and is more relevant to the HR Bureau Performance Plan.
I/P #14: Capital Security Construction Program	
Indicator #1: Number of New Sites Acquired for Capital Security Construction Projects	
Initial	FY 2005 target: 12
Revised	9
Justification	The target was revised in May FY 2003 to meet the target of 9 NEC site acquisitions required in FY 2005 to maintain capital security construction project schedules.
I/P #14: Capital Security Construction Program	
Indicator #2: Number of Capital Security Construction Projects Awarded in Accordance with LROBP	
Initial	FY 2005 target: 14
Revised	12
Justification	The target was revised in May FY 2003 to bring capital security construction project awards for FY 2005 into agreement with the proposed budget for FY 2005.
I/P #15: Foggy Bottom Modernization/Consolidation	
Indicator #4: Bureau of Educational and Cultural Affairs and the Bureau of International Information Programs Relocation to Foggy Bottom	
Initial	FY 2005 target: Begin Programming/Planning of American Pharmaceutical Association building addition in Fall 2003, with completion/move-in estimated for FY 2006.
Revised	FY 2005 target: Complete Programming/Planning of the ECA/IIP relocation to Foggy Bottom in Fall 2004. Start leasing process and sign lease by early summer 2005.
Justification	Delays in the programming effort and lack of funding approval in FY 2006 delayed the ECA/IIP relocation project and targets. Initially, the Department thought the only option for this relocation project was the American Pharmaceutical Association building addition. However, other options are being evaluated in the competitive procurement process, and this has also prolonged the project approval and design process.

Strategic Goal 12: Management and Organizational Excellence *(continued)*	
I/P #15: Foggy Bottom Modernization/Consolidation *(continued)*	
Indicator #3: Modernization of the Harry S Truman Building (HST)	
Initial	FY 2005 target: Old State Phase 1A renovation complete and occupied; complete "New State" Phase 1B space planning; United States Diplomacy Center construction is pending private fund donations; start Perimeter Security construction.
Revised	Old State Phase 1A renovation complete; Phase 1A Lobby Security Improvements started; "New State" Phase 1B space planning completed; United States Diplomacy Center Concept Design completed and Final Design Contract awarded; Perimeter Security Concept Design Plan jurisdictional approvals obtained.
Justification	Revisions to the FY 2005 target occurred at various times from 2004 through the spring of 2005. Timeline changes are expected on a project as lengthy and complex as this one. The occupancy date of Old State Phase 1A has been extended to early FY 2006, to accommodate correction of mechanical and electrical operational problems. Phase 1A Lobby Security improvements were part of the FY 2005 target, but were identified separately beginning in spring 2005. The revised target began to specify in 2004 and spring 2005 the projected FY 2005 status of the U.S. Diplomacy Center; this information was added after donations were received and expended for the concept design costs. The projected Perimeter Security construction start date was extended due to delayed receipt of funds.
I/P #16: New Office Building for U.S. Mission to the United Nations	
Indicator #5: USUN New Construction	
Initial	FY 2005 target: Complete EOB demolition; award New Office Building (NOB) construction; NOB construction 25% complete.
Revised	FY 2005 target: Complete EOB demolition; complete second phase of the two-step solicitation for construction contractors; complete substantive cost reduction effort and request revised proposals from competing contractors.
Justification	As a result of escalation in the cost of building materials and the uniqueness of the New York City construction environment, proposals for construction received by the General Services Administration in January 2005 were significantly higher than anticipated or budgeted, necessitating incorporation of additional cost reduction modifications and a revision of procurement strategy. The design and construction documents were modified incorporating substantive changes and cost reduction measures. An amendment to the original solicitation was issued to the competing contractors for revised proposals. The revised proposals were received June 2005. Although these proposals were in response to the effort incorporating significant cost reduction initiatives, at this time the market is experiencing an unprecedented demand and cost increase for cement, steel and other construction materials affecting costs of the NOB. By necessity, the NOB is a concrete structure requiring greater quantities of concrete than similar buildings in Manhattan.
Initial	2004 results: 1. The U.S. Mission relocated to the Interim Office Building (IOB) and opened for business June 14, 2004. 2. The demolition contract for the Existing Office Building (EOB) was awarded and notice to proceed was issued July 17, 2004. Completion of the demolition effort is scheduled for January 2005. 3. Of the $14.0 million provided in FY 2004 to support efforts associated with the IOB and NOB, $10.8 million was obligated for NOB construction effort, specialty contractors, and construction support activities. 4. With the exception of back check corrections, the NOB design was completed in September 2004.
Revised	1. The U.S. Mission relocated to the Interim Office Building (IOB) and opened for business June 14, 2004. 2. The demolition contract for the Existing Office Building (EOB) was awarded and notice to proceed was issued July 17, 2004. 3. Of the $14.0 million provided in FY 2004 to support efforts associated with the IOB and NOB, $10.8 million was obligated for NOB construction effort, specialty contractors, and construction support activities. 4. With the exception of back check corrections, the NOB design was completed in September 2004.
Justification	The sentence "Completion of the demolition effort is scheduled for January 2005" was inappropriate to have previously been included under the "Past Performance" data field as it discusses a projected performance. The demolition of the Existing Office Building was completed April 15, 2005. Additional time was required, in part, for asbestos abatement and procedures for cutting lead painted steel members.

Strategic Goal 12: Management and Organizational Excellence *(continued)*	
I/P #21: Worldwide Logistics	
Indicator #2: Percentage of Service Contract Dollars that are Performance Based	
Initial	FY 2005 target: Fifty percent performance-based service contract dollars.
Revised	Forty percent performance-based service contract dollars.
Justification	The target was adjusted to match the FY 2005 goal issued by OMB in a letter dated September 7, 2004.
I/P #24: Allowances	
Indicator #5: Status of E-Allowances System	
Initial	FY 2005 target: Development/deployment of Phase Two. Significant portion of design and construction work for COLA, Hardship Differential, Living Quarters Allowance and Education. Phase Two to last 22 months with FY 2006 completion.
Revised	Development of Phase One (per diem module).
Justification	The allowances business process is more complex than the contractor had originally envisioned. The target was adjusted in May 2005 to provide required additional time for remediating the allowances modules under development through an independent validation and verification process. The schedule was revised to thoroughly test the system and fix all necessary defects before deployment so that users will receive a quality system and also keep future Operations and Maintenance costs for the Phase One deployed system (Per Diem module) as low as possible. The Phase One system is currently in the Certification and Accreditation process and is expected to be deployed in November 2005. The projected Phase Two target date was extended in 2004.
I/P #25: Competitive Sourcing	
Indicator #6: Competitive Sourcing	
Initial	FY 2005 target: Complete agreed-upon competitions; complete 85% of full A-76 cost comparisons within 12 months of official announcement; all commercial activities exempt from competitions have OMB-approved justifications.
Revised	Complete agreed-upon competitions; complete 85% of full A-76 cost comparisons within 18 months of official announcement; all commercial activities exempt from competition have OMB-approved justifications.
Justification	The FY 2005 target was changed to match the revised target reported in the FY 2006 Joint Performance Plan. Two timeframes exist for competitions: (1) within 90 days for streamlined competitions and (2) within 12 or 18 months for standard competitions. To date, we have announced but not completed any standard competitions. The 18-month timeframe was approved by OMB due to the complexity of the functions being competed.

PART SUMMARIES FOR FY 2005 – FY 2006

FY 2005 PART PROGRAMS

Strategic Goal 1	REGIONAL STABILITY
Program Name	**Foreign Military Financing (FMF)/International Military Education & Training (IMET) - WHA**
Ratings	◆ CY 2003: Moderately Effective. ◆ CY 2004: Effective.
Lead Agency/Bureau	◆ Department of State - Western Hemisphere Affairs (WHA).
Major Findings/ Recommendations	◆ No new recommendations were received after reassessment.
Actions Taken/Planned	◆ **All recommended actions were completed.**
PART Performance Measures	**Annual Measures:** ◆ Number of terrorist attacks against the Cano Limon oil pipeline. This measures the ability of the Colombian Army to defend a high value target in difficult terrain distant from urban centers and normal support structure. ◆ Number of countries in the top 50 for in international peacekeeping activities ◆ Percentage Western Hemisphere assistance recipients countries that volunteer for peacekeeping or other coalition operations when requested. ◆ Percentage of FMF and IMET recipient countries that have civilians in senior defense leadership positions. This shows the impact of US programs supporting military subordination to civilian authority. ◆ Percentage of FMF and IMET countries that are militarily stable. **Long Term Measures:** ◆ Detected maritime narcotics trafficking declines in the Caribbean and Eastern Pacific.. ◆ Number of Eastern Caribbean Countries participating in joint multilateral Security Operations. ◆ Percentage of FMF and IMET recipients that participate in coalition operations, joint exercises, and or joint operations with the US when requested.

Strategic Goal 2	COUNTERTERRORISM
Program Name	**Terrorist Interdiction Program**
Ratings	◆ CY 2003: Results Not Demonstrated. ◆ CY 2004: Effective.
Lead Agency/Bureau	◆ Department of State - Office of the Coordinator for Counterterrorism (S/CT).
Major Findings/ Recommendations	◆ Complete program management staff improvements. ◆ Develop targets for long-term goal of system installations. ◆ Seek to improve long-term outcome measure to capture qualitative improvements to host country capabilities. ◆ Demonstrate progress on newly developed efficiency measure and incorporate refined measure into the FY 2006 budget.
Actions Taken/Planned	◆ Program has improved financial management practices. ◆ Targets have been established for long-term goal of providing the Terrorist Interdiction Program (TIP) watchlisting system to every country on the joint agency-developed "tier list." ◆ Improved long-term and annual performance measures have been instituted. ◆ A revised efficiency measure has been submitted and approved by OMB. ◆ **All recommendations from OMB have been completed as of 4th Quarter, FY 2005.**
PART Performance Measures	**Annual Measures:** ◆ Number of TIP PISCES phased installations completed per yearly appropriation. ◆ Annual increase in the number of highest priority foreign ports of entry equipped to conduct terrorist watchlisting in cooperation with the United States. ◆ Percentage of foreign government usage of the TIP's watchlisting system across all sites where the system is installed. **Long Term Measures:** ◆ Percentage of the highest priority countries capable of screening for terrorists through implementation of the TIP. ◆ Percentage of travelers screened by participating nation governments with the TIP's watchlisting system across all sites at which the system is installed. Target is 100% by the year 2009.

Strategic Goal 4	WEAPONS OF MASS DESTRUCTION
Program Name	**Nonproliferation and Disarmament Fund**
Ratings	◆ CY 2003: Effective. ◆ CY 2004: Effective.
Lead Agency/Bureau	◆ Department of State - International Security and Nonproliferation (ISN).
Major Findings/ Recommendations	◆ Add long-term measures.
Actions Taken/Planned	◆ Nonproliferation and Disarmament Fund (NDF) will now track all measures; long term measure added to PART. ◆ **All recommendations from OMB have been completed as of 4th Quarter, 2005.**
PART Performance Measures	**Annual Measures:** ◆ Deploy tracker software in additional countries. ◆ Efficiently implement all long-term projects to eliminate, destroy, remove or secure all proliferation and strategic threats. **Long Term Measures:** ◆ Four additional countries to deploy the Tracker Software by FY 2007. ◆ Five more active projects to destroy dangerous materials (not including nuclear safeguards) by FY 2007.

Strategic Goal 7 & 8	DEMOCRACY AND HUMAN RIGHTS / ECONOMIC PROSPERITY AND SECURITY
Program Name	**Support for East European Democracy/Freedom Support Act**
Ratings	◆ CY 2003: Results Not Demonstrated. ◆ CY 2004: Effective.
Lead Agency/Bureau	◆ Department of State - European and Eurasian Affairs (EUR) .
Major Findings/ Recommendations	◆ No independent evaluation of this office in its role as a coordinator of assistance or the impact it has on the effectiveness of these programs and the achievement of the purposes of the Freedom Support Act (FSA) and Support for East European Democracy (SEED) Act.
Actions Taken/Planned	◆ An independent evaluation of coordination of SEED and FSA was completed in September 2005. ◆ **All recommendations from OMB have been completed as of 4th Quarter, 2005.**
PART Performance Measures	**Annual Measures:** ◆ Review country assistance phase-out timeframes annually as part of the Annual Report and Mission Performance Plan (MPP) review processes to reconfirm that established phase-out timeframes are still accurate. ◆ Countries monitored annually for achievement of MPP targets and action taken as necessary, i.e. effectiveness. ◆ Ensures that performance data reported in Annual Reports and MPPs are of sufficient quality and relevance to make phase out decisions. ◆ Ensure efficient use of assistance. **Long Term Measures:** ◆ Ensure the coordination of the transitions to democratic institutions and free market economic systems in SEED and FSA countries is irreversible. ◆ Democracy assistance phased out as transitions become irreversible in each country. ◆ Economic assistance phased out as transitions become irreversible in each country.

Strategic Goal 8	ECONOMIC PROSPERITY AND SECURITY
Program Name	**United Nations Development Program**
Ratings	◆ CY 2003: Results Not Demonstrated. ◆ CY 2004: Effective.
Lead Agency/Bureau	◆ Department of State - International Organizations (IO) .
Major Findings/ Recommendations	◆ The State Department will build on the progress of the last year by including an additional long-term goal in its performance planning documents. ◆ The Department will continue to promote results-based management in official meetings and correspondence with United Nations Development Program (UNDP) and will monitor progress towards the goals and objectives included in the performance plan.
Actions Taken/Planned	◆ Program officers will continue to meet and consult frequently with UNDP officials to promote the Department's goals and objectives. ◆ The Department participates in UNDP Executive Board meetings, stressing U.S. goals and objectives. ◆ **All recommendations from OMB have been completed as of 4th Quarter, 2005.**
PART Performance Measures	**Annual Measures:** ◆ Operational Support Costs (as a Percentage of Total Costs). ◆ Percentage of countries where annual targets were fully achieved out of a total of number (58) of countries where UNDP provides support to public administration reform and anti-corruption. ◆ Percentage of countries where annual targets were fully achieved out of the total number (36) of countries where UNDP provides support to conflict prevention and peace building. ◆ Achievement of annual milestones toward private sector development. **Long Term Measures:** ◆ Percentage of countries where annual targets were fully achieved out of the total number of countries (92) where UNDP provided support for democratic governance goal.

Strategic Goal 10	HUMANITARIAN RESPONSE
Program Name	**Humanitarian Mine Action**
Ratings	◆ CY 2003: Effective. ◆ CY 2004: Effective.
Lead Agency/Bureau	◆ Department of State - Political-Military Affairs (PM).
Major Findings/ Recommendations	◆ Review the relationship between annual and long-term goals and develop revised goals as necessary for the FY 2006 budget. ◆ Demonstrate progress on newly developed efficiency measures and incorporate into the PART for the FY 2006 budget.
Actions Taken/Planned	◆ Revised existing annual performance measures and developed an additional performance measure. ◆ The efficiency measure increased from 3.4 to 3.7 from FY 2002 to FY 2003, respectively. Efficiency measures are tracked in sum at the office level as an indicator of overall program progress. ◆ **All recommendations from OMB have been completed as of 4th Quarter, 2005.**
PART Performance Measures	**Annual Measures:** ◆ Countries Reaching Sustainment or End State/Cumulative Budget Authority. (Efficiency measure). ◆ Percentage of countries targeted for end state in 2009 that are meeting all capacity-building targets as defined in their respective country plans. ◆ Percentage of countries supported by PM's program meeting their target for casualty reduction figures as defined in their country plans. ◆ Percentage of countries supported by PM's program meeting their target for square meters of land cleared as defined by their country plans. **Long Term Measures:** ◆ Number of countries receiving U.S. humanitarian mine action assistance that eliminated the most pressing humanitarian impacts and are now able to sustain future operations with indigenous capacity with little to no external funding.
Program Name	**United Nations High Commissioner for Refugees**
Ratings	◆ CY 2003: Moderately Effective. ◆ CY 2004: Effective.
Lead Agency/Bureau	◆ Department of State - Population, Refugees, and Migration (PRM).
Major Findings/ Recommendations	◆ Department should use "Framework of Cooperation" to set policy priorities and common objectives. ◆ Department should work with United Nations High Commissioner for Refugees (UNHCR) to establish an integrated financial system. Establish efficiency measure.
Actions Taken/Planned	◆ Framework was signed on May 24, 2005. Consultations between Department and UNHCR occur regularly to review progress. The most recent consultation occurred in late June 2005 and a written report on progress made in the third quarter of CY 2005 is being prepared. ◆ The Management Systems Renewal Project (MSRP) was implemented at Headquarters in 2004; MSRP is now rolling out to the field offices in 2005 as scheduled and is in stage three of four of implementation (field roll-out). This is expected to continue until early 2007. ◆ **Efficiency measure established and approved by OMB.**
PART Performance Measures	**Annual Measures:** ◆ UNHCR Inventory Control: Value of non-expendable items procured/total value recorded of non-expendable property procured. ◆ Number of UNHCR protection posts worldwide. ◆ Number of countries with significant refugee populations for which UNHCR provides a comprehensive refugee needs assessment to donors. ◆ The percentage of negative findings in an audit report for one year that are fully addressed by March of the year following issuance of the audit report.

Strategic Goal 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Program Name	**Worldwide Security Upgrades**
Ratings	◆ CY 2003: Moderately Effective. ◆ CY 2004: Effective.
Lead Agency/Bureau	◆ Department of State - Diplomatic Security (DS).
Major Findings/ Recommendations	◆ Develop effective annual goals and targets. ◆ Work to develop performance measures for major programs to support annual performance goals and ensure long-term effectiveness.
Actions Taken/Planned	◆ Developed effective annual goals and targets. ◆ Baseline performance measures developed for major programs to support annual performance goals and ensure long-term effectiveness. ◆ **All recommendations from OMB have been completed as of 4th Quarter 2005.**
PART Performance Measures	**Annual Measures:** ◆ Number of staff/time needed to complete background investigation cases. ◆ Number of posts provided with chemical/biological countermeasures equipment and training. ◆ Real-time monitoring of diplomatic missions, especially those with Lock and Leave status. ◆ Full implementation of the Access Control Systems at DOS facilities. ◆ The number of technical security upgrades completed. ◆ All Chiefs of Mission will have an appropriate armored vehicle at their disposal; all ICASS and other armored vehicles eligible for replacement are armored at no cost to post. ◆ Number of passport and visa fraud cases investigated. Criminal investigations are promptly and effectively investigated. **Long Term Measures:** ◆ The percentage of security countermeasures projects completed. ◆ Improve, integrate, and sustain worldwide investigative capabilities.

FY 2006 PART PROGRAMS

Strategic Goal 1	REGIONAL STABILITY
Program Name	**Contributions to International Peacekeeping Activities**
Ratings	◆ CY 2005: Effective.
Lead Agency/Bureau	◆ Department of State – International Organizations (IO).
Major Findings/ Recommendations	◆ The State Department will reexamine the efficiency measure for this program and create a new one if the current measure is deemed inadequate. ◆ Program managers will continue to work with the UN Department of Peacekeeping Operations and other member states to ensure that peacekeeping missions focus on more efficient ways of achieving its goals. ◆ The Department will focus on improving financial management related to this account.
Actions Taken/Planned	◆ Data was obtained and the efficiency goal met. The Department will reevaluate the appropriateness of the measure when new data becomes available for the period July 1, 2004 through June 30, 2005 next year. ◆ Department and U.S. Mission to the United Nations (USUN) officers met with key allies to refine the formulation of peacekeeping operations. ◆ Spending plan updates are made and reported quarterly to identify any need for funding reallocation and subsequent reapportionment requests.
PART Performance Measures	**Annual Measures:** ◆ Total assessed UN peacekeeping mission expenditures divided by the total UN peacekeeping mission staff (the ratio of total mission costs divided by number of staff). ◆ Percentage of static missions that meet targets (list of targets and missions held offline). ◆ Percentage of dynamic missions that meet targets (list of targets and missions held offline). **Long Term Measures:** ◆ Five UN peacekeeping operations existing in FY 2002 (baseline) will be closed by FY 2007.

Strategic Goal 4	WEAPONS OF MASS DESTRUCTION
Program Name	**Nonproliferation of Weapons of Mass Destruction Expertise**
Ratings	◆ CY 2005: Moderately Effective.
Lead Agency/Bureau	◆ Department of State – International Security and Nonproliferation (ISN).
Major Findings/ Recommendations	◆ Review mechanisms to monitor the impact of the Nonproliferation of WMD Expertise (NWMDE) program on scientist attitudes regarding potential proliferation of expertise. For example, the program could implement regular surveys to inform program management. ◆ Review the feasibility of long-term tracking of participating scientist activities to demonstrate long-term program success.
Actions Taken/Planned	◆ ISN is proceeding with a rapid assessment of the proliferation risk attending Russian government reductions and consolidation of science funding. ◆ ISN is tracking scientists' activities through the Moscow and Kiev Science Centers, the Iraqi International Center for Science and Industry, and the Libyan Trilateral Steering Committee. In the former Soviet republics where the greatest number of serious WMD experts reside, ISN has the right to audit project activities up to two years after project completion and financial close-out.
PART Performance Measures	**Annual Measures:** ◆ Number of Russian and other Eurasian proliferation-relevant institutes engaged in U.S.-funded civilian research projects. ◆ Cost to Assist a WMD Institute to Reach Financial Self-Sufficiency (Efficiency Measure). **Long Term Measures:** ◆ Number of institutes and/or scientists graduated into commercially sustainable ventures. ◆ U.S. private sector funding of collaborative research as a percentage of U.S. Government regular project funding. ◆ Number of biological weapons production projects started at facilities for the purposes of commercialization and reconfiguration for peaceful uses — Number of biological weapons institutes or groups graduated from U.S. assistance.
Program Name	**Export Controls**
Ratings	◆ CY 2005: Effective.
Lead Agency/Bureau	◆ Department of State – International Security and Nonproliferation (ISN).
Major Findings/ Recommendations	◆ ISN will work to meet the key targets: 1. Doubling the number of countries receiving program assistance between FY 2004 and FY 2006, and 2. Shortening delivery times for goods and services by two months between FY 2004 and FY 2006. ISN will also set new objectives for future years. ◆ Further tie funding request to specific measures that relate to the progress key countries have made in the development of export controls. This will also take into account the ability of key countries to absorb program funding.
Actions Taken/Planned	◆ For FY 2005, ISN is adding 7 countries to its program; at least 4 are scheduled for addition in FY 2006. ◆ ISN is currently exploring more refined ways to target assistance to countries that are near graduation so that an average of two countries per year can be maintained. ◆ The ISN Program Management team regularly reviews contractor status reports, after-action reports and other reporting vehicles to glean performance data. ISN also has hired a program analyst to take the lead in gathering data required to establish baseline and performance in improving delivery times. ◆ Country officers apply evaluation information to revise their country program plans to more effectively use limited resources.
PART Performance Measures	**Annual Measures:** ◆ Average cost reduction per training course (Efficiency Measure). ◆ Number of Export Control and Related Border Security (EXBS) program countries meeting international standards for controls. ◆ Cumulative number of EXBS program countries that have developed and instituted valid export control systems that meet international standards.

Strategic Goal 5	INTERNATIONAL CRIME AND DRUGS
Program Name	**International Narcotics Control and Law Enforcement (INCLE) Programs in Western Hemisphere**
Ratings	◆ CY 2005: Adequate.
Lead Agency/Bureau	◆ Department of State – International Narcotics and Law Enforcement (INL).
Major Findings/ Recommendations	◆ Contract for an independent evaluation of key assistance activities in order to understand why the program is getting mixed results and determine what corrective action can be taken. ◆ Ensure that the State Department INL Bureau's new financial management system can track and report information needed to inform strategic planning and resource allocation decisions. ◆ Link annual funding requests for each component of the program to relevant program goals.
Actions Taken/Planned	◆ Draft plan has been developed that outlines the scope of a full-scope external evaluation. The evaluation is delayed until next fiscal year due to funding issues. ◆ Reevaluate implementation plan for financial and performance reporting.
PART Performance Measures	**Annual Measures:** ◆ Foreign nation seizures of illicit drugs (measured in U.S. dollars) per INCLE funds expended to support law enforcement interdiction efforts. (Efficiency Measure. Measures the U.S. street value of seizures of cocaine, marijuana, and opium poppy in Mexico, Guatemala, and Jamaica and compares it to INCLE funds expended to support host nation interdiction efforts in the prior year.) ◆ Reduce the potential harvest of opium and marijuana in Mexico through effective aerial eradication efforts. (Percentages represent the amount of opium and marijuana aerially eradicated, respectively, out of total amounts cultivated.) ◆ Increase the host governments' ability to intercept transient drug supplies as measured by the seizure rates of cocaine and heroin compared to the estimated supply. ◆ Increase number of host nation narco-trafficking arrests. **Long Term Measures:** ◆ Disrupt and reduce the flow of cocaine and heroin (measured in metric tons) entering the U.S. arrival zone by improving host government law enforcement interdiction capabilities. The baseline year was 1999, when 341 metric tons of cocaine and 15.25 metric tons of heroin from the Western Hemisphere region entered the U.S. arrival zone. The desired end state is to cut both of these amounts in half by the year 2010. ◆ Foster host nations' ability to combat narcotics, as measured by host nations' progress in implementing effective legal, institutional and programmatic reforms.

Strategic Goal 5	INTERNATIONAL CRIME AND DRUGS *(continued)*
Program Name	**Andean Counterdrug Initiative**
Ratings	◆ CY 2005: Adequate.
Lead Agency/Bureau	◆ Department of State - International Narcotics and Law Enforcement (INL).
Major Findings/ Recommendations	◆ Develop long-term and annual outcome measures that build toward a desired end state for the alternative development component of the program. ◆ Ensure that the State Department INL Bureau's new financial management system can track and report information needed to inform strategic planning and resource allocation decisions. ◆ Link annual funding requests for each component of the program to relevant program goals.
Actions Taken/Planned	◆ Complete an independent evaluation of key assistance activities, in conjunction with the proposed review of the above INL International Narcotics Control and Law Enforcement (INCLE) PART. Draft plan has been developed that outlines the scope of a full-scope external evaluation. The evaluation is delayed until next fiscal year due to funding issues. ◆ Coordination between USAID and State has been strengthened regarding the reporting of long-term outcome measures. ◆ Reevaluate implementation plan for financial and performance reporting.
PART Performance Measures	**Annual Measures:** ◆ Flying hour cost (measured in U.S. dollars) for aerial coca eradication in Colombia (Efficiency Measure). ◆ Hectares of coca cultivated in Colombia, Bolivia, and Peru. ◆ Increase number of hectares devoted to licit agricultural and/or forest products in areas receiving USAID assistance. **Long Term Measures:** ◆ Metric tons of cocaine produced in Colombia, Peru, and Bolivia. The long-term goal is to reduce production by almost 80% to 210 metric tons by 2010. ◆ Disrupt the shipment of cocaine from the Andean Region to the United States. By 2008, the annual level of cocaine seizures by partner governments should reach 35% of estimated pure cocaine produced each year. ◆ Increase the number of licit jobs created (agricultural and non-agricultural) in USAID-assisted areas of the Andean region.

Strategic Goal 7	DEMOCRACY AND HUMAN RIGHTS
Program Name	**Human Rights and Democracy Fund**
Ratings	◆ CY 2005: Adequate.
Lead Agency/Bureau	◆ Department of State – Democracy, Human Rights and Labor (DRL).
Major Findings/ Recommendations	◆ Continue to refine Human Rights and Democracy Fund (HRDF's) performance goals and measures, set specific targets for HRDF's annual performance goals, and improve the reporting of HRDF's results and performance to the public. ◆ Analyze the findings of independent evaluations, and annual and long-term program performance data, and incorporate this analysis into the FY 2007 budget process.
Actions Taken/Planned	◆ DRL collects performance data on a quarterly basis. The Bureau analyzes the data on annual basis and incorporates its findings into the Bureau Performance Plan process. DRL incorporated its findings into the FY 2007 budget process. ◆ The bureau intends to publish a solicitation for contractors to complete an independent evaluation of the Bureau's China programs by 12/31/05, conditional upon an expected increase in staff of three Full Time Equivalents.
PART Performance Measures	**Annual Measures:** ◆ Operating costs divided by the number of projects managed (Efficiency Measure). ◆ Percentage of HRDF projects which show a positive impact on democracy and/or democratic institutions at the local, regional or national level. ◆ Percentage of independently evaluated HRDF programs which demonstrate that they are at least on target to achieve their goals. ◆ Percentage of HRDF projects which demonstrate a positive impact on respect for human rights at the local, regional or national level. ◆ Percentage of HRDF projects which show a positive impact on press freedom at the local, regional or national level. **Long Term Measures:** ◆ Percentage of HRDF-funded countries which show a positive change (decrease on the scale) on their Freedom House Freedom in the World score or a positive change (increase on the scale) on their Freedom House Countries at the Crossroads score. ◆ Percentage of HRDF-funded countries that demonstrate decrease in human rights abuses such as extrajudicial killings, disappearances, torture, or detention without trial as evidenced by Amnesty International statistics, State Department annual Human Rights Reports, and other indicators. ◆ Percentage of countries with HRDF press freedom projects which show improvement in the Freedom House Freedom of the Press scores.
Program Name	**Economic Support Fund**
Ratings	◆ CY 2004: Moderately Effective.
Lead Agency/Bureau	◆ Department of State – Western Hemisphere Affairs (WHA).
Major Findings/ Recommendations	◆ Focus the improved State-USAID coordination on assistance to the Western Hemisphere region on synchronizing goals and targets and improving results and accountability. ◆ Assist other bureaus in applying the Western Hemisphere model of developing ambitious long-term and annual targets for Economic Support Fund (ESF) resources. ◆ Strengthen the direct linkage between budget requests and the analysis of performance data.
Actions Taken/Planned	◆ Worked more closely with USAID counterparts to coordinate performance goals and targets and created new ESF indicators to better measure program performance. ◆ Expanded program oversight by taking joint State-USAID trips to the field. ◆ Offered assistance to other bureaus whose ESF programs were being PART-ed. ◆ Provided quarterly performance updates to senior bureau managers to help shape planning/budget decisions. ◆ Conducted mid-point review of Mission and Bureau Performance Plans to assess progress and make needed adjustments.

Strategic Goal 9	SOCIAL AND ENVIRONMENTAL ISSUES
Program Name	**International Fisheries Commissions**
Ratings	◆ CY 2005: Adequate.
Lead Agency/Bureau	◆ Department of State – Oceans and International Environment and Scientific Affairs (OES).
Major Findings/ Recommendations	◆ The agency will continue to improve its program-wide measures in the FY 2007 BPP, in order to evaluate the outcome and results of the fisheries commissions. In particular, State will increase the number of outcome-oriented measures and efficiency measures in the FY 2007 BPP. ◆ The agency will use program-wide measures to prioritize its budget recommendations within each commission, based on the performance of each commission and the degree to which each commission contributes to program goals.
Actions Taken/Planned	◆ Revised measures were negotiated after the FY 2006 BPP was finalized to satisfy the recommendation. ◆ FY 2007 resource requests for commissions were incorporated in the OES BPP.
PART Performance Measures	**Annual Measures:** ◆ Great Lakes Fishery Commission (GLFC): Percentage of habitat controlled with sea lamprey barriers instead of pesticide. The increase in barrier methods for lamprey control reduces the use of lampricides and cost of lampricide to the GLFC. Targets are reductions in pounds of lampricide used and costs saved over time. (Efficiency measure). ◆ Northwest Atlantic Fisheries Organization: Average publishing and correspondence cost per document (Canadian $). (Efficiency measure). ◆ International Whaling Commission: Intersessional meeting costs as a percentage of total meeting costs (provided in pounds) savings vs. 2003. ◆ Number of multilateral regional fisheries management organizations implementing comprehensive schemes to improve compliance with conservation and management measures by both members and non-members. ◆ Level of ratification and subsequent implementation of the comprehensive sea turtle bycatch provisions of of the Inter-American Sea Turtle Convention (IOC) and Indian Ocean Sea Turtle MOU (IOSEA MOU). ◆ Estimated parasitic sea lamprey abundance in all Great Lakes as a percentage of the maximum target level that would allow for healthy fish populations. **Long Term Measures:** ◆ Depleted stocks of living marine resources rebuild to healthy levels through coordinated, science-based management. ◆ Whale stocks are sustained at a level sufficient to support aboriginal whaling activities. ◆ Regional fisheries management organizations (RFMOs) deter or eliminate illegal, unreported, and unregulated (IUU) fishing on the stocks under their jurisdiction. ◆ Ratification and entry into force of revised Inter-American Tropical Tuna Commission Convention (IATTC Convention) and new Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (WCPFC Convention).

Strategic Goal 11	PUBLIC DIPLOMACY AND PUBLIC AFFAIRS
Program Name	**Global Educational and Cultural Exchanges**
Ratings	◆ CY 2005: Effective.
Lead Agency/Bureau	◆ Department of State – Educational and Cultural Affairs (ECA).
Major Findings/ Recommendations	◆ No specific recommendations were made from OMB regarding this PART Program.
Actions Taken/Planned	◆ ECA will continue to utilize performance indicators and efficiency measures to track performance and manage program components.
PART Performance Measures	**Annual Measures:** ◆ Percent of Administrative Costs in relation to Program Costs (Administrative Efficiency). ◆ The percent of private sector, foreign, and other U.S. Government funds generated for ECA programs on an annual basis (Efficiency Measure). ◆ The number of foreign exchange participants by region. ◆ Percentage of exchange participants who express satisfaction with the exchange experience based on an average of several program factors: 1) administration; 2) content quality; 3) range of experiences; and 4) relevance of program to professional or academic field. ◆ Percentage of participants who increased or changed their understanding of the United States immediately following their program. **Long Term Measures:** ◆ Percentage of exchange participants who report a more favorable view of the people of the United States within one year after their exchange experience. ◆ Percentage of exchange participants who initiate or implement a positive change in their organization or community within five years of their exchange, based on knowledge gained from their exchange. ◆ Percentage of participants who establish or continue professional collaborations more than five years after their exchange experience.

Strategic Goal 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Program Name	**Regular Construction/Asset Management Program**
Ratings	◆ CY 2005: Effective.
Lead Agency/Bureau	◆ Department of State – Overseas Building Operations (OBO).
Major Findings/ Recommendations	◆ Reexamine mission and purpose of program to determine if duplicative to Capital Security Construction Program. If Regular Capital Construction Program is in fact duplicative, create new performance measures and goals specifically tailored to this program to differentiate it from the Capital Security Construction Program. ◆ Continue to pursue fixed-price contracts to meet contracting and funding goals for Capital Construction Projects.
Actions Taken/Planned	◆ OBO completed its reexamination of mission/purpose, determining that new measures were not required. Programs are duplicative as to processes and share the essential goal to provide safe and secure facilities. ◆ OBO uses fixed-price contracts when awarding capital construction projects.
PART Performance Measures	**Annual Measures:** ◆ Ratio construction management costs to Long Range Overseas Buildings Plan construction project costs over $25M (Efficiency Measure). ◆ Complete regular/asset management capital construction projects within the approved construction budget (Efficiency Measure). ◆ Complete regular/asset management capital construction projects within the schedule authorized in the construction contract (Efficiency Measure). ◆ New building sites acquired for regular/asset management capital construction projects. ◆ Number of regular/asset management capital construction projects awarded in accordance with the long-range overseas buildings plan. The number of projects is based on OMB and Congressional approval of specific projects and the cost associated with each project. There are years where no projects are approved and therefore no funding is appropriated for this program. **Long Term Measures:** ◆ Number of regular capital construction projects completed (within construction timeframes) following construction contract awards as scheduled in the long-range overseas buildings plan.

MAJOR DEPARTMENT OF STATE PUBLICATIONS

Adherence to and Compliance with Arms Control, Nonproliferation and Disarmament Agreements and Commitments- August 2005 edition ***http://www.state.gov/t/vci/rls/rpt/c9721.htm***

This report reflects the importance the Administration and the U.S. Congress place upon compliance with arms control, nonproliferation, and disarmament agreements and commitments. Such agreements and commitments only serve the national security interests of the United States if they are fully complied with. Other states' violations of such obligations can present grave threats to our security. For this reason, the United States places a very high priority upon verifying compliance with, and detecting violations of, such agreements and commitments - as well as upon ensuring that violators promptly return to compliance and that other would-be violators are deterred from breaking their own promises.

Annual Budget Requests ***http://www.state.gov/s/d/rm/c6112.htm***

The Department's Performance Budget submission comprises several volumes. The *Summary and Highlights* provides information about the International Affairs category, or Function 150, of the federal budget and includes funding requests for the programs and activities of several cabinet-level departments and independent agencies as well as numerous international organizations. The *Budget in Brief* provides specific information about the Department of State budget, and the *Congressional Budget Justification* volumes provide detailed information regarding all accounts. The *Performance Summary* is an integral component of the budget and was previously known as the Performance Plan.

Battling International Bribery ***http://www.state.gov/e/eb/rls/rpts/bib/***

Annual report by the Department of State on enforcement and monitoring of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of the Organization for Economic Cooperation and Development (OECD).

Congressional Testimony ***http://www.state.gov/s/h/tst/***

A Collection of transcripts from testimony by Department Officials appearing before the Congress.

Consular Notification and Access ***http://travel.state.gov/law/consular/consular_636.html***

Instructions for Federal, state, and other local law enforcement and other officials regarding foreign nationals in the United States and the rights of consular officials to assist them.

Country Background Notes ***http://www.state.gov/r/pa/ei/bgn/***

These handy guides provide information on a country's leaders, politics, economy, and relations with the U.S. Background Notes appear on the Department's website before they are sent to press for GPO subscribers.

Country Commercial Guides ***http://www.export.gov/marketresearch.html#MarketResearch(Non-Agricultural***

Country Commercial Guides (CCGs) are prepared annually by U.S. embassies with the assistance of several U.S. Government agencies. These reports present a comprehensive look at countries' commercial environments, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee, a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community.

Country Reports on Human Rights Practices ***http://www.state.gov/g/drl/hr/c1470.htm***

Annual report submitted to the Congress by the Department of State regarding the status of internationally recognized human rights practices.

Country Reports on Terrorism ***http://www.state.gov/s/ct/rls/c14812.htm***

Country Reports submitted annually to Congress by the Department of State on countries where terrorist acts have occurred, the status of cooperation against terrorism between the United States and selected countries, a report on state sponsorship of terrorism, and assessments of terrorist groups.

Diplomacy: The U.S. Department of State At Work ***http://www.state.gov/r/pa/ei/rls/dos/46732.htm***

This publication explains the State Department's role with foreign governments, international organizations, and the people of other countries. It also explains the Department's main goals: protecting the U.S. and Americans; advancing democracy, human rights, and other global interests; promoting international understanding of American values and policies; and supporting U.S. diplomats, government officials, and all other personnel at home and abroad who make these goals a reality.

Diplomatic List ***http://www.state.gov/s/cpr/rls/dpl/***

This publication contains the names of the members of the diplomatic staffs of all foreign missions and their spouses who are accredited to the U.S. Government. Members of the diplomatic staff are the members of the staff of the mission having diplomatic rank. These persons enjoy full immunity under provisions of the Vienna Convention on Diplomatic Relations.

Foreign Consular Offices in the U.S. ***http://www.state.gov/s/cpr/rls/fco/***

This publication contains a complete and official listing of the foreign consular offices in the United States, and recognized consular officers.

Foreign Relations of the United States ***http://www.state.gov/r/pa/ho/frus/***

This historical record of American foreign policy is produced by the State Department's Office of the Historian. First published in 1861, *Foreign Relations of the United States* preserves a key part of American history in more than 350 individual volumes. Each volume documents the major foreign policy decisions and diplomatic activity of the U.S. Government and contains declassified records from the White House, the Department of State, and other foreign affairs agencies.

International Narcotics Control Strategy Report ***http://www.state.gov/p/inl/rls/nrcrpt/***

Annual report submitted to the Congress by the Department of State, in accordance with the Foreign Assistance Act, which describes the efforts of countries, including those that received U.S. assistance, in the fight against drugs, and Presidential narcotics certification determinations on drug producing and transit countries.

International Religious Freedom Report ***http://www.state.gov/g/drl/irf/rpt/***

The Annual Report to Congress on International Religious Freedom describes the status of religious freedom in each country, government policies violating religious belief and practices of groups, religious denominations and individuals, and U.S. policies to promote religious freedom around the world. It is submitted in compliance with P.L. 105-292 (105th Congress) and is cited as the International Religious Freedom Act of 1998.

Key Officers of Foreign Service Posts ***http://foia.state.gov/MMS/KOH/keyoffcity.asp***

This directory lists key officers and their telephone and fax numbers from the Departments of State and Commerce and other U.S. agencies at Foreign Service posts that assist American business representatives around the world. It is only available on the Internet.

Patterns of Global Terrorism ***http://www.state.gov/s/ct/rls/pgtrpt/***

Annual report submitted to the Congress containing detailed assessments of countries where significant terrorist acts occurred, and countries about which Congress was notified pursuant to the Export Administration Act of 1979 (the so-called terrorism list of countries that have repeatedly provided state support for international terrorism).

Supporting Human Rights and Democracy: The U.S. Record ***http://www.state.gov/g/drl/rls/shrd/***

An annual report submitted to Congress highlighting actions taken by the U.S. Government to encourage respect for human rights. This report complements the annual Country Reports on Human Rights Practices.

State Magazine ***http://www.state.gov/m/dghr/statemag/***

Published monthly by the Department to facilitate communication between management and employees at home and abroad and to acquaint employees with developments that may affect operations or personnel.

The U.S. Department of State: A Guide to Doing Business ***http://www.state.gov/m/a/sdbu/pubs/c13313.htm***

Lists useful information concerning the Department's procurement opportunities, points of contact, subcontracting opportunities, etc. This can be obtained in hard copy from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

To Walk The Earth In Safety ***http://www.state.gov/t/pm/rls/rpt/walkearth/***

Provides annual information on specific programs and accomplishments of the Department's efforts to eradicate persistent landmines--both anti-personnel and anti-vehicle--as well as unexploded ordnance wherever they threaten civilian populations or deny them access to their land, homes, markets, schools, churches, and hospitals.

Trafficking in Persons Report ***http://www.state.gov/g/tip/rls/tiprpt/***

A comprehensive annual report on human trafficking around the world and what governments are doing to end it. The Trafficking in Persons Report serves as the primary diplomatic tool through which the U.S. Government encourages partnership and increased determination in the fight against forced labor and sexual exploitation.

DEPARTMENT OF STATE LOCATIONS

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Almaty, Kazakhstan
Amman, Jordan
Ankara, Turkey
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Beirut, Lebanon
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U.S. OFFICE

Pristina, Kosovo

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U.S. Mission to the European Union, *Brussels, Belgium*
U.S. Mission to the International Civil Aviation Organization, *Montreal, Canada*
U.S. Mission to the North Atlantic Treaty Organization, *Brussels, Belgium*
U.S. Mission to the United Nations Agencies for Food and Agriculture, *Rome, Italy*
U.S. Mission to the Organization for Economic Cooperation and Development, *Paris, France*
U.S. Mission to the International Organizations in Vienna, *Vienna, Austria*
U.S. Mission to the United Nations Environmental Programme, and the UN Human Settlements Programme, *Nairobi, Kenya*
U.S. Mission to the European Office of the United Nations and Other International Organizations, *Geneva, Switzerland*
U.S. Delegation to the Organization for Security and Cooperation in Europe, *Vienna, Austria*
U.S. Mission to the United Nations Educational, Scientific, and Cultural Organization, *Paris, France*

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Cebu, Philippines
Ciudad Acuna, Mexico
Cochabamba, Bolivia
Cozumel, Mexico
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Tripoli, Libya

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National Visa Center
Portsmouth, New Hampshire
Kentucky Consular Center
Williamsburg, Kentucky
National Passport Center
Charleston, South Carolina
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Boston, Massachusetts
Chicago Passport Agency
Chicago, Illinois
Honolulu Passport Agency
Honolulu, Hawaii
Houston Passport Agency
Houston, Texas
Los Angeles Passport Agency
Los Angeles, California
Miami Passport Agency
Miami, Florida
New York Passport Agency
New York, New York
New Orleans Passport Agency
New Orleans, Louisiana
Norwalk Passport Agency
Norwalk, Connecticut
Philadelphia Passport Agency
Philadelphia, Pennsylvania
San Francisco Passport Agency
San Francisco, California
Seattle Passport Agency
Seattle, Washington
Special Issuance Agency
Washington, District of Columbia
Washington Passport Agency
Washington, District of Columbia

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Chicago, Illinois
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Los Angeles, California
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Miami, Florida
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San Francisco Field Office
San Francisco, California
Washington Field Office
Dunn Loring, Virginia
Atlanta Resident Office
Atlanta, Geogia
Dallas Resident Office
Dallas, Texas
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Denver, Colorado
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Seattle, Washington
St. Louis Resident Office
St. Louis, Missouri

AMERICAN INSTITUTE TAIWAN

Unofficial commercial and other relations with the people of Taiwan are conducted through an official instrumentality, the American Institute of Taiwan, which has offices in Taipei and Kaohsiung.

GLOSSARY OF ACRONYMS

2ID	2nd Infantry Division, US Army
A	Bureau of Administration
A/LM	Bureau of Administration/Office of Logistics Management
AACR	African Armed Conflicts Resolved
AAMVA	American Association of Motor Vehicle Administrators
ABA	American Bar Association
ABM	Anti-Ballistic Missile
AC	Bureau of Arms Control
ACDA	Arms Control and Disarmament Agency
ACF	Australian Conservation Foundation
ACI	Andean Counterdrug Initiative
ACIL	Agricultural Consultants Incorporated Limited (Australia)
ACTED	Agency for Technical Cooperation and Development
ACOTA	Africa Contingency Operations Training and Assistance
ACSI	American Customer Satisfaction Index
ACSs	Access Control Systems
ACW	Advanced Conventional Weapons
ADB	Asian Development Bank
ADP	Automated Data Processing
AE	Accrediting entities
AETN	American Embassy Television Network
AF	Bureau of African Affairs
AGA	Association of Government Accountants
ANC	Antenatal Care
AP	Associated Press
APEC	Asia Pacific Economic Cooperation
API	Advanced Passenger Information
APIS	Advance Passenger Information System
ARV	Antiretroviral
ASEAN	Association of Southeast Asian Nations
ASP	Adoption Service Providers
ATA	Anti-Terrorism Assistance
ATA	Air Transport Agreement
ATSC	Advanced Television Systems Committee
AU	African Union
AVs	Armored Vehicles
BBG	Broadcasting Board of Governors
BCC	Border Crossing Card
BFC	Budget Functional Classification
BFSC	Bangkok Financial Service Center
BIC	Bilateral Implementation Commission
BII	Bio-industry Initiative
BIMC	Beltsville Information Management Center
BIT	Bilateral Investment Treaty
BMENA	Broader Middle East and North Africa Initiative
BOG	Board of Governors
BPP	Bureau Performance Plan
BPR	Business Processing Re-engineering
BRMS	Bureau Resource Management System
BSC	Balanced Scorecard
BW	Biological Weapons
BWC	Biological Weapons Convention
C&A	Certification and Accreditation
CA	Bureau of Consular Affairs
CAFTA	Central America Free Trade Agreement
CARE	Cooperative for Assistance and Relief Everywhere, Inc
CBD	Convention on Biological Diversity
CBFP	Congo Basin Forest Partnership
CBM	Confidence-Building Measure
CBMs	Continental Ballistic Missiles
CBP	Bureau of Customs and Border Protection
CBRNE	Chemical, Biological, Radiological, Nuclear, Environmental impact
CBT	Computer Based Training
CCD	Consular Consolidated Database
CCF	Christian Children's Fund
CCP	Classified Connectivity Program
CD	Community of Democracies
CDC	Centers for Disease Control and Prevention
CD-ROM	Compact Disk - Read Only Memory
CEA	Council of Economic Advisors
CEAR	Certificate of Excellence in Accountability Reporting
CE-DAT	Complex Emergencies Database
CEO	Chief Executive Officer
CEQ	Council on Environmental Quality
CFE	Conventional Forces in Europe
CFO	Chief Financial Officer
CFP	Common Fisheries Policy
CFPS	Central Financial Planning System
CFSC	Charleston Financial Service Center
CFSP	Critical Flight Safety Program
CGSS	Consultative Group on Strategic Security
CCH	Christian Children's Fund
CHR	Cooperative Housing Foundation
CIA	Central Intelligence Agency
CIF	Capital Investment Fund
CICTE	Inter-American Committee Against Terrorism (OAS)
CIO	Chief Information Officer
CIP	Critical Infrastructure Protection
CIS	Consular Information Sheets
CITEL	Inter-American Telecommunication Commission

CITES	Convention on International Trade in Endangered Species
CJCS	Chairman of Joint Chiefs of Staff
CLASS	Consular Lookout and Support System
CLJ	Constitutional Loya Jirga
CM	Case Management
CMAT	Consular Management Assistance Teams
CMR	Crude Mortality Rate
CMS	Content Management System
CNC	Crime and Narcotics Center
CPA	Certified Public Accountant
CPA	Comprehensive Peace Agreement
CPIC	Capital Planning and Investment Control
CPMT	Civilian Protection Monitoring Team
CPPNM	Convention on Physical Protection of Nuclear Material
CRA	Country Reports and Asylum Affairs
CRDF	U.S. Civilian Research and Development Foundation
CRED	Center for Research on the Epidemiology of Disasters
CRHRP	Country Reports on Human Rights Practices
CRS	Catholic Relief Services
CS	Civil Service
CS&H	Child Survival & Health Programs Fund
CSBM	Confidence- and Security-Building Measures
CSCS	Capital Security Cost Sharing
CSD	Commission on Sustainable Development
CSE	Center for Security Evaluation
CSG	Counterterrorism Security Group
CSI	Container Security Initiative
CSRS	Civil Service Retirement System
CT	Counterterrorism
CTC	Counterterrorism Committee
CTCC	Counterproliferation Technology Coordinating Commission
CW	Chemical Weapons
CWC	Chemical Weapons Convention
CWDF	Chemical Weapons Destruction Facility
CWS	Church World Service
CY	Calendar Year
D&CP	Diplomatic and Consular Programs
DAI	Development Alternatives International
D.C.	District of Columbia
DA	Development Assistance
DCM	Deputy Chief of Mission
DDR	Disarmament, Demobilization, Reintegration
DEA	Drug Enforcement Agency
DHHS	Department of Health and Human Services
DHS	Department of Homeland Security
DIA	Defense Intelligence Agency
DL	Distance Learning
DOC	Department of Commerce
DoD	Department of Defense
DOE	Department of Energy
DOI	Department of Interior
DOJ	Department of Justice
DOL	Department of Labor
DOS	Department of State
DOT	Department of Transportation
DPRK	Democratic People's Republic of Korea (North Korea)
DRC	Democratic Republic of Congo
DRI	Diplomatic Readiness Initiative
DRL	Bureau of Democracy, Human Rights & Labor
DS	Bureau of Diplomatic Security
DSM	Domestic Staffing Model
DTRA	Defense Threat Reduction Agency
DTV	Digital Television
E.O.	Executive Order
EAP	Bureau of East Asian and Pacific Affairs
EB	Bureau of Economic and Business Affairs
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECA	Bureau of Educational and Cultural Affairs
ECA	Economic Complementation Agreement
ECE	Economic Commission for Europe
ECOMIL	Economic Community of West African States Mission in Liberia
ECOSOC	United Nations Economic and Social Council
ECOWAS	Economic Community of West African States
EFM	Eligible Family Member
EFT	Electronic Funds Transfer
E-GOALS	Online Performance Measurement System
E-gov	Electronic Government
eGovPMO	eGov Program Management Office
EIPC	Enhanced International Peacekeeping Capabilities
e-mail	Electronic Mail
ENM	Enterprise Network Management Office
ENR	Engineering News – Record
EOB	Existing Office Building
EPA	Environmental Protection Agency
e-QIP	Electronic Questionnaire for Investigation Processing
ERMA	Emergency Refugee and Migration Assistance
ESC&M	Embassy Security, Construction and Maintenance
ESDP	European Security and Defense Program
ESF	Economic Support Fund
EU	European Union
EUCOM	U.S.-European Command
EUR	Bureau of European and Eurasian Affairs
EUR/NIS	Bureau of European and Eurasian Affairs/Newly Independent States
EXBS	Export Control and Related Border Security
EXIM	Export Import Bank

FAA	Federal Aviation Administration
FAIR	Federal Activities Inventory Reform
FAM	Foreign Affairs Manual
FAO	United Nations Food and Agriculture Organization
FAS	Foreign Agricultural Service
FASAB	Federal Accounting Standards Advisory Board
FAST	Free and Secure Trade Program
FATF	Financial Action Task Force on Money Laundering
FBI	Federal Bureau of Investigation
FBIS	Foreign Broadcast Information Service
FCS	Foreign Commercial Service
FDD	Forces for the Defense of Democracy
FECA	Federal Employees Compensation Act
FEGLIP	Federal Employees Group Life Insurance Program
FEHBP	Federal Employees Health Benefits Program
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FEST	Foreign Emergency Support Team
FFMIA	Federal Financial Management Improvement Act
FHA	Federal Health Architecture
FHI	Food for the Hungry International
FISMA	Federal Information Security Management Act
FM	Financial Management
FMF	Foreign Military Financing
FMFIA	Federal Managers' Financial Integrity Act
FMSF	Fissile Material Storage Facility
FOC	Full Operational Capability
FOIA	Freedom of Information Act
FOTA	Future of the Alliance
FPDS-NG	Federal Procurement Data System-Next Generation
FR	Facial Recognition
FREEDOMS	Freedom of Information Document Management System
FRUS	Foreign Relations of the United States
FS	Foreign Service
FSA	Freedom Support Act
FSAT	Financial Systems Assessment Teams
FSC	Financial Services Consolidation
FSC	Financial Service Center
FSC	Finance and Supply Chain
FSI	Foreign Service Institute
FSN	Foreign Service National
FSNSLTF	Foreign Service National Separation Liability Trust Fund
FSPS	Foreign Service Pension System
FSRA	Foreign Service Retirement Actuarial
FSRDF	Foreign Service Retirement and Disability Fund
FSU	Former Soviet Union
FSWE	Foreign Service Written Exam
FTA	Free Trade Agreement
FTAA	Free Trade Agreement of the Americas
FTE	Full-Time Equivalent
FTO	Foreign Terrorist Organization
FUDRA	Army Quick Deployment Force
FWCB	Federal Worker's Compensation Benefits
FY	Fiscal Year
G/TIP	Office to Monitor and Combat Trafficking in Persons
GAAP	Generally Accepted Accounting Principles
GAI	General Assistance Initiative
GAM	Global acute malnutrition
GAO	The Government Accountability Office
GCI	Growth Competitiveness Index
GDIN	Global Disaster Information Network
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GFMS	Global Financial Management System
GGCL	Government-to-Government Communications Link
GHSAG	Global Health Security Action Group
GIF	Generation IV International Forum
GITM	Global Information Technology Modernization
GLID	Global ID
GM	Grants Management
GMRA	Government Management Reform Act
GOP	Government of Pakistan
GPO	U.S. Government Printing Office
GPRA	Government Performance and Results Act
GPS	Global Positioning System
GSA	General Services Administration
GWOT	Global War on Terrorism
HACU	Hispanic Association of Colleges and Universities
HBCU	Historically Black Colleges and Universities
HHS	Department of Health and Human Services
HIV	Human Immunodeficiency Virus
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HMA	Humanitarian Mine Action
HR	Human Resources
HR	Human Rights
HRDF	Human Rights and Democracy Fund
HRR	Human Rights Report
HSC	Homeland Security Council
HST	Harry S Truman Building
I/P	Initiative/Program
IAE	Integrated Acquisition Environment
IAEA	International Atomic Energy Agency
IBWC	International Boundary Water Commission
IC	International Community
ICAO	The International Civil Aviation Organization
ICASS	International Cooperative Administrative Support Services
ICCAT	International Commission for the Conservation of Atlantic Tuna

ICES	International Council for the Exploration of the Sea
ICFTU	International Confederation of Free Trade Unions
ICOC	International Code of Conduct
ICRC	International Committee of the Red Cross
ICRI	International Coral Reef Initiative
IDENT	Automated Biometric Identification System
IDB	Inter-American Development Bank
IDF	Israeli Defense Forces
IDPs	Internally Displaced Persons
IEA	Information Exchange Agreement
IEMS	Integrated Enterprise Management System
IFC	International Finance Corporation
IFI	International Financial Institution
IFRA	The French Institute for Research in Africa
IFRC	International Federation of Red Cross and Red Crescent Societies
IG	Inspector General
IGC	Intergovernmental Consultations
IHR	International Health Regulations
IICSI	Iraqi International Center for Science and Industry
IIP	Bureau of International Information Programs
ILEA	International Law Enforcement Academy
ILMS	Integrated Logistics Management System
ILO	International Labor Organization
IMC	International Medical Corps
IMET	International Military Education and Training
IMF	International Monetary Fund
INA	Integrated Notification Application
INECE	International Network on Environmental Compliance and Enforcement
INCLE	International Narcotics Control and Law Enforcement
INL	Bureau of International Narcotics and Law Enforcement Affairs
INR	Bureau of Intelligence and Research
INS	Immigration and Naturalization Service
INTERPOL	International Crime Police Organization
IRC	International Rescue Committee
IRD	International Relief and Development
IO	Bureau of International Organizations
IO&P	International Organizations and Programs
IOB	Interim Office Building
IOC	Initial Operating Capability
IOC	Intergovernmental Oceanographic Commission
IOM	International Organization for Migration
IOSEA	Indian Ocean – South-East Asian Marine Turtle Memorandum of Understanding
IPIA	Improper Payments Information Act
IPOA	International Plan of Action
IPR	Intellectual Property Rights
IRF	International Religious Freedom Office
IRFA	International Religious Freedom Act
IRI	International Republican Institute
IRM	Bureau of Information Resource Management
IRRF	Iraq Relief and Reconstruction Fund
IRSRA	Iraqi Radioactive Source Regulatory Authority
ISAF	Interim Security Assistance Force
ISN	Bureau of International Security and Non-proliferation
ISPP	Information Security Program Plan
ISSO	Information Systems Security Officer
ISTC	International Science and Technology Center
IT	Information Technology
ITAR	International Traffic in Arms Regulation
ITER	International Thermonuclear Experimental Reactor
ITG	Iraqi Transitional Government
ITU	International Telecommunication Union
IUCN	International Union for the Conservation of Nature and Natural Resources
IVLP	International Visitor Leadership Program
IWC	International Whaling Commission
JCG	Joint Consultative Group
JCIC	Joint Compliance and Inspection Commission
JCS	Joint Chiefs of Staff
JDEC	Joint Data Exchange Center
JFMIP	Joint Financial Management Improvement Program
JFMS	Joint Financial Management System
JMC	Joint Military Commission
KCC	Kentucky Consular Center
L/M	Leadership/Management
LACP	League of American Communications Professionals
LAN	Local Area Network
LDCs	Less Developed Countries
LDPs	Language Designated Positions
LLP	Limited Legal Partnerships
LROBP	Long-Range Overseas Building Plan
LURD	Liberians United for Reconciliation and Democracy
M/MED	Office of Medical Services
M/P	Office of Management Policy
M/R	Office of Rightsizing
M/WHL	Office of White House Liaison
MANPADS	Man-Portable Air Defense Systems
MAP	Membership Action Plan
MCA	Millennium Challenge Account
MCAS	Management Cost Accounting Standards
MCC	Millennium Challenge Corporation
MCSC	Management Control Steering Committee
MD	Missile Defense
MD&A	Management's Discussion and Analysis
MEA	Multilateral Environmental Agreement
MENA	Middle East/North Africa
MEPI	Middle East Partnership Initiative
MFA	Ministry of Foreign Affairs

MFO	Multinational Force and Observers
MIDSA	Migration Dialogue for Southern Africa
MIF	Multinational Interim Force
MNEPR	Multilateral Nuclear Environmental Program in Russia Federation
MOA	Memorandum of Agreement
MOMS	Model for Overseas Management Support
MONUC	UN Mission in the Congo
MOU	Memorandum of Understanding
MOX	Mixed Oxide
MPP	Mission Performance Plan
MRA	Migration and Refugee Assistance
MRBM	Medium Range Ballistic Missiles
MRTD	Machine Readable Travel Documents
MRV	Machine Readable Visa
MTCR	Missile Technology Control Regime
MWO	Muslim World Outreach
N/A	Not Applicable
NADR	Nonproliferation, Anti-Terrorism, Demining, and Related Programs
NAFTA	North America Free Trade Agreement
NAPHSIS	National Association for Public Health Statistics and Information Systems
NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NATO	North Atlantic Treaty Organization
NCCT	Non-Cooperative Countries and Territories
NCMEC	National Center for Missing and Exploited Children
NCTC	Non-Cooperative Countries and Territories
NDF	Nonproliferation and Disarmament Fund
NDI	National Democratic Institute
NEA	Bureau of Near Eastern Affairs
NEC	New Embassy Compound
NEC	New Embassy Construction
NED	National Endowment for Democracy
NePAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NICS	Nutrition Information in Crisis Situations
NIIE	Non-Intrusive Inspection Equipment
NIS	Newly Independent States
NIV	Non-Immigrant Visa
NOAA	National Oceanic and Atmospheric Administration
NOB	New Office Building
NORAD	North American Aerospace Defense
NORINCO	China North Industries Corporation
NPAC	Nonproliferation and Arms Control
NPT	Nuclear Nonproliferation Treaty
NRC	NATO-Russian Council
NRF	NATO Response Force
NSA	National Security Agency
NSC	National Security Council
NSF	National Science Foundation
NSG	Nuclear Suppliers Group
NSSG	Nuclear Safety and Security Group
NSSP	Next Steps in Strategic Partnership
NTA	New Transatlantic Agenda
NTM-I	NATO's Training Mission in Iraq
NVIS	Nuclear Verification Information System
OAS	Organization of American States
OBO	Bureau of Overseas Buildings Operations
ODIHR	Office of Democratic Institutions and Human Rights
OECD	Organization for Economic Cooperation and Development
OES	Bureau of Oceans, International Environmental and Scientific Affairs
OGC	Office of Government Commerce
OIC	Organization of Islamic Conference
OIG	Office of Inspector General
OMB	Office of Management and Budget
ON+	OpenNet Plus
ONDCP	Office of National Drug Control Policy
ONUCI	UN Mission in Cote d'Ivoire
OPCW	Organization for the Prohibition of Chemical Weapons
OPIC	Overseas Private Investment Corporation
OPM	Office of Personnel Management
OSAC	Overseas Security Advisory Council
OSCE	Organization for Security and Cooperation in Europe
OSD	Office of Secretary of Defense
OSIS	Open Source Information System
OSTP	Office of Science and Technology Policy
OVP	Office of the Vice President
P&F	Program and Financing
P.L.	Public Law
PA	Bureau of Public Affairs
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PBSA	Performance-Based Service Acquisition
PCI	Project Concern International
PD	Public Diplomacy
PDAs	Personal Digital Assistants
PDNet	Public Diplomacy Net
PELE	Principles of Environmental Laws and Enforcement
PEPFAR	President's Emergency Plan for AIDS Relief
PESP	Partnership to Eliminate Sweatshops Program
PfP	Partnership-for-Peace
PIAIL	Presidential Initiative Against Illegal Logging
PICES	North Pacific Marine Science Organization
PISCES	Personal Identification Secure Comparison and Evaluation System
PKI	Public Key Infrastructure
PKO	Peacekeeping Operations

PLSC	Pakistan Legislative Strengthening Consortium
PLUS	Partnerships for Learning Undergraduate Studies
PM	Bureau of Political/Military Affairs
PM/WRA	Bureau of Political-Military Affairs/Office of Weapons Removal and Abatement
PMA	President's Management Agenda
PMS	Payments Management System
PNR	Passenger Name Record
POA&M	Plan of Action and Milestones
POEs	Points of Entry
POF	Perfect Order Fulfillment
POP	Persistent Organic Pollutants
PPA	Prompt Payment Act
PPRA	Plutonium Production Reactor Agreement
PrepCom	Preparatory Committee
PRM	Bureau of Population, Refugees and Migration
PSC	Personal Service Contractor
PSI	Proliferation Security Initiative
PSMC	Peace Support Missions Concluded
PSO	Peace Support Operation
PSO	Post Security Officer
PTR	Office of Proliferation Threat Reduction
PuD	Plutonium Disposition
QID	Questioned Identification Document
RAMOS	Russian American Observation Satellite
RCM	Regional Conference on Migration
RevCon	Review Conference
RFMS	Regional Financial Management System
RM	Bureau of Resource Management
ROI	Return on Investment
ROK	Republic of Korea
RSO	Regional Security Officer
S&T	Science and Technology
S/COS	Office of the Secretary/Chief of Staff
S/CPR	Chief of Protocol
S/CRS	Coordinator for Reconstruction and Stabilization
S/CT	Coordinator for Counterterrorism
S/ES	Office of the Secretary/Executive Secretariat
S/GAC	Global AIDS Coordinator
S/OCR	Office of Civil Rights
S/P	Policy Planning Staff
S/WCI	Ambassador at Large for War Crimes Issues
SA	Bureau of South Asian Affairs
SAARC	South Asian Association for Regional Cooperation
SACM	South American Conference on Migration
SACU	Southern African Customs Union
SADC	South African Development Community
SAGSI	Standing Advisory Group on Safeguards Implementation
SALT	Strategic Arms Limitation Talks
SARS	Severe Acute Respiratory Syndrome
SBA	Small Business Administration
SC/UK	Save the Children/United Kingdom
SC/US	Save the Children/United States
SCI	Sensitive Compartmented Information
SECI	Southeast Europe Cooperative Initiative
SEED	Support for East European Democracy
SEED	Supporting Entrepreneurs for Environment and Development
SENTRI	Secure Electronic Network for Travelers Rapid Inspection
SES	Senior Executive Service
SFFAS	Statements of Federal Financial Accounting Standards
SFOR	Stabilization Force in Bosnia and Herzegovina
SGL	Standard General Ledger
SIA	Special Issuance Agency
SIPRNET	Secret Internet Protocol Router Network
SMART	State Messaging and Archive Retrieval Toolset
SNAP	Spouse Networking Assistance Program
SOA	Summit of the Americas
SPAW	Specially Protected Areas and Wildlife
SPS	Senior Policy Seminars
SSA	Social Security Administration
SSN	Social Security Number
START	Strategic Arms Reduction Treaty
STCU	Science and Technology Center in Ukraine
SYSADMINs	Systems Administrators
STMS	Student Training Management System
TAP	Technical Advisory Programme
TBD	To Be Determined
TC	Technical Cooperation
TCNs	Third Country Nationals
TDA	U.S. Trade and Development Agency
TDY	Temporary Duty
TED	Turtle Excluder Device
TFCA	Tropical Forest Conservation Agreement
TIP	Terrorist Interdiction Program
TIP	Trafficking in Persons
TMC	Theater Ballistic Missile Defense
TMD	Theater Missile Defense
TNA	Transitional National Assembly
TOC	Transnational Organized Crime
TOPOFF	National Level of Top Officials
TRIPS	Trade-Related Aspects of Intellectual Property Rights Agreement
TSC	Terrorist Screening Center
TSCTI	Trans-Sahara Counter Terrorism Initiative
TSP	Thrift Savings Plan
TSUs	Technical Security Upgrades
TSWG	Technical Support Working Group
TTIC	Terrorist Threat Information Center

U.S.C.	U.S. Code
U/S	Under Secretary
UAE	United Arab Emirates
UIA	United Israel Appeal
UK	United Kingdom
UN	United Nations
UNAIDS	United Nations Program on HIV/AIDS
UNAMSIL	UN Mission in Sierra Leone
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNDPKO	United Nations Department for Peacekeeping Operations
UNFPA	United Nations Population Fund
UNFSA	UN Fish Stocks Agreement
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Emergency Fund
UNMEE	UN Mission in Ethiopia and Eritrea
UNMIL	United Nations Mission in Liberia
UNMOVIC	United Nations Monitoring, Verification and Inspection Commission
UNOCHA	United Nations Office for the Coordination of Humanitarian Assistance
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSC	UN Security Council
UNSCR	UN Security Council Resolution
USAID	United States Agency for International Development
USAWC	U.S.-Afghan Women's Council
USCG	United States Coast Guard
USCIRF	United States Commission on International Religious Freedom
USCS	United States Customs Service
USDA	U.S. Department of Agriculture
USFK	U.S. Forces Korea
USFWS	U.S. Fish and Wildlife Service
USG	United States Government
USIA	United States Information Agency
USINFO	United States Information
USMS	United States Marshal Service
USOSCE	United States Mission to the Organization for Security and Cooperation in Europe
USPS	United States Postal Service
USPTO	United States Patent and Trademark Office
USSR	Union of Soviet Socialist Republics
USTR	U.S. Trade Representative
USUN	U.S. Mission to the United Nations
UXO	Unexploded Ordinance
VACIS	Vehicle and Cargo Inspection System
VCI	Verification, Compliance and Implementation
V-Fund	Verification Assets Fund
VIG	Vaccinia Immune Globulin
VMT	Verification and Monitoring Team
VP	Voluntary Principle
VPNs	Virtual Private Networks
VWP	Visa Waiver Program
WA	Wassenaar Arrangement
WAIS	Wassenaar Arrangement Information System
WARCP	West Africa Regional Conference Process
WBI	World Bank Institute
WCF	Working Capital Fund
WCPFC	Western and Central Pacific Fisheries Commission
WFP	World Food Program
WHA	Bureau of Western Hemisphere Affairs
WHO	World Health Organization
WMD	Weapons of Mass Destruction
WMEAT	World Military Expenditures and Arms Transfers
WRC	World Radiocommunications Conference
WSIS	World Summit on the Information Society
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization
WVI	World Vision International
WW2BW	White Water to Blue Water

PHOTO CREDITS

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16, 23, 24, 25, 26, 27, 28, 92, 98, 99, 100, 101, 102, 110, 113, 114, 115, 119, 121, 123, 124, 125, 128, 130, 132, 134, 137, 141, 142, 143, 144, 146, 147, 150, 151, 155, 158, 161, 163, 167, 168, 170, 175, 176, 183, 185, 186, 188, 190, 191, 196, 197, 198, 200, 207, 208, 209, 211, 212, 216, 219, 221, 224, 232, 234, 236, 239, 240, 243, 245, 249, 252, 255, 256, 260, 274, 279, 281, 283, 291, 293, 297, 300, 309, 337, 343, 408

Department of State

9, 10, 25, 27, 28, 217, 225, 238, 251, 269, 270, 288, 295, 302, 320, 324, 331, 332, 445

The Diplomatic Reception Rooms, Department of State

Page 412, photos by Richard Cheek

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United States Department of State

2201 C Street, N.W.
Washington, D.C. 20520
(202) 647-4000

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