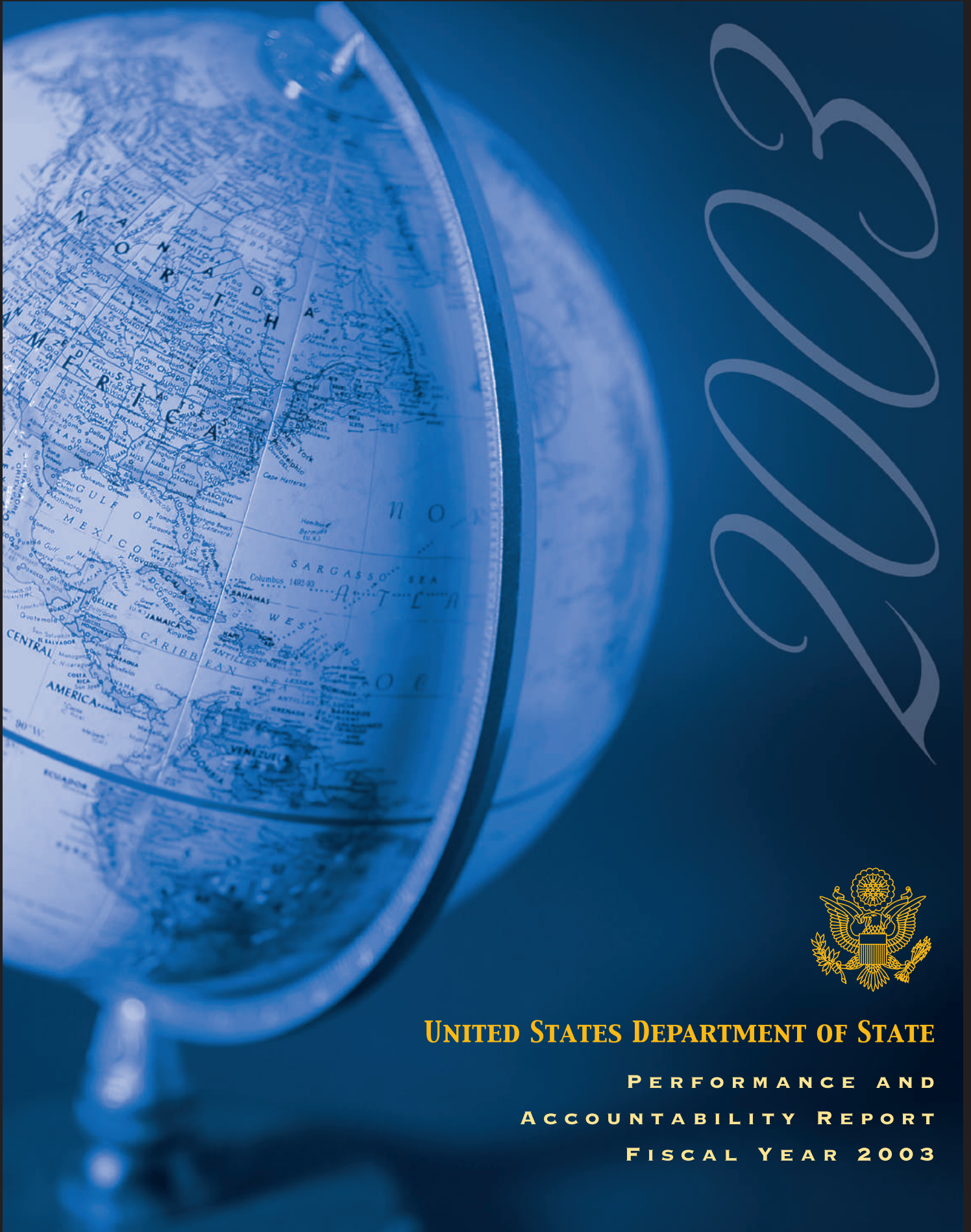


SECURITY • DEMOCRACY • PROSPERITY



UNITED STATES DEPARTMENT OF STATE

**PERFORMANCE AND
ACCOUNTABILITY REPORT
FISCAL YEAR 2003**



Association of Government Accountants (AGA)

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING



In recognition of your outstanding efforts in preparing the Department of State Performance and Accountability Report for the fiscal year ended September 30, 2002.

League of American Communications Professionals (LACP)

PLATINUM 2002 VISION AWARD

In recognition of your outstanding efforts in preparing the Department of State Digest for the fiscal year ended September 30, 2002. Placing 1st in the Government Classification and 4th out of over 900 entries.





UNITED STATES DEPARTMENT OF STATE

MISSION & VALUES

MISSION

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

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.

WWW.STATE.GOV/M/RM/RLS/PERFRPT/2003

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MESSAGE FROM THE SECRETARY



I am pleased to present the Department of State's *Performance and Accountability Report for Fiscal Year 2003*. The report presents our audited financial statements and measures our performance against the major objectives we set for our agency.

The Department of State's mission is to help President Bush shape a world of greater security, freedom and prosperity for America's sake and for the sake of people all around the globe who seek a better future for themselves and their children.

The men and women of American diplomacy are playing an instrumental role in marshaling and advancing international support for the worldwide campaign against terrorism. We serve at the forefront of the international reconstruction efforts in Afghanistan and Iraq. We are working to strengthen our alliances and partnerships in Europe, Asia and the Western Hemisphere to meet 21st century security challenges. With faithful friends and former foes alike we are working to stem the proliferation of weapons of mass destruction and bring an end to conflicts.

Our embassies and consulates assist U.S. citizens abroad who are victims of serious crime and during times of instability. We are helping to build up the law enforcement capabilities of foreign governments to stop drug-traffickers and other criminals before their poison reaches American soil. We are protecting our homeland by strengthening the process for identifying suspected terrorists and preventing them from obtaining visas to enter the United States.

We promote respect for human rights and the growth of democracy in every region. American diplomacy is forging partnerships with citizens' groups, the private sector and governments all around the world to turn the tide of HIV/AIDS. Through our public diplomacy, we are reaching out to foreign audiences to better acquaint them with our country and counter anti-Americanism by establishing a foundation of information and understanding. And we are advancing a new international consensus on how to help poor countries onto the path of development through good governance, sound economic, trade and environmental policies, and wise investments in their people.

In conducting our vital mission, we have been effective and accountable stewards of the taxpayers' money. For the seventh year in a row, independent auditors have given our financial statements an unqualified ("clean") opinion. I am also proud to certify that for the second year in a row, the Department's management control systems meet the requirements of the Federal Managers' Financial Integrity Act (FMFIA). For financial systems, the Department of State's one remaining material nonconformance was closed in Fiscal Year 2003 and I am pleased to report that the Department's financial systems are in substantial compliance with the requirements of FMFIA. We have made every effort to verify the accuracy and ensure the completeness of the financial and performance data presented in this report. In the few instances where information has not been provided, we give specific reasons why.

With the support of President Bush and broad bipartisan backing from Congress, the Department of State has made significant progress building capacity in three fundamental areas: human resources, information technology, and embassy construction and security. We must keep the focus on these key areas in the demanding years ahead, so that the dedicated men and women of the State Department have the training, tools and infrastructure they need to serve our country safely and successfully across the globe on the frontlines of freedom.

A handwritten signature in black ink, appearing to read 'C. Powell'.

Colin L. Powell
Secretary of State



MESSAGE FROM THE ASSISTANT SECRETARY AND CHIEF FINANCIAL OFFICER

The *Performance and Accountability Report for Fiscal Year 2003* (Report) provides our most important financial and program performance information for the United States Department of State. It also is our principal publication and report to the President and the American people on our stewardship, management, and leadership of the public funds to which we have been entrusted.

It has been an exceptional year. For the seventh consecutive year, the independent CPA firm selected by our Inspector General, has issued an unqualified ("clean") opinion on the Department's consolidated financial statements. This is the best possible audit result. With it the American people can have confidence that the financial statement information presented here is both accurate and reliable. Along with this opinion, the Department achieved a number of other key goals.

- For the first time since the inception of the Chief Financial Officers (CFO) Act, the independent CPA firm has reported no material weakness in internal control;
- Also for the first time, the Secretary has been able to issue an unqualified Statement of Assurance under the Federal Managers' Financial Integrity Act (FMFIA) on both the Department's management controls and its financial systems;
- For financial systems, the Department successfully replaced two obsolete financial systems with the new Regional Financial Management System (RFMS) implemented at all overseas posts. RFMS provides the Department the ability to know the worldwide status of accounts on a timely basis, something never before possible. In addition, the Department's one remaining material nonconformance under FMFIA was closed in 2003 and the independent CPA firm has reduced the previously reported material weakness in information systems security to a reportable condition for FY 2003. After assessing the audit results as of September 30, 2003, and in consideration of the foregoing developments and additional improvements to our financial systems in the first quarter of FY 2004, we believe that the Department's financial management systems substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). The Department will continue its ongoing effort to enhance its financial systems in FY 2004 and beyond;
- Recognizing the quality of our reporting, for the second year in a row, the Department received the most prestigious award in Federal government financial reporting, the Association of Government Accountants' Certificate of Excellence in Accountability Reporting, one of only three cabinet-level departments to win this award in 2003;
- As part of the commitment to the very best financial operations, the Department has been consolidating and streamlining financial operations worldwide. In 2003, we successfully relocated operations from the Paris Financial Service Center (FSC) to the new Charleston, South Carolina FSC and Bangkok, Thailand FSC, and finalized plans for relocating work to Charleston from our Washington, D.C. operations; and
- With USAID, the Department developed the first-ever joint State-USAID Strategic Plan that will ensure better alignment between foreign policy and development assistance, and to further improve operations, is implementing with USAID a common worldwide financial systems platform.



For the past three years, President Bush has led the effort on management reform through his President's Management Agenda initiatives. Two of these are Improved Financial Performance, and Budget and Performance Integration. In support of this strategy, the Department will continue integrating budgeting and planning into all aspects of our stewardship, and provide timely and accurate financial and performance information that facilitates foreign policy decision-making.

While there are no material weaknesses or non-conformances reported under FMFIA, the Department continues to maintain a robust system of management controls overseen by senior leadership. The Department's Management Control Steering Committee (MCSC) meets regularly to review pending concerns raised by the Inspector General, the independent CPA firm, GAO and others.

In addition to financial performance, this Report also covers policy and program performance — how well the Department implemented the foreign policy goals of the President and Secretary of State. The reader can see our nation's foreign policy strategic goals, along with performance measures, performance trends, and results achieved. From the very first strategic objective, "Achieve Peace and Security," to "Strengthen Diplomatic and Program Capabilities," we present to the American people a transparent assessment of results for the prior fiscal year. Encompassing the war on terror, the struggle to end regional conflicts, to programs on the rule of law, and the fight against HIV/AIDS and other diseases, the Performance Section of this Report describes our work. It also shows our effort to fulfill the Department's mission, "to create a more secure, democratic, and prosperous world, for the benefit of the American people and the international community."

A handwritten signature in dark ink, appearing to read "Christopher B. Burnham".

Christopher B. Burnham
Assistant Secretary for Resource Management and Chief Financial Officer
December 31, 2003



ABOUT THIS REPORT

PURPOSE OF REPORT

The Department of State's Performance and Accountability Report for Fiscal Year 2003 (Report) provides performance and financial information that enables Congress, the President, and the public to assess the performance of the Department relative to its mission and stewardship of the resources entrusted to it. This Report satisfies the reporting requirements of the following legislation.

- Chief Financial Officers Act of 1990
- Federal Financial Management Improvement Act of 1996
- Federal Managers' Financial Integrity Act of 1982
- Government Management Reform Act of 1994
- Government Performance and Results Act of 1993
- Reports Consolidation Act of 2000

HOW THIS REPORT IS ORGANIZED

■ MESSAGE FROM THE SECRETARY OF STATE

The Secretary's message includes an assessment of whether financial and performance data in the Report is reliable and complete, and a statement of assurance as required by the Federal Managers' Financial Integrity Act (FMFIA) indicating whether management controls are in place and financial systems conform with government-wide standards.

■ MESSAGE FROM THE ASSISTANT SECRETARY FOR RESOURCE MANAGEMENT AND CHIEF FINANCIAL OFFICER

The Assistant Secretary's message describes progress and challenges pertaining to the Department's financial management, integrating budget and performance, and information on the Department's management controls program under FMFIA and financial management systems under the Federal Financial Management Improvement Act of 1996.

■ MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The MD&A is a concise overview of the entire Report. It includes an organizational overview, a summary of the most important performance results and challenges for FY 2003, 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 and addressing the management challenges identified by the General Accounting Office and the Inspector General. The MD&A is supported and supplemented by detailed information contained in the Performance Section, Financial Section and Appendices.



■ INSPECTOR GENERAL'S DISCUSSION AND ANALYSIS

This section is an overview of the Office of Inspector General's FY 2003 performance results, which are addressed in more detail in a separate report and published as an annex to this Performance and Accountability Report, the Inspector General's summary of the most serious management and performance challenges facing the agency and a brief assessment of the agency's progress in addressing those challenges. For more information on the OIG performance report, contact the OIG's Office of Planning, Analysis, and Results at 202-647-6969. You may also view the report on the OIG website (www.oig.state.gov).

■ PERFORMANCE SECTION

This section contains the annual program performance information required by the Government Performance and Results Act of 1993 (GPRA) and combined with the Appendices, include 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 by Strategic Goal with a chapter covering each Strategic Goal. For more information on this section, please contact the Office of Strategic and Performance Planning at (202) 647-0300.

■ FINANCIAL SECTION

This section contains the Department's financial statements and related Independent Auditor's Report; and other agency-specific statutorily required reports 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.

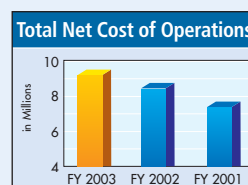
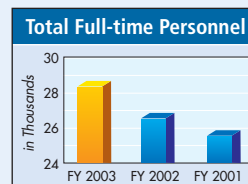
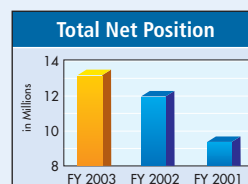
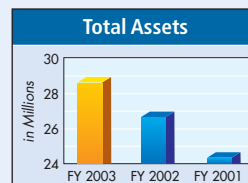
■ APPENDICES

This section contains more detailed information on the Department's performance results including information on sources and reliability of the Department's performance data, Program Evaluations and summaries of OMB's Program Assessment Rating Tool (PART) analyses. Other appendices provide information on the Department locations, key staff and publications, along with a glossary of acronyms.



FINANCIAL AND PERSONNEL HIGHLIGHTS

(Dollars In Thousands)	% Change 2003 over 2002	2003	2002	2001
At End of Year:				
Condensed Balance Sheet Data:				
Investments, Net	+5%	\$ 12,301,173	\$ 11,750,737	\$ 11,206,403
Fund Balances With Treasury	+11%	9,953,197	8,937,139	7,652,119
Property and Equipment, Net	+9%	5,996,493	5,499,850	4,870,466
Other	-1%	643,783	652,431	494,845
Total Assets	+8%	\$ 28,894,646	\$ 26,840,157	\$ 24,223,833
Foreign Service Retirement Actuarial ¹	+7%	\$ 13,093,800	\$ 12,211,800	\$ 11,766,900
Liability to International Organizations	-14%	919,428	1,065,172	1,650,006
Other	+14%	1,767,908	1,547,431	1,393,571
Total Liabilities	+6%	15,781,136	14,824,403	14,810,477
Unexpended Appropriations	+19%	8,536,307	7,154,023	5,961,844
Cumulative Results of Operations	-6%	4,577,203	4,861,731	3,451,512
Total Net Position	+9%	13,113,510	12,015,754	9,413,356
Total Liabilities and Net Position	+8%	\$ 28,894,646	\$ 26,840,157	\$ 24,223,833
Full-time Personnel:				
Civil Service	+10%	7,731	6,999	6,590
Foreign Service	+7%	10,579	9,931	9,162
Foreign Service National	+4%	9,897	9,526	9,852
Total Full-time Personnel	+7%	28,207	26,456	25,604
Foreign Service Annuitants¹	+1%	14,581	14,392	14,768
For the Year:				
Total Cost	+13%	\$ 12,222,640	\$ 10,837,835	\$ 9,986,843
Total Earned Revenue	+27%	(3,163,023)	(2,499,096)	(2,515,702)
Total Net Cost of Operations	+9%	\$ 9,059,617	\$ 8,338,739	\$ 7,471,141
On-Time Payments (%)	-4%	92%	96%	96%
Electronic Funds Transfer Payments (%)	+2%	79%	77%	74%



¹ The Department administers the operations of the Foreign Service Retirement and Disability Fund. This Fund provides annuities to retired members of the Foreign Service (or their survivors).





MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2003 PERFORMANCE AND ACCOUNTABILITY REPORT

MISSION AND ORGANIZATION

American diplomacy in the 21st century is based on fundamental beliefs: our freedom is best protected by ensuring that others are free; our prosperity depends on the prosperity of others; and our security relies on a global effort to secure the rights of all. The history of the American people is the chronicle of our efforts to live up to our ideals. In this moment in history, we recognize that the United States has an immense responsibility to use its power constructively to advance security, democracy, and prosperity around the globe.

Diplomacy is an instrument of power. It is essential for maintaining effective and international relationships, and a principal means by which the United States defends its interests, responds to crises and achieves its foreign policy goals. The Department of State is the lead institution for the conduct of American diplomacy; its mission is based on the Secretary of State's role as the President's principal foreign policy advisor.

MISSION

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

OUR ORGANIZATION

Organizational Structure in Washington, DC

At its headquarters in Washington, D.C., the Department's mission is carried out through six regional bureaus, each of which are responsible for a specific geographic region of the world. The regional bureaus and the overseas posts are supported by functional bureaus and management bureaus which provide policy guidance, program management and administrative expertise in matters such as economics, intelligence, human rights, counterterrorism, humanitarian assistance, and consular services.

Organizational Structure at Embassies

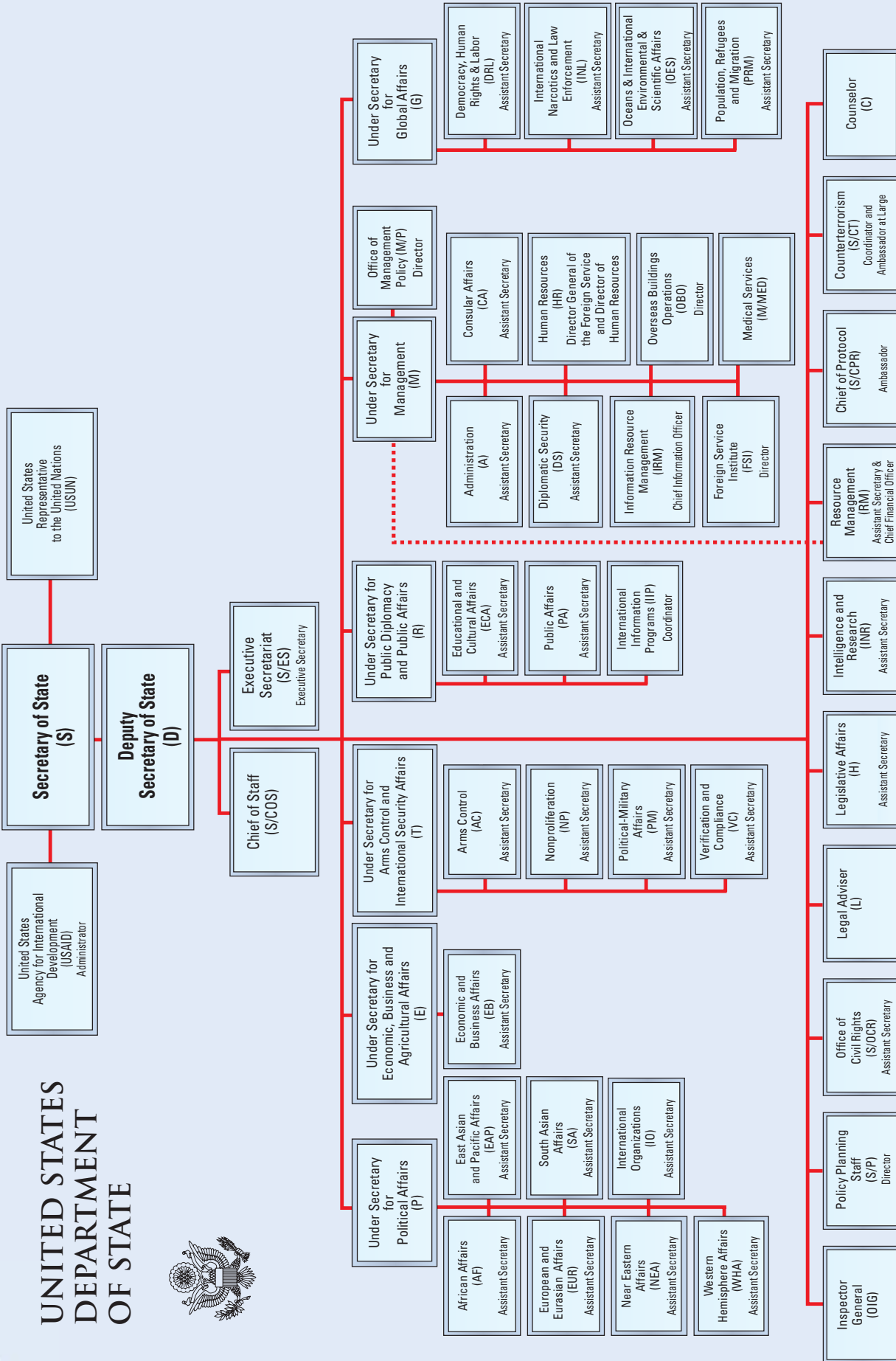
In each Embassy, the Chief of Mission (usually an Ambassador) is responsible for executing U.S. foreign policy goals and coordinating and managing all U.S. Government functions in the host country. The President appoints each Ambassador, whom the Senate confirms. Chiefs of Mission report directly to 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 more than 260 embassies, consulates and other posts worldwide.

Other Key Locations and Offices

The Department also 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; 22 security offices; and two financial service centers.



UNITED STATES DEPARTMENT OF STATE



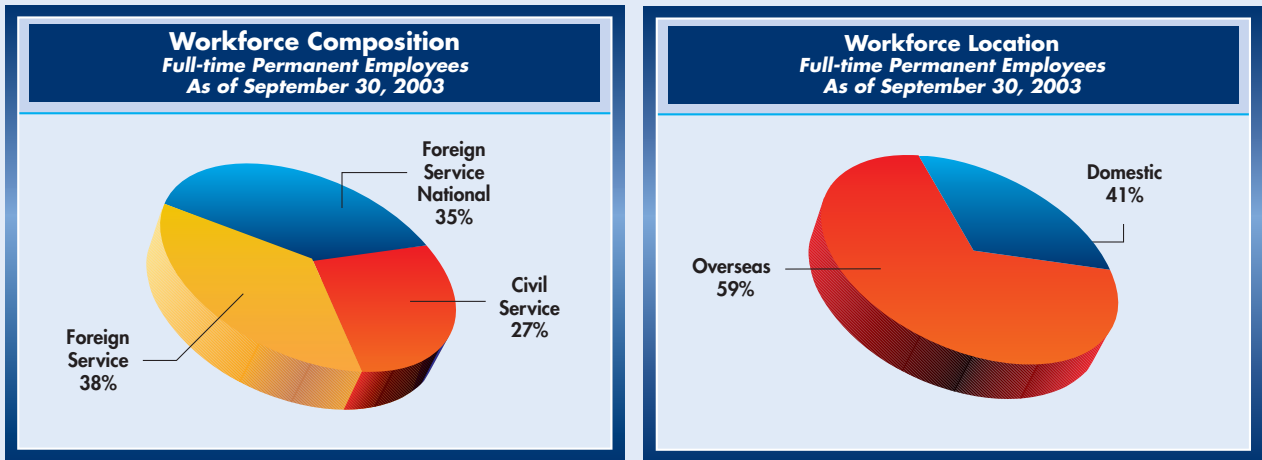
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OUR PEOPLE

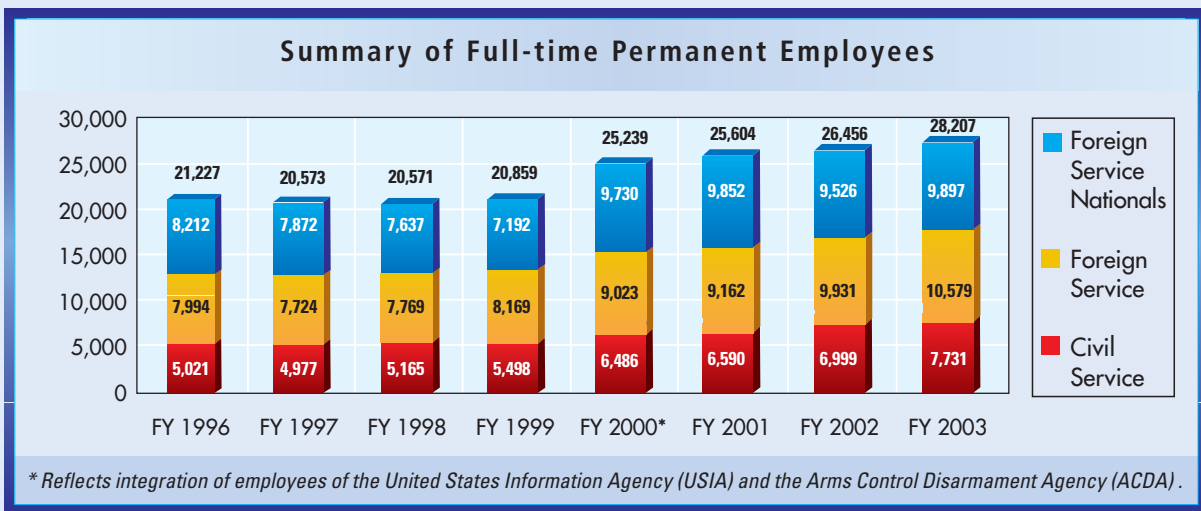
Composition and Number

The Department's workforce consists of more than 28,000 employees in the Civil Service and Foreign Service, and Foreign Service Nationals in the 162 countries where the United States is represented. The pie charts below show the distribution of the workforce among these three categories as well as what proportion of the workforce is located overseas.



Since FY 1996, the total number of employees at the Department has increased by 33% with the greatest increase manifested in the Department's civil service staff which has increased by 54%.

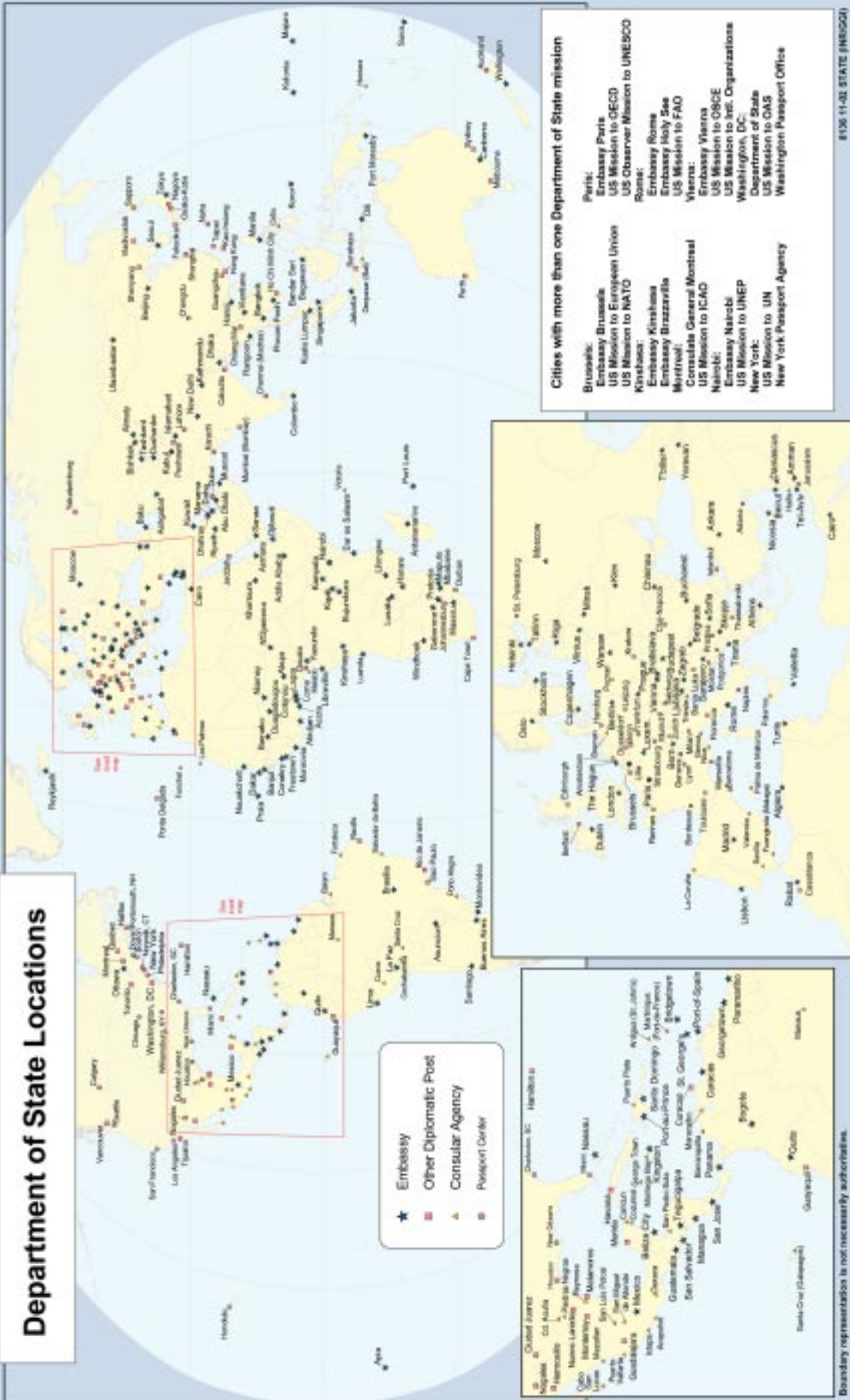
The increases in staff reflect the Department's increased emphasis in the areas of security, public diplomacy, counterterrorism, and management reforms.



WHERE WE ARE LOCATED

As shown on the next page, the Department's embassies, consulates, and passport/visa centers are located throughout the world in support of America's foreign policy goals and to assist Americans traveling abroad.





PERFORMANCE SUMMARY AND HIGHLIGHTS

KEY FOREIGN POLICY ACHIEVEMENTS

The national interest of America involves more than eliminating aggressive threats to our safety. We also stand for the values that defeat violence, and the hope that overcomes hatred. We find our greatest security in the advance of human freedom."

President Bush
U.S. Coast Guard Academy, New London, Connecticut
May 21, 2003

During FY 2003 the Department of State has made substantial progress in advancing the nation's foreign policy agenda as set forth in the National Security Strategy. The Department's work includes shaping the USG's response to immediate and urgent international security concerns such as the war on terrorism, curtailing the spread of weapons of mass destruction, defusing regional conflicts, and managing ongoing operations in Afghanistan and Iraq. In addition, the Department has implemented policies and programs that will bring long-term improvements in the security environment for all Americans while championing human dignity, democracy, and economic prosperity throughout the world.

In 2003, the United States faced immediate challenges in the Middle East, South Asia and East Asia. With the downfall of Saddam Hussein's regime, the United States embarked on a historic mission to transform Iraq into a prosperous, stable and peaceful democracy. We have created the Middle East Partnership Initiative (MEPI) to support democratic, economic and educational reform efforts throughout the entire region. The Department worked to implement the President's vision of peace between Israel and the Palestinian people as outlined in a performance-based roadmap to a negotiated Israeli-Palestinian settlement. The result of this shift has been significant and beneficial pressure to reform the Palestinian Authority.

In South Asia, the Department has shaped ongoing operations in Afghanistan, including helping to build a new system of governance and contributing to reconstruction projects. We have worked to promote cooperation with India, a state with the potential to become one of the great democratic powers of the twenty-first century. Innovations in the US-India relationship include our ongoing discussion about how best to improve ties in the high-tech, civilian nuclear, and space sectors. With regard to Pakistan, the US undertook a long-term commitment to the people of Pakistan centered around a proposed five-year, \$3 billion assistance package to help build a stable and democratic Pakistan.

In East Asia, the Department worked to deepen its ties with China and strengthen its alliance with Japan. The creation of Six Party Talks to deal with the North Korean nuclear problem has brought together all six states of Northeast Asia in an effort to peacefully end North Korea's program; it reflects the growing partnership between the United States, its allies, China and Russia. This innovative approach may have implications for future relations among the nations of this region. We continue to work closely with the nations of Southeast Asia to support regional efforts to strengthen democratic rule, increase economic development and combat terrorism. As examples, the years 2003-2004 will see an unprecedented number of elections for new governments within the region.



In Europe, we have accelerated the Balkan's integration into Euro-Atlantic institutions. We have supported expanding NATO's membership and accelerated its transformation by expanding NATO's operations to Afghanistan and Iraq. We have broadened our cooperation with the European Union, including advancing the Global War on Terrorism. Through the Freedom Support Act, we have promoted economic reform throughout the former Soviet Union and seen significant economic improvement throughout many countries in the region. We also continue to drive home the importance of democratization and human rights in the region and have supported numerous non-governmental organizations in this area.

The Department has strongly supported several peace processes in African states where the parties have demonstrated a willingness to reach a final conclusion, particularly in Sudan. We have played a major role in helping to bring peace and stability to Liberia and in supporting the efforts of the regional leaders to find a lasting solution to the conflict in Burundi.

The Department continues to support efforts to advance economic development and democracy promotion in Latin America. We also continue to cooperate with countries in the region against narco-terrorism, in particular in implementing its security assistance program for Colombia. In the past year, the Department initiated programs aimed at developing agendas for cooperative action with the other main centers of global power. At the United Nations, the Department successfully achieved unanimous endorsement of the Administration's broad approach to Iraq with passage of UNSC Resolution 1511.

To increase efforts to curb the proliferation of WMD, the Department has implemented the President's Proliferation Strategy Initiative (PSI) to interdict WMD activities. The United States and ten other countries agreed to and published a "Statement of Interdiction Principles" and more than 50 additional countries have indicated their support for the PSI. Following successful at-sea exercises conducted in the Coral Sea and the Mediterranean this year, the Department has scheduled a series of interdiction training exercises.

The Department has worked in the past year to implement the President's HIV/AIDS and Millennium Challenge Account (MCA) initiatives, both of which will help develop the capacity of lesser developed countries to address poverty and disease. The Department has also undertaken important steps to combat trafficking in persons. Congress approved the Free Trade Agreements (FTAs) with Chile and Singapore, which were negotiated by the Administration with help from State Department bureaus. FTA negotiations were launched with five Southern African Customs Union (SACU) countries (Botswana, Lesotho, Namibia, South Africa and Swaziland) as well as with the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua (CAFTA).



U.S. President George W. Bush addresses the United Nations General Assembly at the UN Headquarters in New York City.

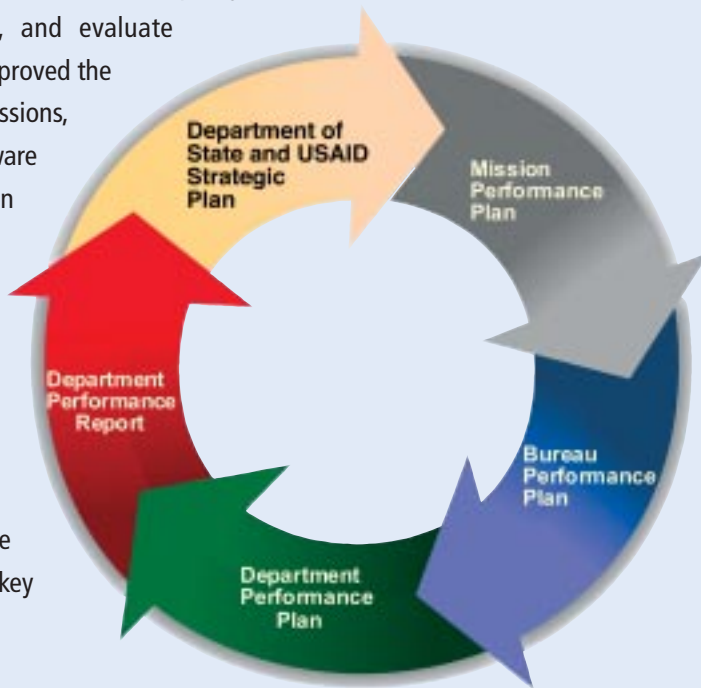
© AP Photo/Jason Szene



PERFORMANCE MANAGEMENT - A LEADERSHIP PRIORITY

The Department uses strategic and performance planning to ensure the organization achieves its objectives and goals, and is committed to utilizing the funds it receives from the American people through the Congress to produce successful results. Under the strong leadership of the Secretary and Deputy Secretary, the Department also has implemented organizational innovations. For the first time, the State Department and USAID have developed and issued a joint Strategic Plan that governs the planning efforts for both agencies for fiscal years 2004-2009. This historic new Strategic Plan utilizes a revised strategic goal framework that better captures and articulates the Department's high priority goals and objectives, shortening the number of goals to better focus policy and management direction. Guided by the new Strategic Plan, the planning and resource allocation process receives the personal attention of the Deputy Secretary on an ongoing basis as he personally leads senior level Policy, Performance and Resource Reviews of all bureau performance and resource plans. Another significant organizational improvement has been the creation of joint State/USAID 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.

The Department's ongoing performance management process is driven by senior leadership direction and coordination. 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. During the past year, the Department has improved the MPPs and BPPs, and fully automated the process. Missions, bureaus and senior officials now have the benefit of software applications that better support decision-making. Based on planning and performance information in the MPPs and BPPs, as well as additional budget information, the Department develops its annual Performance Budget, which focuses on the highest priority issues and is consistent with the high-level Strategic Plan. The annual Performance and Accountability Report demonstrates how well the Department performed in meeting the goals and targets described in the Performance Budget. The graphic at right shows the relationship between the key components of the performance landscape.



The Department's planning documents available to the public can be found on the World Wide Web as follows:

- FY 2003 Performance and Accountability Report: <http://www.state.gov/m/rm/rls/perfrpt/>
- FY 2004-2009 State/USAID Strategic Plan: <http://www.state.gov/m/rm/rls/dosstrat/2004/>
- FY 2004 Performance Plan: <http://www.state.gov/m/rm/rls/perfplan/2004/>



HOW WE ASSESS PERFORMANCE

Six-Tiered 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 of the six components of the pyramid is defined below:

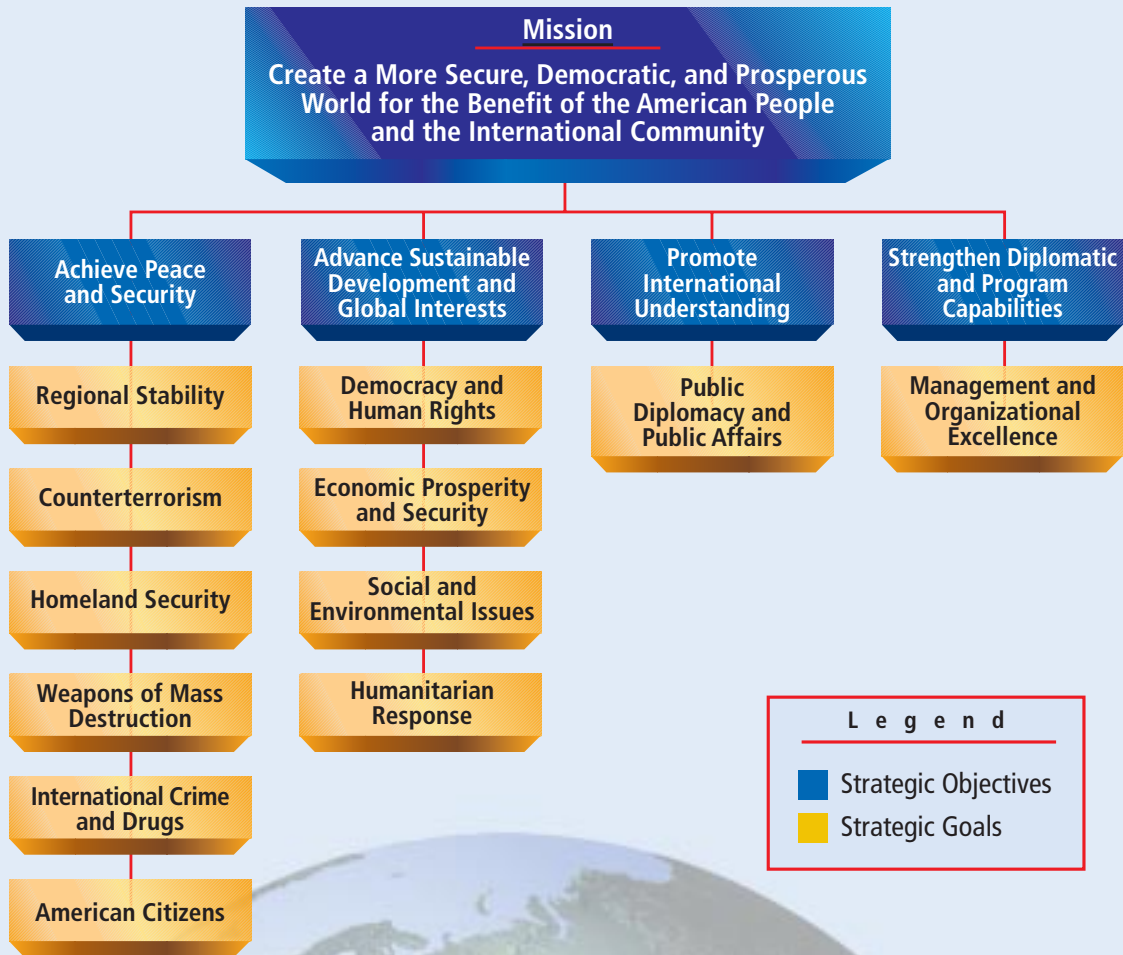
- Strategic Objectives** High level, broad categories of action through which the Department will achieve its strategies and performance goals.
- Strategic Goals** The Department’s long-term goals as detailed in the Strategic Plan.
- Performance Goals** The desired outcomes the Department is planning 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), to which the Department of State devotes significant attention.
- 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 2003 Performance and Accountability Report reports on how well the Department achieved its targets.



STRATEGIC PLANNING FRAMEWORK

Strategic Objectives and Strategic Goals

Within the parameters of the performance management methodology shown on the previous page, the Department focuses its work around twelve strategic goals that capture both the breadth of its mission and its specific responsibilities. The Department’s twelve strategic goals are centered around four core strategic objectives.



Legend

- Strategic Objectives
- Strategic Goals



DEPARTMENT OF STATE STRATEGIC OBJECTIVES AND STRATEGIC GOALS

STRATEGIC OBJECTIVE #1 - Achieve Peace and Security -	
Strategic Goal Title	Strategic Goal Description
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.
STRATEGIC OBJECTIVE #2 - Advance Sustainable Development and Global Interests -	
Strategic Goal Title	Strategic Goal Description
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.
STRATEGIC OBJECTIVE #3 - Promote International Understanding -	
Strategic Goal Title	Strategic Goal Description
Public Diplomacy and Public Affairs	Increase understanding for American values, policies, and initiatives to create a receptive international environment.
STRATEGIC OBJECTIVE #4 - Strengthen Diplomatic and Program Capabilities -	
Strategic Goal Title	Strategic Goal Description
Management and Organizational Excellence	Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.



FY 2003 PERFORMANCE REPORTING IMPROVEMENTS

Seven Areas of Improvement

The FY 2003 Performance and Accountability Report (PAR) incorporates six major improvements that enhance the Report’s usefulness for the Department’s leadership as well as for external stakeholders.

1) Results Presented in Concise Strategic Goal Chapters: The Department provides a robust analysis of its FY 2003 performance within strategic goal chapters which are presented in eight sub-sections:

Sub-Section	Purpose
Public Benefit	A concise narrative describing how pursuit of the goal benefits America and the world.
Selected Performance Trends	Graphs that show key performance trends specific to each goal.
Strategic Context	A table depicting the various components (programs, lead bureaus and external partners) that contributes to accomplishment of a given goal.
Performance Summary	A graphic summary of results achieved for a goal showing both this year’s and last year’s results.
Resources Invested	A summary of resources (dollars and people) devoted to pursuit of the goal for both the current reporting period (FY 2003) and the previous reporting period (FY 2002). The results chart and resource investment are shown on a single page so as to provide the reader with a concise snapshot of performance and resources as related to a given strategic goal.
Illustrative Example	An example of a key FY 2003 achievement that is typical of the Department’s work in support of the goal.
Performance Results	Results history/trend, together with the current rating and a short impact statement pertaining to each of the FY 2003 results achieved.
Program Evaluations and PART Reviews	Summaries of evaluations and reviews conducted on the programs critical to activities related to a given strategic goal.

2) Initiatives and Programs (I/Ps): The Department seeks to achieve outcomes described by performance and strategic goals. Work or activities which contribute to these goals are grouped within specific, coherent functional and/or policy areas or processes termed Initiatives/Programs. I/Ps provide greater clarity and better linkage in terms of how specific performance indicators and performance targets relate to given policies or functions.

3) Improved Performance Indicators and Targets: During FY 2003, the Department continued to evaluate and improve its performance indicators and targets. Over time, the Department has and will continue to replace weak indicators and targets with ones that measure more accurately progress on issues, provide a better measurement of success, and focus on where resources are spent. In many cases, targets and indicators have been modified or clarified, but more work needs to be done in this area. In future years, the Department will be able to present more of its performance results in quantifiable terms using outcome-oriented indicators.



This year to enable the reader to better assess and understand what is being measured, the Department has identified each of its indicators as being one of four types:

- **Input:** Measures the amount of financial or human resources being devoted to a particular activity. Inputs can take the form of skills, technology and methods.
- **Output:** Measures what is produced as a result of resources expended, (i.e., the input level). Outputs can take the form of products or services.
- **Outcome:** Measures the result or outcome that the inputs and outputs produce.
- **Efficiency:** Measures the efficiency of the result(s) achieved. Input divided by output, taking into account the level of input variables as compared to the output(s) produced.

4) Performance Rating System: Last year, the Department implemented a rating tool to assist program managers with evaluating performance results compared to targets. This analytical tool includes specific instructions and objective performance assessment parameters for program managers to use when assigning a rating for a given result. Based on these parameters, managers assign a performance rating that reflects the extent to which a given target was achieved. Since the tool is being used for the second year, the Department developed aggregate-level trend information by performance and strategic goal. This trend information is depicted in various sections of the report.

5) Redesigned Results Appendix: Results information is included in the Management Discussion and Analysis and in the strategic goal chapters in the Performance Section. However, the Report also includes a detailed and re-designed results appendix (see Appendix on CD-ROM, back cover) that provides, where applicable, for each reported 2003 result:

- Initial and revised targets
- Information about data reliability and data availability
- A description of the nature and depth of collaboration with other agencies

6) Assessments of Program Performance: In any given fiscal year, outside organizations perform in-depth assessments of the Department's programs. These assessments benefit the Department because they provide managers with an objective assessment of performance and specific recommendations for improvement. Moreover, these data will help the Department determine whether program managers have incorporated the recommendations for improvement into their strategies for achieving performance targets. In turn, this increases program manager accountability for attaining desired performance levels.

This report contains summaries of these assessments as shown in the following appendices:

- **Appendix** ■ : Completed Program Evaluations (PEs) during FY 2003 by the General Accounting Office, the Department's Inspector General or other entities beginning on page 330.
- **Appendix** ■ : Summaries of OMB's FY 2004 Program Assessment Rating Tool (PART) results beginning on page 346.



7) Use of the Department's New Strategic Planning Framework and Goal Structure: The new framework, a product of many months of high-level collaboration between USAID and the Department, represents a more coherent, concise and logical reflection of how this Department and USAID organize their work towards given results/outcomes. The Department's performance reporting platform for FY 2003 and onwards, as reflected in the report, uses the new planning framework and goal structure. FY 2003 targets developed within the previous framework have been reorganized to conform to the new framework. As required, this report addresses all FY 2003 targets.

FUTURE PERFORMANCE REPORTING IMPROVEMENTS

Two Major Improvements Planned

The FY 2004 Performance and Accountability Report (PAR) will reflect two major improvements.

1) Target Weighting: Using the PAR, the Department defines success in the form of performance results as compared to targets. This year, there are more than 170 separate targets distributed throughout each of the thirty-eight performance goals each having equal weight. When developing the FY 2004 Plan last year, program managers defined the relative importance of each target in terms of its criticality to accomplishment of the corresponding performance goal. Next year, when the Department publishes the FY 2004 PAR, this information will enable the identification of those reported results which are of greater or lesser importance or value.

With this information, the Department's leadership will be able to assess, for each target, not only how well the results matched up against the targets, but how important these results are in the greater scheme of its policy and operational priorities. This will provide an additional tool to better allocate resources and assess results based on program importance.

2) Verification and Validation: Next year, program managers may be required to provide verification and validation "scores" for each of their results. Using standardized checklists currently being developed, managers will analyze each result in terms of specific verification and validation criteria. Based on how well a given result meets the criteria, a high or low verification or validation score would be assigned.

Verification and Validation of Performance Information

Congress and OMB have requested that Offices of Inspector General play a central role in the verification and validation of their respective agency's performance measures. OIG has established a performance goal to evaluate the Department's progress in measuring performance and implementing the President's Management Agenda, and currently reviews applicable and relevant performance measures in the course of its audits and evaluations. OIG will consult with the Department in identifying key measures to be verified and validated, as resources and competing priorities permit, in order to complement and avoid duplicating the Department's own verification and validation efforts. Priority will be given to performance measures related to achieving the President's Management Agenda initiatives, programs being assessed by OMB's Program Assessment Rating Tool, and areas identified by OIG as serious management and performance challenges.



OUR PERFORMANCE RATING SYSTEM

To assess FY 2003 performance results against established targets, the Department applies a results rating methodology. Program managers use this methodology to assign one of five performance ratings for a given result. Based on established parameters shown below, managers assign a performance rating that reflects the extent to which a given target was achieved.

Performance Rating	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Criteria	P a r a m e t e r s				
Target Status	Missed FY 2003 target by a significant margin	Missed FY 2003 target by a slight margin	Met FY 2003 target	Slightly exceeded FY 2003 target	Significantly exceeded FY 2003 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 a few critical deadlines	Met all critical deadlines	Met some critical deadlines early	Met most critical deadlines early
Impact on Future Operations	Significantly impairs program's ability to achieve future years' performance targets, requiring major downward revisions to future targets	Slightly impairs program's ability to achieve future years' performance targets, requiring minimal downward revisions to future targets	No change in program's ability to achieve future years' performance targets	Slightly improves program's ability to achieve future years' performance targets, requiring minimal upward increases to future targets	Significantly improves program's ability to achieve future years' performance targets, requiring major upward increases to future targets

This methodology represents an important step toward using a standard tool to evaluate the Department's work. However, to correctly interpret the numerical analysis of the report, it is important to note the following:

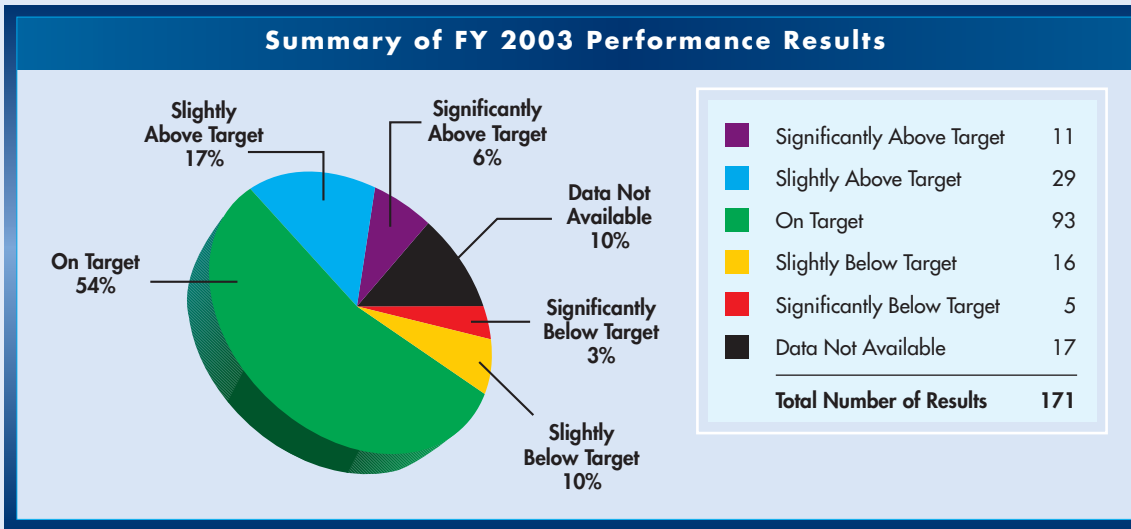
- **Target Weights:** The FY 2003 targets for each annual goal were weighted equally. Beginning in FY 2004, the Department intends to assign a weight to each performance target and apply those weights to the performance results.
- **No Data Available:** The Department could not report some performance results. In the majority of cases this was due to lagging, calendar year-based data.



SUMMARY OF FY 2003 PERFORMANCE RESULTS

Summary of All Results

The following pie chart shows the ratings distribution for all performance results reported in FY 2003. As shown below, 77% of the results were “on target” or above, meaning performance results met or exceeded performance targets. This represents an improvement over FY 2002, when 68% of results met or exceeded performance targets.



Summary of Strategic Goal Results

This table shows for each strategic goal the average of the performance ratings for all reported results.

Average Performance Rating ¹			
Strategic Goal	FY 2002	FY 2003	Change From Last Year
1 Regional Stability	Slightly Below Target	Slightly Below Target	↔
2 Counterterrorism	On Target	On Target	↔
3 Homeland Security	Slightly Below Target	On Target	↑
4 Weapons of Mass Destruction	On Target	On Target	↔
5 International Crime and Drugs	Slightly Below Target	On Target	↑
6 American Citizens	On Target	Slightly Below Target	↓
7 Democracy and Human Rights	Slightly Below Target	Slightly Below Target	↔
8 Economic Prosperity and Security	Slightly Below Target	On Target	↑
9 Social and Environmental Issues	On Target	On Target	↔
10 Humanitarian Response	On Target	On Target	↔
11 Public Diplomacy and Public Affairs	On Target	On Target	↔
12 Management and Organizational Excellence	On Target	On Target	↔

¹ Based on the average of all performance result ratings within a strategic goal.



Summary Performance Goal Results

The table below provides performance results for each of the Department's FY 2003 performance goals. The inverted black triangle represents the average of all performance ratings assigned to results associated with the Performance Goal. The numbers below the rating scale show how the ratings were distributed among the reported FY 2003 results. In addition, for comparison purposes, the FY 2002 performance rating average is represented by the inverted gray triangle.

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

¹ The chart depicts data for "reported results" (i.e., targets for which data were available). In some instances, for a given performance goal, the number of reported results might be less than the number of targets because data was unavailable to produce a results rating.



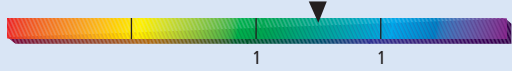
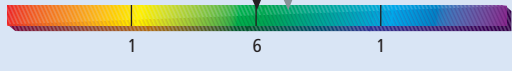

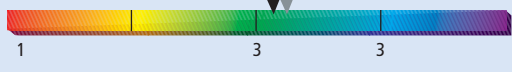
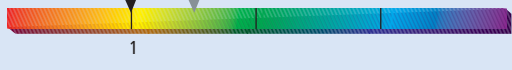
² No gray triangle is shown for this performance goal because this goal was new for FY 2003.

³ Department of State and USAID share the same goal framework.



Strategic Goal	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Weapons of Mass Destruction	Bilateral measures, including the promotion of new technologies, combat the proliferation of WMD and reduce stockpiles. <i>6 Results</i>					
	Strengthened multilateral WMD agreements and nuclear energy cooperation under appropriate conditions. <i>6 Results</i>					
	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>5 Results</i>					
International Crime and Drugs	International trafficking in drugs, persons, and other illicit goods disrupted and criminal organizations dismantled. <i>4 Results</i>					
	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>4 Results</i>					
American Citizens	U.S. citizens have the consular information, services, and protection they need to reside, conduct business, or travel abroad. <i>3 Results</i>					
	Effective and timely passport issuance, with document integrity assured. <i>2 Results</i>					
Democracy and Human Rights	Measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices. <i>2 Results</i>					
	Universal standards protect human rights, including the rights of women and ethnic minorities, religious freedom, worker rights, and the reduction of child labor. <i>8 Results</i>					



Strategic Goal	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Economic Prosperity and Security	Institutions, laws, and policies foster private sector-led growth, macroeconomic stability, and poverty reduction. <i>1 Result</i>					
	Increased trade and investment achieved through market-opening international agreements and further integration of developing countries into the trading system. <i>7 Results</i>					
	Secure and stable financial and energy markets. ¹ <i>2 Results</i>					
	Enhanced food security and agricultural development.	USAID addresses this performance goal ²				
Social and Environmental Issues	Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis. <i>8 Results</i>					
	Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and resource management. <i>9 Results</i>					
	Broader access to quality education with emphasis on primary school completion.	USAID addresses this performance goal ²				
	Effective and humane international migration policies and systems.	At the time the Department was developing FY 2003 targets, this performance goal did not exist and no targets were developed. Therefore, for FY 2003 performance reporting purposes, no results are being reported. Targets have been developed for FY 2004 and beyond. Results will be reported in future performance reports.				
Humanitarian Response	Effective protection, assistance, and durable solutions for refugees, internally displaced persons, and conflict victims. <i>7 Results</i>					
	Improved capacity of host countries and the international community to reduce vulnerabilities to disasters and anticipate and respond to humanitarian emergencies. <i>1 Result</i>					

¹ No gray triangle is shown for this performance goal because this goal was new for FY 2003.

² Department of State and USAID share the same goal framework.



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

¹ No gray triangle is shown for this performance goal because this goal was new for FY 2003.



MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

During FY 2003, the Department responded on many levels to the many challenges the United States is facing. Highlights of the most important results and continuing challenges are shown below by strategic goal:

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES	
Results	Challenges
REGIONAL STABILITY	
<ul style="list-style-type: none"> ◆ The U.S. led unprecedented international coalitions to remove terrorist regimes in Afghanistan and Iraq. ◆ Transformation of NATO through new capabilities, new members, and new relationships to meet the challenges of the 21st century. ◆ Participation by other countries in UN-sponsored and other international peacekeeping operations. ◆ China hosted and facilitated six-party talks between the U.S. and North Korea. China's ongoing efforts have been key to North Korea agreeing to future rounds of discussion. 	<ul style="list-style-type: none"> ◆ Facilitate reconstruction and establishment of a democratic political, social and economic system in Iraq. ◆ Pursue the Road Map solution to the Israeli-Palestinian problem. ◆ Improve the status of relations between Pakistan and India on Kashmir.
COUNTERTERRORISM	
<ul style="list-style-type: none"> ◆ The Top Officials (TOPOFF II) exercise, the first major exercise for the new Department of Homeland Security, was significantly enhanced over TOPOFF I (May 2000) by emphasizing the vital foreign policy implications of major domestic terrorist incidents. ◆ The Technical Support Working Group (TSWG) completed work on and fielded a number of products that substantially upgraded operational capabilities of the first responder communities throughout the U.S. as well as the security posture of USG departments and agencies. 	<ul style="list-style-type: none"> ◆ Further expand cooperative R&D work with existing foreign partners (UK, Canada, Israel), and engage at least two additional foreign partners in programs of cooperative R&D that benefit all nations and support US objectives in the Global War on Terrorism. ◆ Program expansion can only be accomplished with additional financial resources which can be used to leverage additional funding from our U.S. and foreign partners.
HOMELAND SECURITY	
<ul style="list-style-type: none"> ◆ Signed a Memorandum of Understanding with the Department of Homeland Security setting the terms under which officers of the two Departments will work together in the granting or refusal of visas. ◆ Greatly increased the percentage of nonimmigrant visa applicants interviewed worldwide. New regulations implemented which limit waiver of personal appearance for nonimmigrant visa applicants to only a few categories of exceptions, such as diplomats, children, and the elderly. ◆ Mandated a special worldwide review of management controls in September 2002 and again in August 2003. This is now being made a required annual report for all consular sections. ◆ Changed the basic consular training course to strengthen material on fraud, malfeasance, ethics, and terrorism in addition to new material on interviewing techniques, accountability and management issues, and computer systems security. The time devoted to interviewing skills training in the Basic Consular Course has increased significantly, from the pre-9/11 6½ hours to 16 hours. ◆ Began collecting biometrics from non-immigrant visa applicants at San Salvador, Brussels, Frankfurt and Guatemala City. 	<ul style="list-style-type: none"> ◆ The USA Patriot Act requires that U.S. visas use biometric identifiers by October 26, 2004. The Department began phased implementation of biometric (fingerprint) collection in September 2003. All posts will be collecting biometrics by October 2004. ◆ Continue to expand datashare opportunities with federal agencies, maximizing the value of consular data to the USG while developing procedures to ensure proper use of this information. ◆ Continue working on a number of programs with Canada and Mexico as part of the U.S.-Canada Smart Border Action Plan (30 point plan) and U.S.-Mexico Border Partnership (22 point plan). As concerns the movement of people, the Department is working on agreements to share Advance Passenger Information/Passenger Name Records for airline passengers entering the U.S., Canada, or Mexico. The Department is also working with both these countries (NEXUS with Canada and SENTRI with Mexico) to expand frequent traveler programs to allow faster crossings for bona fide travelers.



MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results

Challenges

WEAPONS OF MASS DESTRUCTION

- ◆ The Department has led the interagency effort to implement the Proliferation Security Initiative (PSI). The eleven PSI-participant nations have agreed to move rapidly on direct measures to impede trafficking in weapons of mass destruction, missiles and related items and have agreed on a set of principles that can guide interdiction efforts.
- ◆ Entry into force of the Moscow Treaty, and initiation of U.S.-Russian working groups to exchange information and foster transparency regarding offensive nuclear forces and missile defense.
- ◆ Significant recovery of the Organization for the Prohibition of Chemical Weapons from financial and administrative crises of previous years, giving strong hope that it will fully carry out its responsibilities for implementing the Chemical Weapons Convention.
- ◆ Impeded Iran's nuclear weapons program by locking in international consensus that Iran's clandestine nuclear activities are of great concern; Led the IAEA Board of Governors in September 2003 to adopt a resolution giving Iran an October 31 deadline to fully cooperate with IAEA investigations and answer all outstanding IAEA questions about its nuclear activities, as well as to sign and implement an Additional Protocol and to suspend enrichment related and reprocessing activity. Strengthened the international consensus against cooperation with Iran until all safeguards questions are resolved.

- ◆ Biological Weapons Convention (BWC) States Parties need to take actions to improve their legal structures and enforcement against biological weapons activities, and coordinate with other BWC States Parties in controlling the biological weapons threat.
- ◆ Agreement on a set of principles that can guide interdiction efforts.
- ◆ Meeting the IAEA Statute's obligation to find Iran in noncompliance to the UN security council.
- ◆ Continuing to build international consensus that the suspension of Iran's enrichment and reprocessing activities must transition into permanent abandonment of those activities.
- ◆ Maintaining intense IAEA and international scrutiny of Iran's nuclear activities.
- ◆ Ensuring that Iran sees no "carrots" for ending its sensitive nuclear pursuits until cessation of such activities can be fully verified.

INTERNATIONAL CRIME AND DRUGS

- ◆ Projected reduction in coca cultivation in Colombia, for second year in a row.
- ◆ Completion of agreement, including new safety rules, with Colombia to reestablish the Air Bridge Denial Program. Negotiations opened with Peru to establish a similar program.
- ◆ Colombian Government security presence extended more than 150 of 160 municipalities previously devoid of any law enforcement presence. More than eighty Colombian nationals extradited to U.S. on narcotics or money laundering charges.
- ◆ UN Convention on Transnational Organized Crime and Supplemental Protocol on Trafficking in Persons entered into force. Agreement reached on UN Convention Against Corruption, with signing ceremony set for December.
- ◆ Assessments completed and assistance initiated or continued to 16 of 19 priority countries most vulnerable to terrorist financing. The multilateral Financial Action Task Force "graduated" five countries from its "blacklist" of Non-Cooperating Countries and Territories because of improvements in their anti-money laundering laws and practices.

- ◆ Domestic – sometimes violent – opposition to coca eradication programs in Peru and Bolivia threaten to undercut government resolve in carrying out eradication programs that have proved successful in the past.
- ◆ The inability of the Afghan national government to extend its security and law enforcement authority to outlying provinces continues to undercut Afghan and international efforts to curb opium poppy cultivation and heroin trafficking.
- ◆ Lack of absorptive capacity and political will continue to hamper and slow the development of viable money-laundering regimes in many priority terrorist-financing countries.
- ◆ More generally, lack of institutional capacity in many key countries – some of them havens for international crime – means that strengthening justice sectors will be a long and slow process.
- ◆ Drug traffickers and other international crime groups continue to be exceedingly adept at making use of the latest technological advances and equipment to protect and advance their operations.



MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results	Challenges
AMERICAN CITIZENS	
<ul style="list-style-type: none"> ◆ The Passport Records Imaging System Management (PRISM) database has been deployed at all domestic passport facilities. Users can now immediately retrieve electronic records within minutes of passport issuance. ◆ Implemented Passport Information Electronic Retrieval System (PIERS), an improved data management system that allows approved users worldwide to access passport records (through OpenNet). This system will also facilitate interagency data sharing as proper data sharing agreements are formulated. 	<ul style="list-style-type: none"> ◆ The web site for international travelers, travel.state.gov, recorded 198.5 million hits in FY 2003, averaging almost 544,000 hits per day, compared to 128 million hits with a daily average of 347,254 in FY 2002. Enhancements to the web site include an automatic date/time confirmation that travel safety information is current and additional electronic forms. ◆ Development/deployment of a new Intelligent Passport that contains an embedded Integrated Circuit that will carry biometric data. ◆ Implementation of the Intercountry Adoption Act. ◆ Preparations for requirement that U.S. citizens have a U.S. passport for all travel within the Western Hemisphere.
DEMOCRACY AND HUMAN RIGHTS	
<ul style="list-style-type: none"> ◆ Achieved G-8 commitment to increase international cooperation to combat corruption, deny safe haven to corrupt officials, those who corrupt them, their dependents, and to identify and repatriate funds stolen through acts of corruption. ◆ Continued implementation of the Inter-American Anticorruption Convention (IACAC) Follow-Up Mechanism. The IACAC is one of the most important, and the largest of the regional anticorruption mechanisms. ◆ Completed negotiations of a comprehensive United Nations Anticorruption Convention. ◆ For the first time, comprehensive programs in China were supported through DRL's Human Rights and Democracy Fund to press for structural reforms in the areas of rule of law and democracy. ◆ Public-private partnerships and voluntary codes of conduct advanced respect for rule of law and worker rights. Worker rights provisions were negotiated for free trade agreements. Worker organizations multiplied in Middle East. 	<ul style="list-style-type: none"> ◆ Community of Democracies established as viable multilateral instrument for consolidating democracy. Advances in democracy are now backed by institutions for mutual support, in several regions, to cope with potential crises in democracy. ◆ Accelerating the rate of implementation of global anticorruption and transparency commitments such as those adopted in the Global Forum on Fighting Corruption, regional mechanisms, and treaty law. ◆ Work continues in pressing for positive results in the make-up of the UN Commission on Human Rights to enable serious resolutions and effective measures addressing the worst human rights violations. ◆ Regional capacities to deal with recalcitrant regimes (e.g., Burma, Zimbabwe, Cuba) are still growing. ◆ Additional steps to increase interagency coordination and information sharing are necessary to sharpen global strategies and individual program implementation.



MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results	Challenges
ECONOMIC PROSPERITY AND SECURITY	
<ul style="list-style-type: none"> ◆ Began the reconstruction of Iraq and Afghanistan. ◆ Promoted regional and global economic growth through enhanced growth of financial markets and international cooperation on assistance programs. ◆ Developed diversified, reliable supplies of energy to reduce dependence on any one source. ◆ Managed economic aspects of U.S. engagement with the frontline states in the battle to defeat terrorism. ◆ Protected and expanded transportation and communications networks through international cooperation on cargo and passenger security measures, Open Skies agreements, and telecommunications negotiations. ◆ Coordinated international efforts to block terrorists' funds and terrorists' ability to use the global financial system. ◆ Concluded and obtained ratification by Congress of Free Trade Agreements (FTAs) with Singapore and Chile. 	<ul style="list-style-type: none"> ◆ Managing a growing workload on an increasing number of issues related to economic prosperity and security including terrorist financing, post-conflict economic reconstruction and trade negotiations. ◆ Resolving differences with 33 hemispheric partners over desired scope of Free Trade Area of the Americas Agreement by January 2005 deadline. Most difficult issues with Brazil, other Mercosur members and Caricom countries. ◆ Managing workload inherent in stepped up negotiation of Bilateral Free Trade Agreements. ◆ Resolving differences blocking resumption of Doha Round WTO negotiations among WTO members regarding Singapore issues (investment, services, etc), agricultural subsidies and other issues.
SOCIAL AND ENVIRONMENTAL ISSUES	
<ul style="list-style-type: none"> ◆ Thanks to the Global Health Security Action Group and other bioterrorism activities, countries can take more appropriate action in case of a bioterrorism attack. ◆ Progress continues in the battle against HIV/AIDS. Diplomatic outreach efforts have mobilized political leadership around the world, a basic step in the fight. ◆ Key conservation management agreements were renegotiated to include forward-looking provisions of current international fisheries law and practice. ◆ CSD reforms are a leading example of UN reform efforts and are helping to catalyze a shift in emphasis from norm-setting toward implementation of sustainable development. ◆ A range of cooperative activities in the areas of climate change and clean energy technologies initiated or advanced with 13 bilateral partners and through multilateral initiatives. ◆ The U.S. hosts ministerial-level Earth Observation Summit to promote the development and financial support of an integrated and sustained earth observation system, designed to link climate, terrestrial and oceans observing datasets. ◆ Significant progress is made through DOS-led White Water to Blue Water Initiative to energize partnerships to address integrated approaches to watershed and marine ecosystems management in the Caribbean. 	<ul style="list-style-type: none"> ◆ The worst of the AIDS epidemic lies ahead. Implementing the President's Emergency Plan will help alleviate the effects. ◆ Most countries have inadequate systems to detect or respond to either natural or deliberate (terrorist) outbreaks of disease and climate forecasts which can influence such things as the vulnerability of living resources and the likelihood of disease outbreaks. ◆ Illegal, unregulated, and unreported (IUU) fishing activities and increasing or transferred fishing vessel capacity continues to undermine efforts to manage fisheries resources. ◆ Maintain focus on promoting good governance, economic growth with emphasis on poverty reduction and investment in people as best way to address social needs in the Western Hemisphere. Ensure that these approaches form centerpiece of January 2004 Special Summit of the Americas. ◆ Science and Technology agreements need to better serve the interagency and broader scientific community by addressing such issues as intellectual property, liability, and taxation issues in practical terms and in streamlining the process for authorizing negotiations of agency-level agreements.



MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results	Challenges
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HUMANITARIAN RESPONSE

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| <ul style="list-style-type: none"> ◆ Contingency planning and effective response averted a humanitarian disaster in Iraq. The Department's work and participation in interagency efforts ensured that adequate food, medical supplies and other humanitarian aid were provided to populations in need. ◆ The Department supported operations to assist refugees' return and reintegration to Afghanistan, and Angola among other countries. Over 520,000 refugees returned to Afghanistan and roughly 70,000 refugees returned to Angola in FY 2003. ◆ The Department funded an expanded UNHCR capacity to identify and refer refugees for resettlement to the United States, which is expected to result in greater refugee admissions. ◆ The World Food Program's efficient and coordinated response to the food crisis in southern Africa averted starvation. | <ul style="list-style-type: none"> ◆ Lack of security continues to put at risk refugees and those who assist them. ◆ Security challenges in overseas refugee processing locations will continue to impede USG efforts to maintain a robust resettlement program. ◆ Information on refugee health remains difficult to collect and analyze. The Department will continue to support collaborative efforts to standardize methodology and improve collection of data on mortality and nutrition in refugee situations, humanitarian emergencies and other conflict settings. ◆ Despite a strong U.S. commitment, contributions from other donors perennially fall short of world food needs. The Department will continue efforts to mobilize donor contributions to the World Food Program, including "twinning," an approach that matches non-traditional donors of cash with non-traditional donors of food. |
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PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

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| <ul style="list-style-type: none"> ◆ President Bush delivered the 213th State of the Union address before the largest worldwide audience ever on January 28, 2003. Tens of millions of people around the globe were able to have access to the speech live on television, and on the Internet, in multiple languages. ◆ Since its inception in 2001, the Department's Chinese-language Internet service, Meiguo Cankao (MCGK), has firmly established itself as the authoritative source on America and its policies and a main source of world news for Chinese readers. MCGK gets an average of 20,000 requests for pages daily and is read by the major Chinese sites. MCGK's material invariably appears with attribution, notable given the tightly controlled nature of the official Chinese news environment. ◆ One hundred thirty one students from communities at risk in countries of priority in the War on Terrorism are studying in U.S. high schools under the Partnerships for Learning YES Youth Exchange. ◆ As of July 2003, the Department's publication, A Responsible Press Office: An Insider's Guide, has been distributed in 18 languages. Presidential/prime ministerial spokespersons have reported using the publication with staffs, in seminars and in organizing their offices. One prime minister began open discussions with the press after reading the volume and a presidential spokesperson in another reported the publication "saved our lives." | <ul style="list-style-type: none"> ◆ A major effort is needed for more effective communication with the Muslim and Arab worlds and to counter the impact of hostile influences. ◆ Anti-American editorial slants in much of the Arabic press make it difficult to get out our message. Pan-Arab satellite television has become the most important element in forming Arab public opinion, but anti-American commentary dominates many of the stations. We are placing greater emphasis on placement of positive articles on the U.S. and gaining more access for American speakers on the air in order to give more objective exposure to the general public on USG policies. ◆ The Department needs to augment current public diplomacy evaluation techniques, and rely more on expert professional resources to help base our programs on solid public opinion attitudes and information. A culture of measurement must reach all public diplomacy structures. ◆ Border and visa security issues, SARS and the War in Iraq affected exchanges in 2003 and are expected to continue as challenges to the exchange of persons in 2004. ◆ The Department will continue to intensify its reach to younger and wider audiences throughout the world. |
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MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES	
Results	Challenges
MANAGEMENT AND ORGANIZATIONAL EXCELLENCE	
<ul style="list-style-type: none"> ◆ Eighty percent of our diplomatic missions overseas that were at low and medium threat security levels have been brought to a high threat defensive posture thereby affording the Department's employees with greater protection. ◆ The Department has tripled the number of background re-investigations completed annually to ensure the integrity of our workforce and protect national security information. ◆ For the first time in several years the Department has reduced hiring deficits in Foreign Service career tracks and has robust pipelines for future hiring. ◆ The Civil Service hiring process has been augmented with creative pipeline type approaches that seek to minimize staffing gaps in those skill areas that have frequent vacancies. ◆ The Department's network availability was increased to 98%, providing more reliable communications to Department employees worldwide than ever before. ◆ The implementation of the OpenNetPlus program accomplished the Secretary's highest IT priority plus providing worldwide desktop Internet access for over 43,000 Department users. 	<ul style="list-style-type: none"> ◆ Sustain recent improvements and support the expansion of critical security initiatives around the world. ◆ The Department worked with OMB to develop a capital replacement program that requires agencies with an overseas presence to pay their fair share of urgent, security-driven capital construction projects undertaken to replace embassy and consulate compounds at the most vulnerable posts thereby encouraging rightsizing and accelerating construction.



ILLUSTRATIVE EXAMPLES OF SIGNIFICANT ACHIEVEMENTS

STRATEGIC GOAL #1: REGIONAL STABILITY

Man-Portable Air-Defense Systems (MANPADS)

The State Department led the international effort to prevent terrorists from acquiring MANPADS, more commonly known as shoulder-fired missiles, that could be used to shoot down civilian airliners and government aircraft. Under U.S. leadership the G-8 agreed to: strengthen export controls (including limiting transfers to those between governments); research access controls for newly produced MANPADS; strengthen security of government stocks; and destroy those that are surplus to defense needs. The Department is leading a similar effort in the Wassenaar arrangement, which will affect most producers of MANPADS. We are also working closely with Russia to support their effort to gain control of those MANPADS in the CIS. The State Department secured commitments from six countries to destroy almost 9,500 MANPADS (approximately 1% of the MANPADS that have ever been produced). Almost 1,200 were destroyed by the end of FY 2003.



A member of the NATO-led peacekeeping force in Bosnia detonates a controlled explosion to destroy six shoulder launched anti aircraft missiles in a remote mountain area near Sarajevo. The United States has asked all of its friends to dispose of obsolete MANPADS because they pose a serious threat to civil and military aviation in the wrong hands. © AP Photo

STRATEGIC GOAL #2: COUNTERTERRORISM

Terrorist Interdiction Program (TIP)



During FY 2003, 12 nations expanded their partnership with the United States in the global fight against terrorism by agreeing to accept TIP to strengthen control of their air, land and sea ports of entry. By assisting these nations to secure their borders, TIP has enhanced the security of all Americans, including those who live and travel abroad. TIP has broadened cooperation and strengthened a shared sense of urgency between the United States and these nations in the effort to defeat international terrorism, and in several cases, has served as the cornerstone of an evolving comprehensive mutual counterterrorism strategy. Finally, the information provided by nations operating TIP has significantly broadened our understanding of terrorist movements and methods.

Philippine military officials ride on a combat boat during a demonstration in Manila Bay. The new boats are part of the Philippine Navy's modernization program to better fight terrorists, poachers, pirates and drug smugglers. The Philippines is one of 12 countries to partner with the United States in the Terrorist Interdiction Program. © AP 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. Nineteen of the 20 largest world 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 sixteen ports (as of September 30, 2003) 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.

Department of State Photo

STRATEGIC GOAL #4: WEAPONS OF MASS DESTRUCTION

Cooperation with Russia on New Strategic Framework

In June 2003, the U.S.-Russian Treaty on Strategic Offensive Reductions entered into force, reflecting the dramatic shift from Cold War rivalry to partnership based on the principles of mutual security, trust, openness, and cooperation. The Treaty binds the U.S. and Russia to reduce the levels of strategic nuclear warheads by the end of 2012 to between 1,700 and 2,200 - about one-third of current levels.

© AP Photo



STRATEGIC GOAL #5: INTERNATIONAL CRIME AND DRUGS

Trafficking in Persons

There are an estimated 800,000 to 4 million persons trafficked annually across and within international borders. Approximately 20,000 victims of trafficking are brought into the United States each year. The Department and a consortium of U.S. NGOs hosted



Secretary of State Colin Powell holds up the State Department's third annual report on human trafficking during a news conference in Washington. Fifteen countries, including U.S. allies Greece and Turkey, have made no significant efforts to stop trafficking in humans and may face sanctions, the State Department report said. © AP Photo/Charles Dharapak

an innovative international conference on best practices, bringing together 400 NGO and government representatives who are on the frontlines of the war to combat slavery. Since the conference, two countries are now working collaboratively on trafficking cases and participants from the Western Hemisphere have formed a listserv on the Internet as a means of exchanging information. The Department significantly strengthened the annual Trafficking in Persons report by adding 26 new countries, incorporating new law enforcement data, and adding new features, such as victims stories and color photographs, sections on best practices, areas for improvement, and special cases, and a special matrix of relevant international conventions. Department funding facilitated the development of a regional action plan on combating trafficking in persons that was adopted by the member states of the Economic Community of West African States (ECOWAS). ECOWAS countries are in the process of developing national action plans, revising their legislation and identifying national points of contact.

STRATEGIC GOAL #6: AMERICAN CITIZENS

International Child Abduction

In January, Assistant Secretary for Consular Affairs Harty traveled to Saudi Arabia, Lebanon and Syria and raised the issue of international parental child abduction with senior government officials in each country. Since then ten Americans involved in such situations have been able to return to the United States from those countries. She visited Saudi Arabia again in April to emphasize the same concerns. Department officials meet regularly with Saudi officials, both in Washington and Riyadh, to seek solutions in specific cases and to find more systematic ways to address the problem of international parental child abduction. The Bureau of Consular Affairs hosted "Town Hall" meetings in February and July that were attended by over 75 left-behind parents. Parents identified ways the Department can serve them better.



U.S. Assistant Secretary for Consular Affairs Maura Harty visits American citizen children overseas (shown with their grandmother), on behalf of their mother in the U.S., from whom the children had been abducted at an early age by her foreign ex-husband. Department of State Photo



STRATEGIC GOAL #7: DEMOCRACY AND HUMAN RIGHTS

Anti-Semitism in Europe

The Department led the effort in the Organization for Security and Cooperation in Europe to hold a conference on Anti-Semitism. The U.S. delegation was led by Rudolph Giuliani and included members of Congress and NGO leaders. The gathering defined anti-semitism as a human rights issue and tasked the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) to serve as a collection point for hate crime information and statistics and to promote best practices in the fight against intolerance. The German government will host a follow-up meeting in Berlin next April. No regional or international organization had previously treated anti-semitism as a human rights matter



Former New York Mayor and Chairman of the U.S. delegation Rudolph Giuliani, Federal Government Commissioner for Human rights, Policy and Humanitarian Aid Claudia Roth from Germany and Head of the Albanian Delegation Zef Mazi, from left, participate in a conference on anti-semitism organized by the Organization for Security and Cooperation in Europe (OSCE) at Vienna's Hofburg palace. © AP Photo/Ronald Zak

STRATEGIC GOAL #8: ECONOMIC PROSPERITY AND SECURITY

Terrorism Financing



Jimmy Gurule, left, Under Secretary for Enforcement, U.S. Department of the Treasury, testifies during a Senate Judiciary Committee hearing on terrorism financing, in Washington. © AP Photo/Ken Lambert

State, Treasury, Justice, FBI, the Department of Homeland Security and other agencies all work together in the fight against terrorism finance. The U.S. supported the submission by many countries of al-Qaida-linked names for inclusion in the UN asset-freeze list, requiring all countries to act against these names. We have taken action — including asset-freezing — against charities supporting terrorism, creating an incentive for charities worldwide to ensure their funds are not being diverted to terrorist organizations. In addition many essential complementary actions have also been taken. These include the building of an international alliance against terrorism, training and technical assistance to help countries develop the capacity to fight terrorist financing, the development of international standards, and the exploitation of intelligence. All of these efforts work together to protect the United States and our allies from the scourge of terrorism now and in the future.



STRATEGIC GOAL #9: SOCIAL AND ENVIRONMENTAL ISSUES

The President's Emergency Plan for AIDS Relief



President Bush and Secretary Powell at a State Department Bill signing ceremony for the U.S. Leadership Against HIV/AIDS, Tuberculosis and Malaria Act of 2003. State Department photo by Michael Gross

President Bush announced his Emergency Plan for AIDS Relief in January 2003. It will provide \$15 billion, including nearly \$10 billion in new funding, to fight the HIV/AIDS pandemic over the next five years, focusing on 14 of the hardest hit countries. The Emergency Plan pledges \$1 billion to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) over the next 5 years, increasing the total U.S. commitment to over \$1.6 billion since the Fund's inception. The U.S. Leadership Against HIV/AIDS, Tuberculosis and Malaria Act, authorizing the initiative, was passed in May 2003. Ambassador Randall Tobias was confirmed in October as Global AIDS Coordinator to administer the Emergency Plan.

STRATEGIC GOAL #10: HUMANITARIAN RESPONSE

Angola Repatriation

The end of civil war in Angola has made it possible for hundreds of thousands of refugees and internally displaced persons (IDPs) to return home, many of whom were displaced as long ago as 1965. In June 2003, the UN High Commissioner for Refugees (UNHCR) launched a major repatriation operation to facilitate the return of some 400,000 Angolan refugees from neighboring countries. The Department contributed over \$12.6 million in support of Angolan repatriation, which includes return transportation and reintegration assistance such as identification and registration, transit centers, food aid, health services, mine risk education and HIV/AIDS awareness.



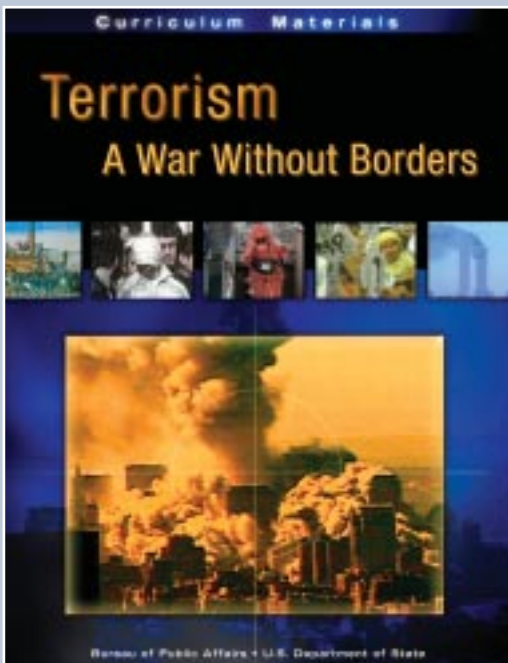
Malnourished children in a refugee camp near Lobito, Angola, wait for a plate of corn porridge, their only daily meal, supplied by Jesus Alive Ministeries, a South African based Christian group. The children show signs of malnutrition such as thinning and yellowing hair, flaking skin, and potbellies.

© AP Photo/Pieter Malan



STRATEGIC GOAL #11: PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

Educating the Public About Terrorism



In an exciting new outreach initiative, the Bureau of Public Affairs produced a high-quality historical video and curriculum package on terrorism for use in high school classrooms around the country. A War Without Borders was designed to give students a brief overview of the history and impact of terrorism and help them understand its relationship to their own lives. Distributed to nearly 13,000 social studies teachers, A War Without Borders reached more American students than any other post-9/11 curriculum package, according to an independent university study. Feedback has been overwhelmingly positive, and many teachers have decided to re-use the package annually. The video is the first in a series created especially for students to help them understand both the complexities and opportunities of the world in the 21st century.

In the Department-produced video and curriculum package Terrorism: A War Without Borders (pictured at left), students around the country were challenged to answer the question, "What do you think?"

The classroom-ready package fully supports the curriculum standards of the National Council for the Social Studies.

Department of State Photo

STRATEGIC GOAL #12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

Strengthening Embassy Compounds



The Bureau of Overseas Buildings Operations (OBO) completed seven capital construction projects in FY 2003. These include new embassy compounds (NECs) in Tunis, Dar es Salaam, Zagreb, Istanbul; the USAID facility in Dar es Salaam; and the Bogota USAID/NAS Annex. These facilities were accomplished on time and within budgets based on their construction contracts. In addition, OBO had 17 capital projects under construction and another 9 projects awarded at the end of FY 2003. These, plus 81 new embassy compound (NEC) capital projects currently in planning, will significantly strengthen embassy and consulate compounds to provide secure, safe, and functional facilities for U.S. Government employees serving the nation's interests overseas. The Department's overseas buildings plan is in high gear as evidenced by the number of fine new facilities being completed and those on the way.

U.S. Marines raise the American flag during the inauguration of the new U.S. Embassy in Nairobi, Kenya. Al-Qaida operatives planned to destroy the U.S. Embassy in Nairobi in June with a truck bomb and a hijacked small plane loaded with explosives.

© AP Photo/ Khalil Senosi



SUMMARY AND RAMIFICATIONS OF RESULTS RATED "SIGNIFICANTLY BELOW TARGET"

Of the 171 targets, five of the associated results were "significantly below target." These are detailed below.

Target	Result	Reason for Performance Shortfall	Steps Being Taken to Improve Performance	Impact of Performance Shortfall on 2004 Results
STRATEGIC GOAL 1: REGIONAL STABILITY				
Russia fulfills all Istanbul commitments (troop withdrawal from Georgia and Moldova), allowing for U.S. ratification and entry into force of the Adapted CFE Treaty.	The trains moving ammunition and equipment out of Moldova are running on a modest schedule. Russia will not meet the December 31, 2003, deadline to withdraw forces from Moldova. Progress on Georgia has been stalled for most of 2003.	Russia has not made the difficult political decisions necessary to fulfill its commitments regarding Georgia and Moldova.	The U.S. will increase the level of pressure on Russia by making this a topic for senior exchanges.	The continued inability to begin the process of achieving entry into force of the Adapted CFE Treaty will undercut the level of confidence and predictability achieved by the current CFE Treaty.
STRATEGIC GOAL 6: AMERICAN CITIZENS				
100% (Consular Information Sheets Revised on an Annual Basis)	85%	The goal of annual revisions of all CIS could not be reached this year due to crisis management duties and other assistance to Americans abroad.	The Department will make a concerted effort to reach 100% in FY 2004.	The performance shortfall in FY 2003 should have very little impact on performance in FY 2004.
STRATEGIC GOAL 8: ECONOMIC PROSPERITY AND SECURITY				
Obtain Congressional support and legislative authorization for the Millennium Challenge Account. Choose countries for initial MCA funding and establish an administrative mechanism.	Onset of program is delayed until congressional action.	Congress did not enact authorizing and implementing legislation for MCA in FY 2003.	The Department has worked closely with Congress to pass the legislation and ensure a quick start-up of the MCC once legislation has passed.	Target should be reached in the first half of FY 2004.
STRATEGIC GOAL 10: HUMANITARIAN RESPONSE				
100% of refugees resettled in the U.S. as a percentage of the allocated ceiling.	Out of an allocated ceiling of 70,000 refugees, 28,421 (or 41 percent) were resettled.	External factors, such as unanticipated refugee approval rates, security constraints on processing overseas, and security coordination with other agencies affected performance.	Identify new populations in need of resettlement; Provide appropriate resources to UNHCR to develop resettlement referrals; train NGOs to identify refugees for resettlement.	Many refugees not resettled in the U.S. continue to seek durable solutions to their plight.
STRATEGIC GOAL 12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE				
Construction of a new Office Building for U.S. Mission to the U.N.: Award Interim Office Building (IOB) lease; Complete IOB build-out.	GSA not able to finalize IOB lease in FY 2003. As a result, lease signing and IOB build-out are delayed to FY 2004.	DOS did not receive its IOB FY 2003 funding until the 3rd Quarter. GSA failed to meet its target of IOB lease award in 3rd Quarter of FY 2003.	GSA has assigned new staff to complete an IOB lease at an alternative site with the goal of occupying the space in June 2004.	The lack of an IOB lease and build-out in FY 2003 has delayed the overall USUN construction schedule such that the occupancy of the new USUN building may slip to FY 2008 from FY 2007.



PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

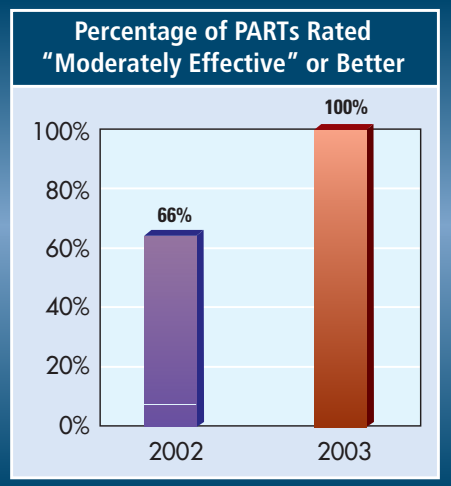
The Office of Management and Budget (OMB) uses the Program Assessment Rating Tool (PART) to assess federal programs. Through the use of in-depth, diagnostic questions, the PART is employed to assess and evaluate programs across a set of performance-related criteria. PART results are then used to help improve program management and ensure that the American taxpayers receive the best value for their tax dollars.

In the fall of 2002 and summer of 2003, OMB reviewed approximately 40% of State's programs and plans to review an additional 20% in the spring/summer of 2004. The results of these reviews are used to inform the planning and budgeting process and are published in the annual President's Budget, which is submitted to Congress. Information depicted in Table 1 shows that most of the Department's FY 2004 PARTs¹ demonstrated evidence of improvement when reassessed in 2003. As shown in Table 1, all of the Department's reassessed PARTs are now rated Moderately Effective or above. Finally, the Department has created efficiency measures for all PART programs reviewed to-date.

The results from the PART reviews conducted by OMB are summarized on the following pages by strategic goal. Information in Table 2 describes how bureaus have addressed and implemented findings and recommendations for FY 2004 PARTs. In contrast to the FY 2004 PARTs, for the FY 2005 PARTs, "major findings/recommendations" and "actions taken/planned" were not yet final at the time of publication and thus are not shown. The FY 2005 PARTs are shown on Table 3.

TABLE 1
STATUS OF THE RE-ASSESSED PARTS

2003 RATINGS REFLECT IMPROVEMENT		
Rating	2002 Ratings	2003 Ratings
Effective	0	3
Moderately Effective	4	6
Adequate	2	0
Results Not Demonstrated	3	0
Totals	9	9



¹ Those programs reviewed for the first time in FY 2002 for the FY 2004 budget and then reassessed in FY 2003 for the FY 2005 budget.



TABLE 2
FY 2004 PART SUMMARIES BY STRATEGIC GOAL

STRATEGIC GOAL 1	REGIONAL STABILITY
Program Name	Military Assistance to New NATO and NATO Aspirant Nations
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Moderately Effective ◆ FY 2005: Moderately Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ European and Eurasian Affairs (EUR)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ There is no regularly scheduled evaluation of program effectiveness by independent parties. ◆ The Department of State and Defense differ on priorities and do not produce coinciding budget schedules.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ DoD goals are discussed in interagency meetings to balance DoD requirements with Department goals. This will produce a single, agreed-upon recommendation.
Program Name	Peacekeeping Operations OSCE
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Results Not Demonstrated ◆ FY 2005: Moderately Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ European and Eurasian Affairs (EUR)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Does not contain adequate annual targets or baseline information. ◆ Performance goals are overly broad and dependent on numerous factors. ◆ Information in performance reports is not linked to performance plan measures or compared against baseline data. ◆ Program managers not held accountable for program performance.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ USOSCE, EUR and PM developed detailed performance indicators for PKO-funded OSCE Missions and Activities. ◆ Performance indicators developed for OSCE-brokered political settlements in Moldova, Nagorno-Karabakh conflict between Armenia and Azerbaijan and US initiatives to improve financial management of the OSCE Secretariat. ◆ FY 2005 USOSCE Mission Performance Plan (MPP) praised by OMB as a model for clarity of performance-based foreign policy objectives.
Program Name	Security Assistance to Sub-Saharan Africa
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Results Not Demonstrated ◆ FY 2005: Moderately Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ African Affairs (AF)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Programs did not differentiate between annual and long-term goals, or include targets and baseline information. ◆ Performance goals are overly broad and dependent on numerous factors. ◆ Information in performance reports is not linked to performance plan measures or compared against baseline data. ◆ Program managers not held accountable for program performance.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ Provided proposed measures to OMB for review. ◆ Provided performance data for use in Department's Performance and Accountability Report. ◆ Incorporated responses to recommendations in FY 2005 BPP.



STRATEGIC GOAL 2	COUNTERTERRORISM
Program Name	Anti-Terrorism Assistance
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Moderately Effective ◆ FY 2005: Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ Diplomatic Security (DS)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Long-term goals do not have performance indicators or other long-term targets. ◆ Program should establish measures to gauge progress toward long-term goals.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ Establish long term goals and targets. ◆ Establish measures to gauge progress toward long-term goals.

STRATEGIC GOAL 3	HOMELAND SECURITY
Program Name	Visa and Consular Services/ Border Security
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Moderately Effective ◆ FY 2005: Moderately Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ Consular Affairs (CA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Annual goals and targets do not adequately link to the long-term goals or provide relevant performance data.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ CA is working with OMB to ensure that annual goals and targets link to the long-term goals and provide relevant performance data. Revised goals and targets will be reflected in next year's PART.

STRATEGIC GOAL 10	HUMANITARIAN RESPONSE
Program Name	Refugee Admissions to the U.S.
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Adequate ◆ FY 2005: Moderately Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ Population, Refugees and Migration (PRM)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Program managers at the Department closely collaborate with grantees and state governments to ensure effective use of funds. ◆ Management should focus on strategic planning. 2003 and prior performance plans had overly broad goals that made it difficult to measure effectiveness. ◆ Overlap was found between functions of DoS and HHS programs.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ OMB will review the relationship between the Refugee Admissions program at the Department of State and the Office of Refugee Resettlement at HHS. ◆ The Department will continue ongoing efforts to improve strategic planning and ensure that goals are measurable and mission-related.
Program Name	Humanitarian Migrants to Israel
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Adequate ◆ FY 2005: Moderately Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ Population, Refugees and Migration (PRM)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Program needs continued focus on strategic planning; needs more ambitious targets. ◆ PRM has been working with the United Israel Appeal (UIA) and the Jewish Agency for Israel to create annual performance goals that meaningfully reflect program purpose. ◆ The program is making some progress toward achieving its long-term and short-term goals.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ In FY 2003, the Department and UIA developed an agreed upon set of long-term and short term goals for UIA.



STRATEGIC GOAL 11	PUBLIC DIPLOMACY AND PUBLIC AFFAIRS
Program Name	Educational Exchanges in Near East Asia and South Asia
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Results not Demonstrated ◆ FY 2005: Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ Education and Cultural Affairs (ECA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Interim FY 2004 Finding: Program needs to strengthen strategic planning by taking the following actions: <ol style="list-style-type: none"> 1. Set long-term goals relative to baseline, 2. Clearly define targets and timeframes to measure annual progress, 3. Create regional long-term goals, and 4. Tailor its planning by regional/country to effectively reach target audiences.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ Department provides proposed performance measures and goals as well as a proposed planning process to OMB for review. ◆ Long-term and annual goals are set to established baselines, targets and timeframes now included in performance indicators. ◆ Regional goals are established through coordination with regional bureaus. ◆ Program planning tailored by region/country and target audience. Partnerships for Learning (P4L) initiative launched. ◆ A performance measurement system, based on PART recommendations in development, FY 2003 pilot testing includes NEA and SA exchanges. ◆ Hired an exchanges coordinator, started an exchange working group, and hired a Middle East Initiatives evaluation officer.

STRATEGIC GOAL 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Program Name	Capital Security Construction
Score and Rating	<ul style="list-style-type: none"> ◆ FY 2004: Moderately Effective ◆ FY 2005: Effective
Lead Bureau	<ul style="list-style-type: none"> ◆ Overseas Buildings Operations (OBO)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ At the time of the FY 2004 PART review, the effects of management changes undertaken in OBO were not yet known. However, the effects of management changes were fully documented in the FY 2005 PART and were shown to be highly successful as evidenced by outstanding results demonstrated by the Capital Security Construction program.
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ The Department developed annual and long-range performance goals, which are closely integrated with the budget – one of the positive results from management changes made over the past two years in OBO.

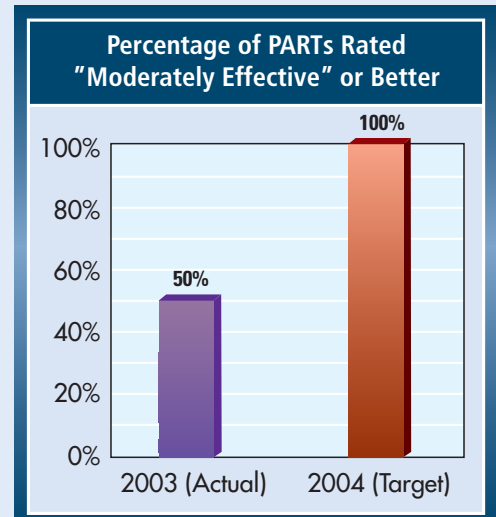


TABLE 3
FY 2005 PART SUMMARIES BY STRATEGIC GOAL¹

Strategic Goal	Program Name	Rating	Lead Bureau
Regional Stability	Foreign Military Financing	Moderately Effective	Western Hemisphere Affairs
Counterterrorism	Terrorist Interdiction Program	Results Not Demonstrated	Counterterrorism
Weapons of Mass Destruction	Nonproliferation and Disarmament Fund	Results Not Demonstrated	Non Proliferation
Democracy and Human Rights and Economic Prosperity and Security	Support for East European Democracy (SEED) and Assistance for the Independent States of the Former Soviet Union (FSA)	Results Not Demonstrated	European and Eurasian Affairs
Economic Prosperity and Security	United Nations Development Program	Results Not Demonstrated	International Organizations
Humanitarian Response	United Nations High Commissioner for Refugees	Moderately Effective	Political-Military Affairs
	Humanitarian Demining	Effective	Population, Refugees and Migration
Management and Organizational Excellence	Worldwide Security Upgrades	Moderately Effective	Diplomatic Security

The tables below summarize the ratings for the Department’s eight FY 2005 PART reviews. The Department’s goal is to have all of these PARTs rated Moderately Effective or better by 2004.

RATING SUMMARY	
Rating	Distribution
Effective	1
Moderately Effective	3
Adequate	0
Results Not Demonstrated	4
Totals	8





¹ For FY 2005 PARTs "major findings/recommendations" and "actions taken/planned" were not yet final at the time of this printing and thus are not shown.







THE PRESIDENT'S MANAGEMENT AGENDA AND MANAGEMENT CHALLENGES

THE PRESIDENT'S MANAGEMENT AGENDA

The Department has made substantial progress on each of the five President's Management Agenda (PMA) initiatives. 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. As of December 2003, the Department achieved four "green" and one "yellow" score for progress on implementation. 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 "yellow". The following is a brief overview of the Department's overall PMA progress:

 Progress	STRATEGIC MANAGEMENT OF HUMAN CAPITAL	 Status
<ul style="list-style-type: none"> ◆ GOAL <ul style="list-style-type: none"> ● Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives. ◆ PROGRESS DURING FY 2003 <ul style="list-style-type: none"> ● Implemented the 2nd year of the Diplomatic Readiness Initiative (DRI). ● Integrated Human Capital elements in all Bureau Performance Plans (BPPs). ● Resolved Central Personnel Data File (CPDF) reporting problems. ● Enhanced Domestic Staffing Model (DSM). Implemented Civil Service succession model. Refined skills/competency criteria. Identified opportunities for reengineering Executive Office (EX) functions. ● Developed new Foreign Service (FS) evaluation form, and disseminated guidance on Civil Service (CS) evaluation. ● Expanded use of Accountability System. ◆ UPCOMING ACTION <ul style="list-style-type: none"> ● Document Comprehensive Human Capital Plan. ● Implement Central Personnel Data File reporting action plan. ● Use enhanced workforce planning tools for budget preparation, financial plan implementation, and intake planning. ● Evaluate enhanced Domestic Staffing Model (DSM) administrative function opportunities and report on management decisions regarding next steps. Finalize procedures and develop schedule for other functions in Phase 2 of DSM. ● Finalize changes to Foreign Service performance evaluation process and prepare for pilot. Complete CS evaluation assessment. ● Expand Accountability System to cover additional management processes. ● Report on results of 3rd year leadership & management training initiative and new class of Senior Executive Service Candidates in OPM program. ● Report results of CS succession. 		



 Progress	<h2 style="text-align: center;">COMPETITIVE SOURCING</h2>	 Status
	<ul style="list-style-type: none"> ◆ GOAL <ul style="list-style-type: none"> ● Use competition to determine the most effective method of providing commercial activities to the Department. ◆ PROGRESS DURING FY 2003 <ul style="list-style-type: none"> ● Completed first streamlined competition. Secured \$1.2 million for program, inventory, training, planning and office space. Received approval for five CS positions and hired support contractor. ● 8(a) contractor hired to conduct market analysis, benchmarking and organizational assessment for entire Multi-Media Services organization. ● Began program of expanded training including human resources, FAIR Act, and contracting staff. ● Issued Competitive Sourcing guidance establishing a Competitive Sourcing Official, Competition Council, and Steering Committee. ◆ UPCOMING ACTION <ul style="list-style-type: none"> ● Release FAIR Act inventory and complete challenge/appeals process. ● Evaluate competition candidates and report on status of media services review, the International Boundary and Water Commission, and other competitions. ● Conduct first Foreign Service Institute classes in new curriculum. ● Complete office space and identify remaining civil service staff. 	
 Progress	<h2 style="text-align: center;">IMPROVED FINANCIAL PERFORMANCE</h2>	 Status
	<ul style="list-style-type: none"> ◆ GOAL <ul style="list-style-type: none"> ● Improve accountability through audited financial statements. ● Increase accuracy of benefit and assistance payments. ● Strengthen management controls. ● Implement financial systems that produce timely, accurate and useful financial information. ◆ PROGRESS DURING FY 2003 <ul style="list-style-type: none"> ● In December 2003, improved status score from "red" to "yellow" as a result of the independent auditor reassessing the Department's IT security from a material weakness to a reportable condition. ● The Department's FY 2003 Financial Statements received an unqualified opinion, marking the seventh consecutive unqualified opinion, and were issued five weeks earlier than FY 2002. ● New Regional Financial Management System (RFMS) was implemented for all overseas posts, providing daily updates of worldwide spending and accounting information. ● Received the prestigious Certification of Excellence for Accountability Reporting (CEAR) for the "FY 2002 Performance and Accountability Report". State was also honored to receive the Platinum 2002 Vision Award for the "Performance and Accountability Highlights" placing fourth overall from among over 900 entrants. ● Resolved all material weaknesses and material nonconformances, as defined by the Federal Managers' Financial Integrity Act, allowing the Secretary to issue an unqualified Statement of Assurance for FY 2003 regarding the Department's systems of management control and financial systems. ● Prepared and submitted monthly performance metrics as established by the CFO Council. ● Relocated the Department's financial operations from the Paris Financial Service Center (FSC) to the Charleston, South Carolina and Bangkok, Thailand FSCs. ● Developed a methodology to evaluate and report on the extent of erroneous payments within the Department's financial assistance programs. The OMB has cited the Department's methodology as a "best practice". ● With USAID, developed a joint Enterprise Architecture and Business Case for a common financial systems platform. ◆ UPCOMING ACTION <ul style="list-style-type: none"> ● Ongoing consolidation of headquarters financial operations to the Charleston FSC. ● Ongoing collaboration with USAID to establish a joint financial platform for the beginning of FY 2006. ● Streamline processes to meet the accelerated financial reporting due date of November 15th for FY 2004 and beyond. 	



 Progress	EXPANDED ELECTRONIC GOVERNMENT	 Status
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- ◆ **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 DURING FY 2003**
 - Completed certification and accreditation (C&A) for 56 out of 139 systems. This is a remarkable accomplishment as State had certified only 3 percent of systems as of in September 2002. State met its C&A milestone for FY 2003.
 - Department and USAID completed a joint As-Is Enterprise Architecture.
 - Submitted the first Federal Information Security Management Act (FISMA) report (previous report was GISRA).
 - Completed Classified Connectivity project ahead of schedule and under budget.
 - Designed and began implementing a full-scale select, Control and Evaluate process for Capital Planning and Investment Control (CPIC).

- ◆ **UPCOMING ACTION**
 - The joint State/USAID Management Council agrees on an implementation plan for the joint “To-Be” Enterprise Architecture with milestones for lines of business.
 - Report on percentage of systems certified and accredited.
 - OIG verifies that there is a Department-wide IT Security Plan of Action and Milestones.
 - Review data required for each stage of the system development life cycle and report cost/schedule/performance results to OMB in annual business cases.
 - The State Messaging and Archive Retrieval Toolset (SMART) Program Management Office (PMO) will coordinate with the E-government initiatives to ensure the project is not redundant, or agency unique.
 - Review Government Paperwork Elimination Act non-compliant issues for possible modification and E-government project collaboration.

 Progress	BUDGET AND PERFORMANCE INTEGRATION	 Status
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
- ◆ **GOAL**
 - Improve performance and management by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is to have better control over resources and greater accountability over results.

- ◆ **PROGRESS DURING FY 2003**
 - Developed first-ever joint State-USAID Strategic Plan.
 - Reduced Strategic Objectives by 55%, reduced strategic goals by 40%, and developed outcome-oriented performance goals that directly link to the strategic objectives and goals.
 - Allocated resources at both the strategic and performance goal levels for both State and non-State administered accounts.
 - Developed PART ratings and substantive analyses for all completed PARTs for inclusion in the President’s Budget to justify funding requests.
 - Created efficiency measures for all completed PART programs.
 - Developed a Performance Indicator and Analysis catalogue.
 - Addressed FY 2004 PART findings/recommendations, including taking key management actions to address deficiencies.
 - Completed automation of Mission and Bureau Performance Plan Modules (MPP - Version 1 and Version 2) and (BPP Module - Version 1), and Statement of Net Cost for the Central Financial Planning System (CFPS).

- ◆ **UPCOMING ACTION**
 - Develop efficiency measures for all programs.
 - Devise methodology to demonstrate the marginal cost of achieving a performance goal.
 - Complete Bureau Performance Plan (Version 2).
 - Develop Bureau Resource Management System CFPS Module.



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

 Progress	RIGHT-SIZED OVERSEAS PRESENCE (OMB LEAD)	 Status
	<ul style="list-style-type: none"> ◆ GOAL <ul style="list-style-type: none"> ● 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. ● Use staffing patterns to determine embassy construction needs. ◆ PROGRESS DURING FY 2003 <ul style="list-style-type: none"> ● OMB and Department’s Overseas Building Operations office developed a cost sharing program to fully implement the first year of the program. All affected agencies’ budget requests include funding for their share of the FY 2005 cost. ● The Department completed an assessment of all staff currently in and planning to move to the Frankfurt “Creekbed” regional facility. ● State Department, with OMB guidance, developed a set of staffing guidelines in preparing estimates for new embassies. These improved estimates will shape budget decisions on embassy size and configuration. ● OMB published guidance requiring agencies with staff overseas to submit overseas cost and staff data with their budget request submission to OMB. ◆ UPCOMING ACTION <ul style="list-style-type: none"> ● Take next step in Frankfurt regionalization pilot to ensure that the facility is fully utilized. ● Convene interagency working group to discuss how to uniformly estimate cost of staff overseas and release staffing guidelines. ● Complete follow up with agencies on Sec. 58 A-11 submissions and input data from agency submissions into rightsizing database to include in printed Budget. ● Department and OMB to work to expand Frankfurt pilot; engage in rightsizing exercises at larger embassies using GAO rightsizing criteria. 	



MANAGEMENT CHALLENGES

The General Accounting Office and the Department’s Office of Inspector General have identified several “management challenges” that represent areas where the Department must improve operations. The table below summarizes, by strategic goal, each of the challenges, their corresponding findings, recommendations, actions being taken and expected results.

STRATEGIC GOAL	HOMELAND SECURITY
Challenge	Visa Processing and Border Security
<p>Findings</p>	<ul style="list-style-type: none"> ◆ Since 9/11, the Department has introduced changes to strengthen the visa process, but there continues to be a divergence of opinions concerning visa policies and procedures that are appropriate given the need for heightened border security. (GAO-03-132NI) ◆ The USG has no specific written policy on the use of visa revocations as an antiterrorism tool and no written procedures to guide State in notifying the relevant agencies of visa revocations on terrorism grounds. (GAO Report 03-798) ◆ Appropriate units within INS and the FBI do not always receive notifications of all the revocations. (GAO Report 03-798) ◆ Names were not consistently posted to the agencies’ watch lists of suspected terrorists. (GAO Report 03-798) ◆ Consular Affairs still has shortcomings that include: Lack of uniformity in visa processing, lack of a planning staff to develop options for consular input into border security initiatives and directions. (ISP-I-03-26)
<p>Recommendations</p>	<ul style="list-style-type: none"> ◆ Develop a clear policy on the priority attached to addressing national security concerns connected with the visa process; develop more comprehensive guidance on how posts should use the visa process to screen against potential terrorists; assess staffing requirements for visa operations; and expand consular training. (GAO-03-132NI) ◆ Ensure that appropriate units within INS and the FBI receive notification of visa revocations. (ISP-I-03-26) ◆ Visa process must be considered as part of a larger process of admitting and tracking visa recipients. (ISP-I-03-26) ◆ Department must re-think its approach to issuing visas and devote the needed human and financial resources. (ISP-I-03-26)
<p>Actions Being Taken</p>	<ul style="list-style-type: none"> ◆ Issued a “visa roadmap” outlining new visa priorities and policies. Issued over 40 standard operating procedures to ensure that consular officers abroad properly review visa applications, effectively fulfill their critical national security responsibilities, and have a step-by-step, unambiguous guide for all procedures. Added staff, including a Senior Advisor for Strategic Planning, and expanded consular training. (GAO-03-132NI and ISP-I-03-26) ◆ Visa revocation problems were fixed. Written instructions provided in the Foreign Affairs Manual. Notice of visa revocation is provided to the Department of Homeland Security and the FBI. Visa revocation lookout code is shared between DOS and DHS lookout systems. (GAO Report 03-798) ◆ Added staff, including a Senior Advisor for Strategic Planning, in the Visa Office and established 39 new overseas positions funded by visa fees and 51 new consular positions under the Diplomatic Readiness Initiative in FY 2003. Additional positions are planned for FY 2004. (OIG-1-03-26) ◆ Introduced new training on interviewing techniques, with additional emphasis on ethics and terrorism and expanded Chief of Mission, DCM and Principal Officer training. In FY 2004 five days will be added to the 26-day basic consular course. (GAO-#-132NI) ◆ New leadership in the Bureau of Consular Affairs is committed to minimizing the vulnerabilities in visa processing. (OIG-I-03-26)
<p>Expected Result</p>	<ul style="list-style-type: none"> ◆ MOU between DHS and DOS provides a framework for better coordination of border security; integrated entry/exit/tracking systems with DHS; series of instructions specifying standard operating procedures (SOP) contributes to implementation of Visa Roadmap. Consular Management Assistance Teams will reinforce SOPs and sound management practices. Resource needs are under constant review; missions that are most impacted by post 9/11 changes in visa processing are receiving assistance.



STRATEGIC GOAL	INTERNATIONAL CRIME AND DRUGS
Challenge	Strategic Planning
Findings	<ul style="list-style-type: none"> ◆ Although the U.S.-backed counternarcotics program in Colombia has begun to achieve some of the results originally envisioned, Colombia and the United States must deal with financial and management challenges. Three years into Plan Colombia, the Departments of State and Defense have yet to develop estimates of future program costs, define their future roles in Colombia, identify a proposed end state, or determine how they plan to achieve it. (GAO-03-783)
Recommendations	<ul style="list-style-type: none"> ◆ Establish clear objectives, including developing specific performance measures, and estimate future U.S. funding requirements for the programs with the Colombian Army and the Colombian National Police. (GAO-03-783)
Actions Being Taken	<ul style="list-style-type: none"> ◆ Beginning with the FY 2005 budget cycle, the Department intends to establish clear objectives, develop performance measures and estimate future funding requirements. This is now possible due to the maturation of "Plan Colombia" over three years.
Expected Result	<p>GENERAL</p> <ul style="list-style-type: none"> ◆ Coca and poppy cultivation drops to a lower level. ◆ Colombianization of program increases as more Colombian pilots are trained and ownership of aircraft is gradually transferred. ◆ Demobilization of para-military and insurgent groups lowers level of violence but there will be reintegration costs to be sustained. Estimate is not clear as of yet. <p>PROGRAM</p> <p>Colombian Army</p> <ul style="list-style-type: none"> ● Through increased aviation support, operations areas of three battalions expanded from Putamayo region to all regions of Colombia during 2005. ● Expanded use of Mobile Brigade into a quick strike force against high-value narcoterrorists. <p>Colombian National Police</p> <ul style="list-style-type: none"> ● Aggressive spraying campaign enters a maintenance phase with success measured by the absence of mature coca and a lowered rate of replanting. Infrastructure support allows anti-narcotics brigade to operate in remote Eastern, Southern and Western zones. <p>Alternative Development</p> <ul style="list-style-type: none"> ● Over 5,000 hectares of licit crop established and assistance provided to 5,000 rural families. Through mental health, income generation and urban infrastructure development, employment assistance provided to over 300,000 internally displaced persons. <p>Rule of Law</p> <ul style="list-style-type: none"> ● Municipal police units inserted into newly liberated municipality areas and new Carabineros squadrons dispersed as rural police.

STRATEGIC GOAL	DEMOCRACY AND HUMAN RIGHTS
Challenge	Interagency Coordination
Findings	<ul style="list-style-type: none"> ◆ Although U.S. democracy assistance programs in Latin America have shown modest results, several management issues have hampered effectiveness. Poor coordination among the key U.S. agencies has been a long-standing management problem, and cooperation with foreign donors has been limited. (GAO-03-358)
Recommendations	<ul style="list-style-type: none"> ◆ The Department and other agencies should develop more comprehensive strategic plans at the regional and country level to address cooperation among agencies and other major donors. ◆ Establish a strategy for evaluating projects and a mechanism to share information among U.S. agencies and project implementers. (GAO-03-358)
Actions Being Taken	<ul style="list-style-type: none"> ◆ Interagency discussions are now underway that will lead to increased USG cooperation in implementing democracy assistance programs. The immediate objectives of interagency meetings will be to share information, avoid duplication and ensure optimal use of available funds from all sources.
Expected Result	<ul style="list-style-type: none"> ◆ Freedom House and Department polling data demonstrate measurable rise in, <ul style="list-style-type: none"> ● Public confidence in democratic institutions ● Respect for human rights and the rule of law ● Perceived transparency and accountability of government institutions.



STRATEGIC GOAL	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Challenge	Financial Management
Findings	<ul style="list-style-type: none"> ◆ Improvement made with respect to travel card payments by implementing procedures aimed at decreasing the number of travel card payment delinquencies in the 90-day or 120-day past due categories. (OIG Report AUD/FM-03-22) ◆ Despite recent strides, insufficient internal controls to prevent/detect travel card misuse. (OIG Report AUD/FM-03-22)
Recommendations	<ul style="list-style-type: none"> ◆ Address delinquencies before they reach the 90-day past due category by putting into place a process to address delinquencies in the 60-day past due period. (OIG Report AUD/FM-03-22) ◆ Provide program coordinators with clear written guidance and adequate formal training. ◆ Improve oversight of travel card program by checking for multiple accounts and transferring/canceling travel cards when an employee leaves a bureau. (OIG Report AUD/FM-03-22)
Actions Being Taken	<ul style="list-style-type: none"> ◆ Implementing a process to deal with travel card payment delinquencies in the 90- and 120-day past due categories. (OIG Report AUD/FM-03-22) ◆ Launching a preliminary effort to detect and prevent misuse of travel cards. (OIG Report AUD/FM-03-22)
Expected Result	<ul style="list-style-type: none"> ◆ Improved administrative oversight and internal controls of travel card program. ◆ Increased volume-based refund from credit card provider.
Challenge	Overseas Building Security
Findings	<ul style="list-style-type: none"> ◆ GAO found that the Department has done much over the past four years to improve physical security at overseas posts; however most office facilities still do not meet security standards. (GAO Report 03-557T)
Recommendations	<ul style="list-style-type: none"> ◆ Because of the high costs and importance of the Capital Security Construction program, GAO believes the program merits continued oversight. (GAO Report 03-557T)
Actions Being Taken	<ul style="list-style-type: none"> ◆ Constructing perimeter walls, anti-ram barriers, and access controls at many facilities. Funding the construction of new buildings and other such capital projects to improve overseas facilities. (GAO Report 03-557T)
Expected Result	<ul style="list-style-type: none"> ◆ The construction of new embassy/consulate compounds will meet current security standards. ◆ Successful implementation of the proposed capital security cost-sharing (CSCS) program will accelerate completion of necessary buildings from over 20 years to 14 years and encourage rightsizing.
Challenge	Knowledge Management
Findings	<ul style="list-style-type: none"> ◆ The Department has ensured senior management oversight for implementation of its knowledge management (KM) program. (OIG-IT-A-03-08) ◆ The Office of e-Diplomacy is working to develop an action plan to implement KM Department-wide having compiled ideas from extensive networking with public and private sector organizations. (OIG-IT-A-03-08)
Recommendations	<ul style="list-style-type: none"> ◆ Identify business requirements, such as core diplomatic functions, as a basis for shaping KM approach. (OIG-IT-A-03-08) ◆ Implement KM through community-building, IT tools, commitment and training and identify and counteract cultural barriers to KM. (IT-A-03-08)
Actions Being Taken	<ul style="list-style-type: none"> ◆ Improving DOS intranet site to collect, integrate and share knowledge more efficiently. (OIG-IT-A-03-08) ◆ Exploitation of key technologies to improve the Department's performance worldwide. (OIG-IT-A-03-08) ◆ Greater use of IT networks for information exchange and collaboration. (OIG-IT-A-03-08) ◆ The Department is developing a system to provide diplomats and managers with significantly enhanced communications and knowledge management tools. ◆ In FY 2002 and FY 2003, the Department completed a Business Process Reengineering (BPR) study, determined requirements, assessed alternatives and completed and evaluated a prototype/proof of concept for elimination of the legacy cable system. ◆ In FY 2004, one vendor was selected to develop a solution for a design/demonstration. The solution will be piloted involving over 4,000 users in domestic and overseas locations. ◆ In FY 2005, State Messaging and Archive Retrieval Toolset (SMART) will be deployed worldwide.
Expected Result	<ul style="list-style-type: none"> ◆ The Department's institutional knowledge is available to its own professionals and to other foreign affairs, intelligence and homeland security agencies. ◆ Special expertise is easier to locate and employees are more productive.



MANAGEMENT CONTROLS, 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 Secretary of State's unqualified Statement of Assurance for FY 2003 is included in the Secretary's letter at the beginning of this report. The Department evaluated its management control systems and financial management systems for the fiscal year ended September 30, 2003. This evaluation provided reasonable assurance that the objectives of the FMFIA were achieved in FY 2003, and formed the basis for the Secretary's Statement of Assurance.

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 or that material weaknesses exist. 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 the Inspector General and/or the General Accounting Office conduct reviews, audits, inspections, and investigations.

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.

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



Status of Management Controls

The MCSC voted in FY 2002 to close the Department’s three remaining material weaknesses. That was the first time since the inception of the FMFIA that the Department had no open material weaknesses. No new material weaknesses were identified by the MCSC during FY 2002 and 2003. As a result, the Secretary has provided an unqualified Statement of Assurance for the second year in a row regarding the Department’s systems of management control.

During the last five years, the Department made significant progress reducing the number of material weaknesses from 10 to zero, with the addition of two new weaknesses and the closing of 12 weaknesses. In addition, there are no items specific to the Department on the General Accounting Office’s High Risk List, and there have not been any since 1995. The following tables 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
1999	10	7	-	3
2000	3	2	2*	3
2001	3	-	-	3
2002	3	3	-	0
2003	0	-	-	0

* Reported by the Department of State as a result of the merger with the United States Information Agency.

Status of Financial Management Systems

For financial systems, the MCSC voted to close in FY 2003 the Department’s one remaining material nonconformance - Financial and Accounting Systems. This is the first time since the inception of the FMFIA that the Department has no open material nonconformances – a significant accomplishment. A summary of actions taken to correct and close the one previously reported material nonconformance is provided in the table below.

SUMMARY OF FMFIA MATERIAL NONCONFORMANCE CLOSED IN FY 2003		
Material Nonconformance	Corrective Actions	Strategic Goal
<p>Financial and Accounting Systems</p> <p>In 1983, the Department identified substantial weaknesses in its financial management systems. When first reported, the Department was burdened with managing six financial management systems worldwide, which support its domestic bureaus, overseas posts, and other overseas agencies. This nonconformance included 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.</p>	<p>Significant progress has been made over the past few years to improve financial management systems worldwide. The Department has reduced the number of financial management systems from six to two; reduced the number of post-level financial systems from nine to two; and, re-centralized disbursing offices from 22 to two. Implementation of the new Regional Financial Management System (RFMS) was completed September 2003 and is operational in all overseas posts. The reengineered overseas interface is operational, providing detailed (transaction level) information. Continuity of Operations Plans have been developed for Financial Service Centers in Charleston, SC and Bangkok and for Washington headquarters operations.</p>	<p>Management and Organizational Excellence</p>



FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Federal Financial Management Improvement Act of 1996 (FFMIA) is designed to improve Federal financial management by requiring that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. Under FFMIA, agencies’ financial management systems must comply substantially with three requirements: (1) Federal financial management system requirements; (2) applicable Federal accounting standards and (3) the U.S. Government Standard General Ledger (SGL). FFMIA also requires that the Independent Auditor’s Report indicate whether the agency’s financial management systems comply with these requirements.

Since enactment, the Department’s financial management systems have not been in substantial compliance with FFMIA. As required by the law, the Department, in consultation with OMB, developed a remediation plan (the Plan) that, if properly implemented, would result in substantial compliance with FFMIA and improved financial management systems. The Department has made significant progress implementing the Plan. To date, eleven of the twelve initiatives included in the Plan are complete and substantial progress has been made towards completing the twelfth initiative. This progress, along with other information such as the independent auditor’s report, is evaluated when making a determination about whether the Department’s financial management systems substantially comply with FFMIA. The Department’s determination is included in the Assistant Secretary and Chief Financial Officer’s message at the beginning of this report.

The first table below provides a summary of the three Plan initiatives that were completed on schedule during FY 2003. The second table describes progress made on the twelfth initiative, which is substantially (but not entirely) complete. As of September 30, 2003, the independent auditor considered the Department’s corrective actions sufficiently advanced to reduce this previously reported material weakness in information systems security to a reportable condition.

PLAN INITIATIVES COMPLETED IN FY 2003		
Initiatives	Strategic Goal	Description
Regional Financial Management System (RFMS)	Management and Organizational Excellence	RFMS supports State’s goal to establish and maintain a single, integrated financial management system. RFMS (1) replaces and reduces the number of overseas regional systems from two to one; (2) incorporates State’s standard account code structure, and (3) standardizes financial transactions between RFMS and CFMS, which will result in consistent processing of financial data worldwide.
Business Continuity Plans	Management and Organizational Excellence	State must always be prepared to deal with a broad range of crises, ranging from natural disasters to political instability to terrorist attacks. Financial processes and financial management systems must be safeguarded should any of our business centers be faced with a crisis.
Central Financial Planning System (CFPS) Statement of Net Cost Module	Management and Organizational Excellence	As presented in the Department’s updated FY 2004 OMB Exhibit-300 business case, CFPS is the implementation of five distinct modules that together enable more timely and accurate reporting on linking spending, costs, and budgeted resources to performance information. Specific to improving financial management systems and performance, the CFPS Statement of Net Cost Module provides the ability to: associate costs and revenues to strategic goal by organization; produce the Statement of Net Cost; and substantially comply with managerial cost accounting standards.

PLAN INITIATIVE SUBSTANTIALLY COMPLETED IN FY 2003		
Initiative	Strategic Goal	Description
Information Systems Network Security	Management and Organizational Excellence	State is implementing a comprehensive framework and process for lifecycle management of IT security. The framework and process will provide continual evaluation and improvement. A significant portion of this initiative is now complete including the following: developed a Systems Security Program Plan; adopted the National Institute of Standard Technology (NIST) Certification and Accreditation Program (NISTCAP); established a Configuration Control Board; and implemented an ongoing Certification & Accreditation program.



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’s 2003 financial statements received an unqualified opinion — the best possible result of the audit process. This year marks the seventh consecutive year that the Department’s financial statements have achieved such an opinion. The Department significantly accelerated the preparation and audit of its 2003 financial statements — about five weeks earlier than last year. This marks important progress towards our goal of providing more timely, accurate, and useful financial information.

In relation to internal control, the Independent Auditor’s Report cites four reportable conditions: (1) information systems security for networks in domestic operations, (2) inadequacy of the Department’s financial management systems, (3) management of unliquidated obligations, and (4) implementation of Managerial Cost Accounting Standards. 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. For each year since 1997, the Independent Auditor’s report cited the first matter above relating to information systems security as a material weakness in internal control. The FY 2003 Independent Auditor’s Report acknowledges that the Department’s work towards correcting this deficiency is sufficiently advanced to reduce this weakness to a reportable condition. The Independent Auditor’s Report also states that the Department’s financial management systems are non-compliant with laws and regulations, including the FFMIA.

The table below and on the following page summarizes the weaknesses in internal control and compliance with laws and regulations cited in the FY 2003 Independent Auditor’s Report, as well as the actions taken to resolve the problems.

SUMMARY OF INDEPENDENT AUDITOR’S REPORT FINDINGS <i>(Refer to Independent Auditor’s Report Section)</i>			
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.	As mentioned in the Independent Auditor’s Report, the Department has made significant improvements in this area. The Unliquidated Obligation System was implemented in 2000. The system is updated periodically for detailed unliquidated obligation data and facilitates the reconciliation, monitoring, reporting and oversight of unliquidated obligations worldwide. Data in the system is analyzed to facilitate the review and management of open items. For example, instructions and reports were issued to offices to review over \$2.9 billion in unliquidated obligations. We continue to develop reports and procedures to improve the management of unliquidated obligations.	2004	Management and Organizational Excellence



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

Reportable Condition	Corrective Actions	Target Correction Date	Strategic Goal
<p>Information System Network Security</p> <p>Information system networks for domestic operations are vulnerable to unauthorized access. Consequently, other systems, including the Department's financial management systems, which process data using these networks, may also be vulnerable. This weakness was first reported based on penetration tests performed by the General Accounting Office (GAO) and was also cited in the audit opinion on the 1997 financial statements. The auditor reported this matter as a material weakness in internal control each year since 1997. For 2003, the auditor considered the Department's corrective actions sufficiently advanced to reduce this deficiency to a reportable condition.</p>	<p>Over the past year, we have taken considerable measures to improve our cyber security posture, to include:</p> <ul style="list-style-type: none"> • Establishing a baseline inventory of applications • Developing and implementing a systems/sites authorization project and meeting the first goal of authorizing one-third of systems by August 2003 • Developing and Implementing a Department-wide process to track corrective action in mitigating security weaknesses • Completing the Information Assurance role-based curriculum with the addition of courses for managers at different levels and a web-based security awareness briefing • Revising Department cyber security roles and responsibilities, and developing a draft cyber security program management plan • Maintaining a strong perimeter defense and incident response <p>In FY 2004, the Department plans to complete the authorization of the remaining two-thirds of the systems.</p>	2004	Management and Organizational Excellence
<p>Compliance with Managerial Cost Accounting Standards (MCAS)</p> <p>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.</p>	<p>The Department is making progress in implementing MCAS. To address MCAS requirements the Department developed a Statement of Net Cost methodology (described in our FFMA section of this report) that will enable timely and accurate reporting of cost information by responsibility segment and strategic goal.</p>	2004	Management and Organizational Excellence
<p>Financial and Accounting Systems</p> <p>In 1983, the Department identified serious weaknesses in its financial management systems. When first reported, the Department was burdened 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.</p>	<p>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. Implementation of the new Regional Financial Management System (RFMS) was completed September 2003 and is operational in all overseas posts. The reengineered overseas interface is operational, providing detailed (transaction level) information. Continuity of Operations Plans have been developed for Financial Service Centers in Charleston, SC and Bangkok and for Washington headquarters operations. The Department will continue its ongoing effort to enhance its financial systems in FY 2004.</p>	2004	Management and Organizational Excellence
<p>Noncompliance with Laws and Regulations</p>	<p>Corrective Actions</p>	<p>Target Correction Date</p>	<p>Strategic Goal</p>
<p>Financial and Accounting Systems</p> <p>See discussion above.</p>	<p>See description above.</p>	<p>See above</p>	<p>Management and Organizational Excellence</p>



FINANCIAL HIGHLIGHTS

The Department's financial statements, which appear in the Financial Section of this Report, received for the seventh straight year an unqualified audit opinion issued 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).

OVERVIEW OF FINANCIAL POSITION

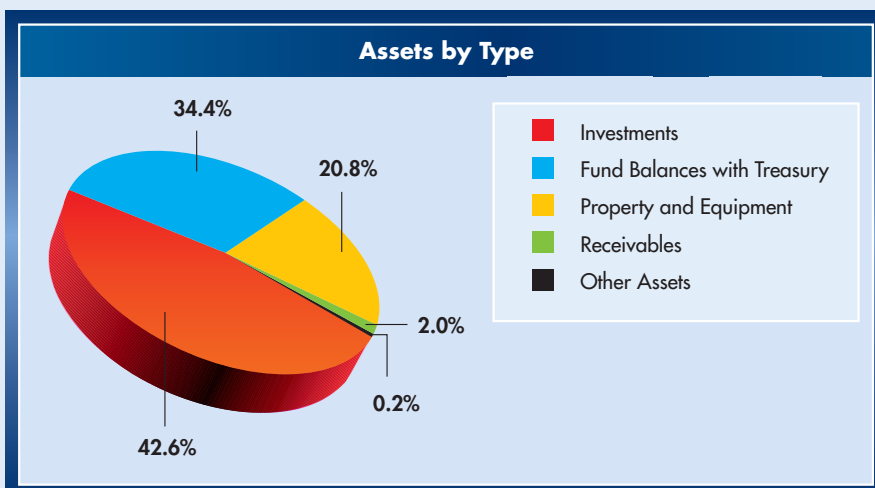
Assets. The Consolidated Balance Sheet shows the Department had total assets of \$28.9 billion at the end of 2003. This represents an increase of \$2.1 billion (7.8%) over the previous year's total assets of \$26.8 billion. The increase is primarily the result of increases of \$1.0 billion in Fund Balances with Treasury, \$496.6 million in property and equipment, and \$550.4 million in investments in the Foreign Service Retirement and Disability Fund (FSRDF). The increase in Fund Balances with Treasury primarily resulted from a \$1.4 billion increase in unexpended appropriations.

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

	2003	2002	2001
Investment, Net	\$12,301,173	\$11,750,737	\$11,206,403
Fund Balances with Treasury	9,953,197	8,937,139	7,652,119
Property and Equipment, Net	5,996,493	5,499,850	4,870,466
Accounts, Loans & Interest Receivable, Net	584,230	552,508	403,329
Other Assets	59,553	99,923	91,516
Total Assets	\$28,894,646	\$26,840,157	\$24,223,833



Investments, Fund Balances with Treasury and Property and Equipment comprise 98% of total assets for 2003, 2002, and 2001. Investments consist almost entirely of U.S. Government Securities held in the FSRDF.

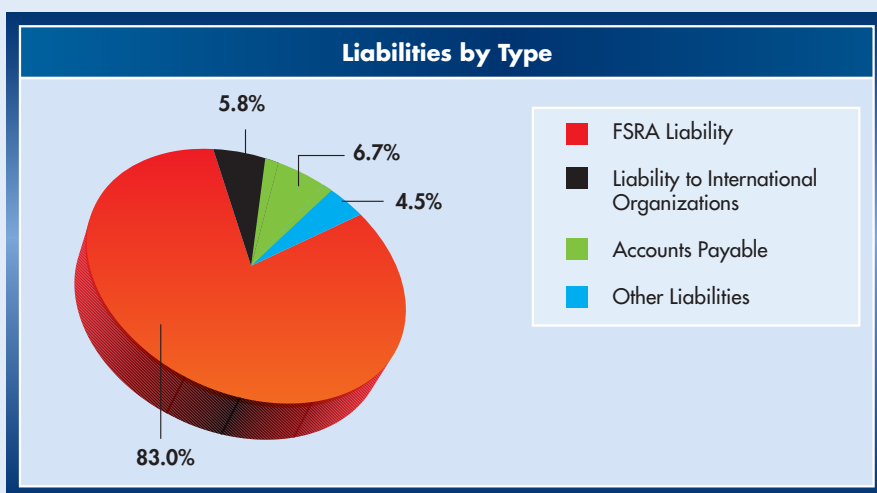


Liabilities. The Department had total liabilities of \$15.8 billion at the end of 2003, which is reported on the Consolidated Balance Sheet and summarized in the following table (*dollars in thousands*):

	2003	2002	2001
Foreign Service Retirement Actuarial Liability	\$13,093,800	\$12,211,800	\$11,766,900
Liability to International Organizations	919,428	1,065,172	1,650,006
Accounts Payable	1,058,514	784,799	823,818
Other Liabilities	709,394	762,632	569,753
Total Liabilities	\$15,781,136	\$14,824,403	\$14,810,477

The Foreign Service Retirement Actuarial (FSRA) Liability of \$13.1 billion and the Liability to International Organizations of \$919.4 million comprise 89% of the Department's total liabilities at the end of 2003.

Of the total liabilities, \$1.96 billion were unfunded, i.e., budgetary resources were not available to cover these liabilities. The \$1.96 billion is primarily comprised of the \$919.4 million Liability to International Organizations, and the unfunded portion of the FSRA Liability of \$653.8 million, which represents the amount by which the \$13.1 billion FSRA Liability exceeds the FSRDF's net assets available to pay the liability. The \$653.8 million unfunded portion of the FSRA Liability is \$329.1 million more than the \$324.7 million unfunded FSRA Liability at the end of 2002.



The \$919.4 million Liability to International Organizations consists of \$869.2 million in calendar year 2003 annual assessments, and \$50.2 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, 2003, 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. Thus, \$2 million of appropriations for arrearage payments remain.

Ending Net Position. The Department's Net Position at the end of 2003 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$13.1 billion, a \$1.1 billion (9.1%) 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 was due principally to the continued increase in budget authority received to rebuild the Department's diplomatic platform.

The decrease in Cumulative Results of Operations resulted mainly from the \$329.1 million increase during 2003 in the unfunded portion of the FSRA Liability described on the previous page. This increase resulted from a change in economic assumptions used for valuing the FSRDF plan for consistency with similar Federal plans.

RESULTS OF OPERATIONS

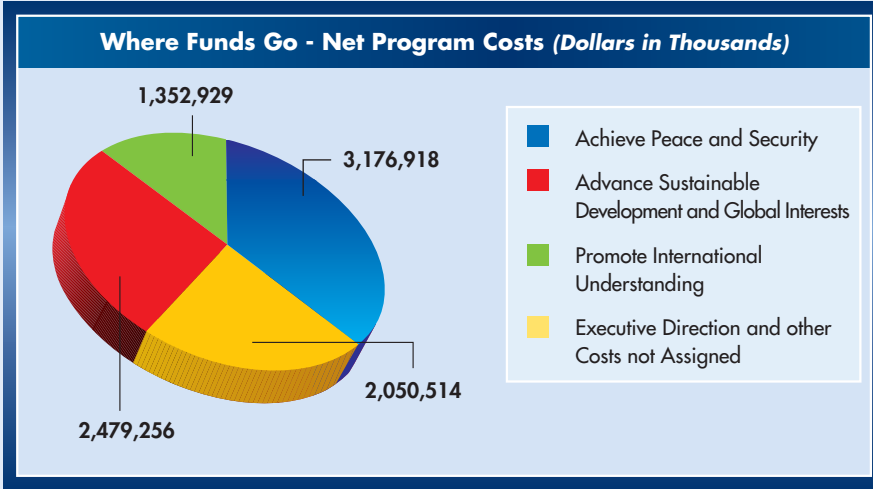
The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position.

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 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. In prior years, the Department presented its program information at the National Interest level to the extent that it was practicable. In accordance with current guidance, prior year data is also presented according to the corresponding strategic goal for comparative presentation.

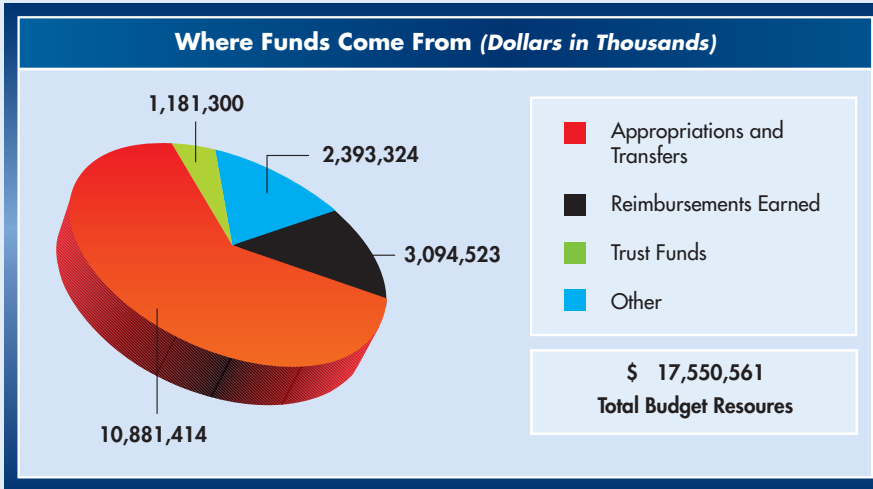


The Department's total net cost of operations for 2003, after intra-departmental eliminations, was \$9.1 billion. The strategic objective to "Achieve Peace and Security" represents the largest investment for the Department at 35.1% of the Department's net cost of operations. The net cost of operations for the remaining strategic objectives varies from 14.9% to 27.4%.



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 \$9.3 billion, comprising 78.0% of the Department's total revenues and financing sources after considering

intra-departmental eliminations of \$1.7 billion. The charts on this page reflect the funds that the Department received during 2003 and how these funds were used.

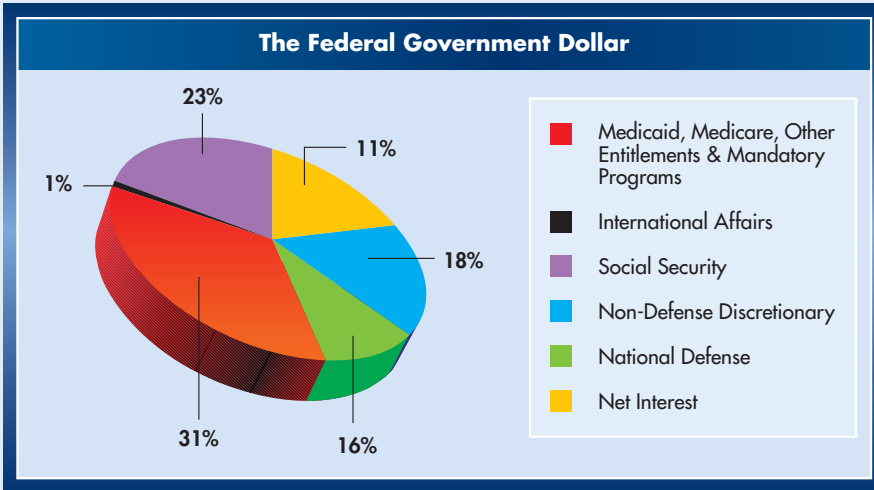


The Combined Statement of Budgetary Resources provides information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For the fiscal year, the Department had total budgetary resources of \$17.5 billion, a decrease of 1.4% from 2002 levels. Budget Authority of \$12.1 billion - which consists of \$10.9 billion for appropriations (direct, related, and supplemental) and

transfers, and \$1.2 billion financed from trust funds - comprise 68.7% of the total budgetary resources. The Department incurred obligations of \$14.9 billion for the year, a slight decrease (0.2%) from \$15.2 billion of obligations incurred during 2002. Outlays reflect the actual cash disbursed against the Department's obligations.

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 ISSUES

The FY 2003 Department of State's budget of \$7.660 billion included the appropriations that finance the administration of foreign affairs (\$6.002 billion); contributions to international organizations and activities (\$1.530 billion); international commissions (\$57 million); and other related appropriations (\$71 million). Two foreign assistance accounts authorized in the State act were also funded (\$867 million). The administration of foreign affairs appropriations primarily funds the operating budgets of the Department of State. These appropriations fund the basic platform for conducting the U.S. Government's diplomatic activities around the world as well as building and maintaining the

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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infrastructure that supports most U.S. Government operations overseas. In addition, the Department continues to rely on Machine Readable Visa (MRV), Expedited Passport, and other user fee collections to enhance the nation's border security and help meet consular workload demands, and to invest in modern, responsive information technology systems. These resources are essential to accomplishing two overriding objectives of the President's foreign policy: to win the war on terrorism and to protect Americans at home and abroad.

For our major operating appropriation - Diplomatic and Consular Programs (D&CP) - the Department was funded at \$3.911 billion and included the second year of a multi-year Diplomatic Readiness Initiative (DRI) strategy to recruit, hire, train, and deploy additional professionals around the world. The appropriation and transfers, along with increases in MRV fee spending, also supported hiring 584 new employees (above anticipated attrition) including 399 new diplomatic readiness positions, 51 new consular positions to address border security workload increases, and 134 new security professionals. With increased D&CP funding, the Department funded programs to create a work environment to attract and retain talent within a highly competitive economy.

The Department's FY 2003 funding included \$1.405 billion for Embassy Security, Construction and Maintenance to manage the Department's real property assets and provide U.S. diplomatic and consular missions with secure, safe, and functional facilities. This funding included \$750 million for security capital construction and compound security projects and \$505 million for ongoing operations. The Department also received \$559 million for Worldwide Security Upgrades within the Diplomatic and Consular Programs appropriations (including \$10 million from the Emergency Wartime Supplemental Act) to complete the



perimeter security enhancement program begun under the 1999 Emergency Supplemental Appropriation, to improve technical, counterintelligence and domestic security programs, and to fund the 134 new security professionals. This funding also sustains security programs begun with the FY 1999 emergency supplemental such as worldwide guard protection, physical security equipment and technical support, information/systems security, and personnel and training.

The Department's FY 2003 funding for the Capital Investment Fund included \$182 million to provide modern information technology to every Department employee, including secure access to the Internet for all of our employees and modern classified systems. This included funding for completion of the OpenNet Plus initiative, which provided complete web access for all State desktops in May 2003. This funding also went to the Department's goal of providing classified connectivity and email to every eligible post by FY 2004, thereby laying the foundation for modernizing our outmoded cable system.

The Department's FY 2004 budget request [at this date still pending before the Congress] continues to support the Department's priorities to support the War on Terrorism and build diplomatic readiness. The request includes \$1.5 billion for enhanced security and the War on Terrorism, including \$861 million to design and/or construct secure facilities, additional site acquisition, and compound security projects; and \$647 million to upgrade worldwide security readiness including increased guard protection, chem/bio defense, and facility protection measures.

The request also includes funding to support hiring 552 additional Americans including 85 security professionals and support staff; 399 new hires to meet the highest priority diplomatic readiness staffing needs; and 68 new consular positions to enhance Border Security and ensure the security of U.S. visas and passports. The Department's request of \$157 million for the Capital Investment Fund allows for continued investment in state-of-the-art IT systems worldwide, including extending classified connectivity to every post requiring it.

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 the formats prescribed in OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*, 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.



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 (see page 205). 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.



LITTLE KNOWN FACTS ABOUT THE DEPARTMENT OF STATE

THE U.S. PASSPORT

The term “passport” derives from the French word *passer*, to enter or leave, and *port*, a port. It literally means a permit to leave a country. Issuance of passports and travel documents was first mentioned as a function of the Department of Foreign Affairs in 1782. The Department of State did not receive exclusive authority to issue passports until 1856. Prior to that date, governors, mayors, and even notaries public were known to issue passports. During the 19th century, the U.S. Government required travelers to obtain passports only in wartime. They would not be required of all travelers until 1914.

The earliest surviving U.S. passport was issued in France by Benjamin Franklin, Arthur Lee, and John Adams to W.D. Cheever, David Sears, and their servants on December 27, 1778, for travel to Holland. During the 1790s many passports were issued collectively to merchant ships and their crews. The passport function is the activity of the Department that the general public is most likely to encounter.



MARINE SECURITY GUARDS

During the 19th century, the U.S. Navy was frequently called upon to protect American lives and property in remote parts of the world. Marine detachments took part in these operations and on occasion were expected to protect diplomatic missions. The first such instance took place in 1835, when four marines from the U.S.S. *Brandywine* were assigned to protect the Consulate in Lima, Peru. The next year, one Marine was detailed to this task. Legation guard detachments were stationed at various times in Tokyo, Seoul, and Managua.

Civilian guards were unable to maintain adequate security at overseas missions, and the Department accordingly turned to the Armed Forces. The Secretary of State and the Secretary of the Navy signed a memorandum of agreement on December 15, 1948, which established the present Marine Security Guard program. Today Marines are assigned to Foreign Service posts throughout the world.

CRISIS MANAGEMENT TASK FORCES

Crisis task forces are formed to meet challenges to U.S. interests and include members from all affected government agencies. These task forces operate 24 hours-a-day and remain in operation until the crisis is resolved. The crisis task force pictured was formed because of the instability in Haiti in June 1964.



A blue-tinted globe is the central visual element, showing a map of North America and the Caribbean. The map includes labels for 'NORTH AMERICA', 'MEXICO', 'CARIBBEAN', and 'WEST INDIES'. The globe is positioned on the left side of the page, with the right side being a solid dark blue background.

INSPECTOR GENERAL'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2003 PERFORMANCE AND ACCOUNTABILITY REPORT

MESSAGE FROM THE DEPUTY INSPECTOR GENERAL



The Office of Inspector General (OIG) for the Department of State was established 17 years ago, nearly a decade after the Inspector General Act created the first independent Inspectors General at federal agencies. Mandated to provide independent and objective oversight of Department operations, OIG has also tried, within the limits of its statutory independence, to partner proactively with the Department's leadership, managers, and employees toward a common purpose: to ensure that its programs and operations are carried out effectively, efficiently, and economically, with integrity and accountability, in a way that serves the best interests of the President, the Congress, and the American people.

OIG's work, by its very nature, is directed toward improving performance and strengthening accountability, thereby supporting the Department's achievement of positive results in its programs and operations. The impact of OIG's efforts is evidenced by the degree to which our work is reflected in this Performance and Accountability Report: our audits of Department financial statements, our identification of major management challenges, our issuance of reports and recommendations addressed by the Department. OIG audits, inspections, and other reviews are a primary means to evaluate the success of Department programs, and our reports have served as a reference in identifying issues of concern for the Deputy Secretary's Senior Policy, Performances and Resource Reviews. To reinforce our focus on promoting positive change in the Department, our strategic goals are expressed in terms of the desired effect of our work on the Department's foreign policy, security, financial management, and administrative support activities, and on the overall integrity of its operations.

The responsiveness of the Department to OIG's work and recommendations has resulted in some notable accomplishments during the past year. Passport application requirements have been changed to make it necessary for children under 14 to appear in person when applying for a passport, closing a loophole that facilitated the smuggling of children. Embassy designs have been changed to correct a security vulnerability identified by OIG that could have compromised the safety of mission employees and information. The Department has once again received a clean opinion on its financial statements and, through close coordination with OIG, again met OMB's accelerated deadline for submission of the financial statements. During FY 2003, OIG audits and investigations also resulted in nearly \$13 million in potential monetary benefits, and the Department took action to recover and make better use of \$14 million in questioned costs and funds put to better use identified by OIG in prior fiscal years.

I am pleased to have the contributions and results of the OIG highlighted in this report. A more detailed description of our accomplishments and success in achieving our strategic and performance goals can be found in OIG's FY 2003 Performance Report, which has been published separately in conjunction with this report.

Anne W. Patterson

Deputy Inspector General



SUMMARY OF FY 2003 PERFORMANCE

This summary presents the highlights of OIG's FY 2003 Performance Report.

Vision

To support the Department of State and the Broadcasting Board of Governors in achieving their missions as effectively, efficiently, and economically as possible.

Mission

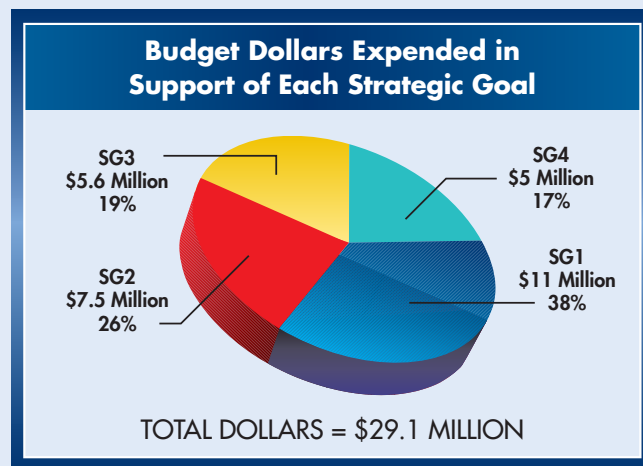
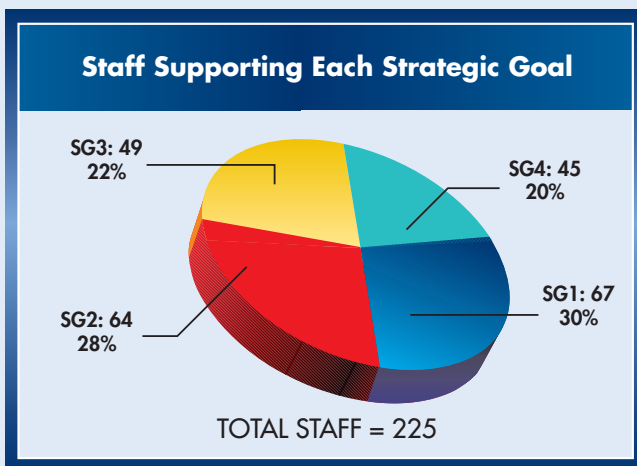
The mission of the Office of Inspector General is to serve as an independent, objective reviewer and evaluator of the operations and activities of the Department and the BBG¹. We analyze those operations and activities with a view toward promoting effectiveness, efficiency, and economy. We seek out instances of fraud, waste, abuse, and mismanagement, and we work to prevent them. We report to the Secretary of State, the BBG, and the Congress, keeping them fully and currently informed of significant developments and serious concerns.

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 References to the Broadcasting Board of Governors (BBG) in the vision, mission, and goals refer to OIG's statutory authority as the OIG for the BBG as well as the Department of State. However, these responsibilities are not relevant to or addressed as part of the Department's Performance and Accountability Report.



Highlights of OIG's Most Significant Results and Outcomes

During FY 2003, OIG reviews, findings, and recommendations resulted in benefits and outcomes, including improvements to Department security, programs, and operations. The most significant of these results and challenges are presented below.

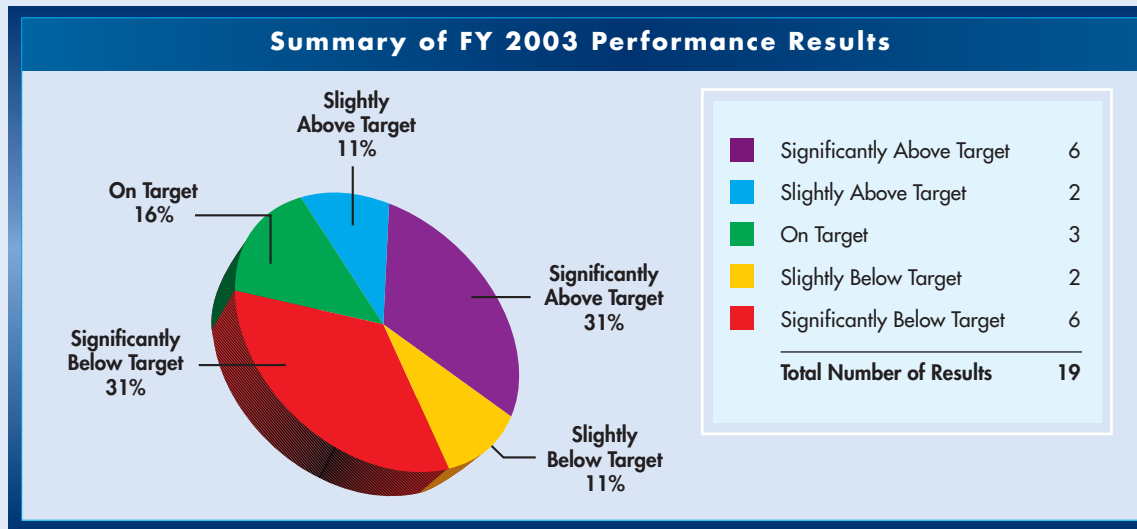
HIGHLIGHTS OF THE OIG'S MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES	
RESULTS	CHALLENGES
Foreign Policy	
<ul style="list-style-type: none"> ◆ The Department developed a phased plan to increase the number of end-use checks of munitions exports and will specify to posts when a site visit is required as part of an end-use check. ◆ The Department is revising passport regulations and application forms to require children under 14 to appear personally when passport applications are executed on their behalf, thereby closing a loophole that facilitated the smuggling of children. ◆ The Department has begun an extensive analysis of consular workload worldwide to assess consular resource needs in the post-9/11 era. 	<ul style="list-style-type: none"> ◆ OIG does not presently have the resources necessary to carry out the five-year inspection schedule requested by senior management to ensure effective oversight of post and bureau operations. ◆ OIG must effectively balance the scope, frequency, and size of post management inspections to ensure adequate oversight of missions and bureaus. ◆ OIG must identify and attract personnel with specialty skills (e.g., political, economic, public diplomacy, executive management) needed to ensure effective oversight of the full range of post and bureau operations.
Security	
<ul style="list-style-type: none"> ◆ The Department implemented procedures to better control secure compartmentalized information documents and ensure that vulnerabilities identified by technical surveillance countermeasure evaluations are corrected promptly, and strengthened internal procedures for adjudicating security violations and referring valid violations for possible disciplinary action. ◆ The Department clarified guidance on actions needed to protect Top Secret documents stored on electronic media, as well as for labeling and storing certain classified electronic media. ◆ The Department is altering the design and construction of Compound Access Control facilities to eliminate an OIG-identified vulnerability. ◆ The Department has developed oversight guidance and training, briefed senior office managers, trained more than 700 officers, and designed program implementation tools to assist the Department's Unit Security Officers in implementing the Department's security program. 	<ul style="list-style-type: none"> ◆ Due to continual changes in worldwide threat conditions, security vulnerabilities persist even when recommended security enhancements are promptly implemented. ◆ Need to focus limited resources on security inspections of critical and high threat posts, despite the potential for increasing vulnerability of posts with lower threat levels.
Financial Management & Administrative Support	
<ul style="list-style-type: none"> ◆ The Department developed written policies and procedures for bureau travel card program coordinators and cardholders and has made them centrally available on an intranet site. ◆ The Department also developed guidelines for addressing individually billed travel card accounts that are in the 60-day past due category and developed guidance on when and how to transfer cardholders' accounts from one bureau to another or to an overseas mission. ◆ The Department is significantly improving the accuracy, reliability, and availability of its financial information and focusing efforts to address several significant internal control and non-compliance issues, including information systems security. 	<ul style="list-style-type: none"> ◆ Continued growth in legislative mandates and other unanticipated requests seriously limits OIG's ability to conduct planned, non-mandated work.



HIGHLIGHTS OF THE OIG'S MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES <i>Continued</i>	
RESULTS	CHALLENGES
Accountability	
<ul style="list-style-type: none"> ◆ \$5.3 million in questioned costs and \$0.5 million in funds put to better use were identified in the course of OIG audits. ◆ Investigative recoveries totaled \$7.3 million. ◆ The president of a company that misrepresented the qualifications of explosive ordnance detection dogs and handlers provided to the Department was sentenced to 78 months' imprisonment and 36 months' supervised probation and was also fined \$2,700 and ordered to make restitution of more than \$708,000. ◆ A Nigerian national was convicted of passport fraud, sentenced to a year and a day in prison, and deported from the United States. 	<ul style="list-style-type: none"> ◆ New mandates for OIG to audit more than \$700 million in 632(a) transfer grants could seriously limit OIG's ability to conduct other non-mandated contract and grant audits.

FY 2003 Performance Results

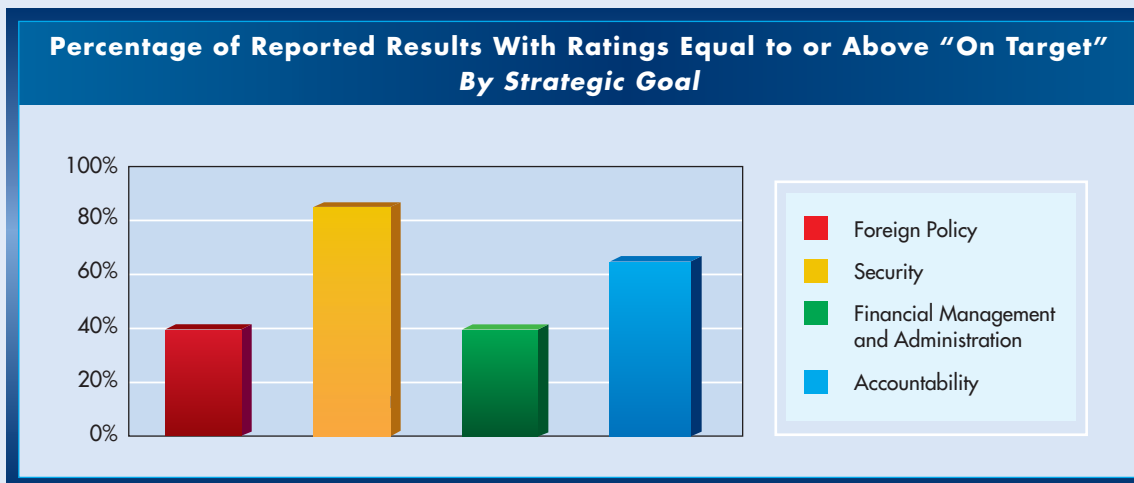
OIG's Performance Plan contains four strategic and eight performance goals, along with nineteen indicators and targets used to evaluate its success in achieving these goals.



As shown in the chart above, 58 percent of OIG's performance results met or exceeded performance targets. This represents an improvement over FY 2002, when 47 percent of results met or exceeded performance targets. In addition, 56 percent of FY 2003 results exceeded those for FY 2002, and 44 percent were the best results for the past four fiscal years (2000 through 2003).



The bar chart below shows the percentage of results attained for each strategic goal that were equal to or exceeded the "on target" rating. The Security strategic goal met 83 percent of performance targets.



OIG's most successful results included identifying \$13 million in potential monetary benefits resulting from audits and investigations, versus a target of \$7.8 million, and closing 92 percent of significant security recommendations within one year of issuance, versus a target of 50 percent. Results that fell significantly below target included closing 49 percent (versus a target of 72 percent) of financial and administrative support recommendations and 38 percent (versus a target of 50 percent) of the significant financial and administrative support recommendations within a year of issuance.

Reasons for Performance Shortfalls and Continuing Challenges

A significant reason why performance targets were not being met was resource shortages during the fourth quarter of the fiscal year, which resulted in cutbacks to staffs responsible for addressing compliance with OIG recommendations; cancellation, curtailment, or postponement of more than a dozen audits and inspections; and a halt on travel for all but high-priority investigations. Efforts to meet targets for recommendations resolved and closed, and in particular for closure of our most significant recommendations, also were hampered by agency delays in responding to recommendations and by some recommendations taking longer to implement than anticipated. In addition, the departure of senior and mid-level OIG staff to the new Department of Homeland Security delayed completion of some projects.

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

- Addressing resource constraints that make it difficult for OIG to meet its oversight responsibility for a diverse and demanding workload of post management, security, and information technology inspections; an ever-increasing number of mandated audits and reviews; Congressional and Department requests for OIG assistance; allegations and indications of waste, fraud, abuse, and mismanagement; and other self-initiated audits, inspections, investigations, and reviews of issues, programs and operations that OIG believes are necessary; and
- Identifying, attracting, and retaining Civil Service and Foreign Service personnel with the requisite skills, abilities, and experience.

OIG expects to reevaluate and revise its strategic and performance plans, goals, and indicators during FY 2004, as appropriate, once a new Inspector General is nominated and confirmed.



MANAGEMENT AND PERFORMANCE CHALLENGES

The Reports Consolidation Act of 2000 requires that the Office of Inspector General identify the most serious management and performance challenges facing the Department. The OIG concludes that the most serious management and performance challenges to the Department are in the following areas:

- Protection of Our People and Facilities
- Information Security
- Financial Management
- Human Resources
- Counterterrorism and Border Security
- Strategic and Performance Planning

Protection of Our People and Facilities

Protecting its people and facilities from terrorist attacks continues to be one of the Department's highest priorities. Following the 1998 terrorist attacks against the U.S. embassies in Nairobi and Dar es Salaam and heightened U.S. security concerns in the wake of the terrorist attacks of September 11, 2001, the Department embarked on an ambitious program to construct or upgrade diplomatic missions that are inadequate and, in some cases, unsafe. The Department's program to replace 185 vulnerable embassies and consulates is in its early stages, but the pace of initiating and completing new construction projects has increased significantly over the past two years. From 1999 to 2003, the Department received approximately \$2.7 billion for this program. As of September 30, 2003, the Department had completed seven projects to replace embassies and consulates at risk of terrorist or other attacks and had another 21 under construction. The Department has also received over \$750 million to improve perimeter and compound security at existing facilities. Despite the Department's aggressive efforts, many embassies cannot expect new and safer buildings in the short term.

OIG contributed to the Department's priority of protecting people and facilities from terrorist attacks by conducting 11 limited-scope and nine full-scope inspections of overseas missions in 2003. Limited-scope inspections are confined to a review of physical security and emergency preparedness and are intended primarily to identify and correct weaknesses in the mission's defenses against a large-scale vehicle bomb attack. Full-scope inspections review the full range of a mission's security program, including emergency preparedness, physical, technical, procedural, information, and personnel security. In addition to these inspections, OIG completed two follow-up reviews – one at Embassy Berlin and the other at Embassy Moscow. These reviews examined each mission's compliance with the previous inspections' recommendations.

Because the majority of OIG's FY 2003 security inspections were limited to reviews of physical security and emergency preparedness, most of the security findings and recommendations of this period fell into these two categories, with emergency preparedness emerging as the area most needing improvement. OIG findings revealed the need for improvements in: 1) alerting personnel to take immediate action in response to an imminent vehicle bomb attack, 2) providing adequately stocked safe havens, and 3) conducting all Department-required emergency drills on an annual basis.



Approximately one-third of the security inspections found setback – the distance from the outermost perimeter barrier to the building's exterior wall – to be inadequate. Setback is a key factor in countering a vehicle bomb attack. The lack of adequate setback can be partially mitigated by other factors, such as acquiring abutting properties and closing or controlling access to surrounding streets. These inspections found that some measures such as street closure- or access-control had been taken, but that more needs to be done. Another common physical security deficiency at overseas posts is building exteriors that fail to meet the Department's security standards for forced-entry and ballistics protection, which provide mission personnel protection against a mob attack or violent demonstrations.

Information Security

The increase in the use of the Internet, coupled with the dramatic expansion in computer interconnectivity, has changed the ways that the government, the nation, and much of the world communicate and conduct business. Without adequate safeguards, computer-supported Department operations could be at enormous risk and allow individuals and groups with malicious intent to intrude into inadequately protected systems. Among the worst scenarios, this access could allow intruders to launch attacks against other computer networks and systems, disrupt operations, commit fraud, or obtain sensitive information. Previous General Accounting Office, OIG, and Bureau of Diplomatic Security reports have identified persistent computer security weaknesses that place a variety of critical and mission-essential Department operations at risk of disruption, fraud, and unauthorized disclosure.

The Department recognizes that much more must be done to develop fully and ensure the continuity of its systems security program. As mandated by the Federal Information Security Management Act of 2002, OIG conducted an annual evaluation of the Department's information security programs. In the September 2003 report, OIG noted significant improvements over the previous year's evaluation. In response to one of the report's key recommendations, the Department successfully completed an overview of its management approach to information security for the FY 2003 draft Cyber Security Program Management Plan. The Department also was in the process of implementing a systems authorization plan to provide certification and accreditation for its new and existing major applications and general support systems. As of August 2003, five percent of its systems had been certified and accredited. Further, 77 percent of the Department's 217 systems have security-level determinations (up from 72 percent in FY 2002). However, only 3 percent have security plans (down from 15 percent in FY 2002). Other changes included an overhaul of the capital planning and investment control process and institutional organizational changes.

OIG also focused on the overall protection of classified information at home and abroad. OIG reviewed the protection of classified and unclassified information at overseas posts, as part of the nine full-scope security oversight inspections completed in FY 2003. OIG also conducted the second of three annual audits evaluating the protection of classified information at Main State, as required by the FY 2003 Intelligence Authorization Act. Several key areas, including the Department's financial system, require senior management attention in order to develop fully and ensure the continuity of the Department's systems security program.



Financial Management

The Department has made significant improvements in the area of financial management; however, serious problems persist and represent challenges that must be addressed. OIG is pleased to note that the Department has received unqualified (clean) opinions on its agency-wide statements for the past seven years, indicating that the statements were free of material misstatements, and has met the mandated deadline for the past three years. However, OIG's most recent audit of the Department's financial statements noted serious concerns related to information systems security, the adequacy of the Department's financial systems, undelivered orders, and managerial cost accounting. The unqualified opinion was achieved, for the most part, through the extensive efforts of the Department's financial management staff to overcome those weaknesses and produce auditable information. This underscores the need for the Department to improve its financial management systems.

Weaknesses in the Department's financial management systems are a long-standing problem. The audit of the FY 2002 financial statements identified inadequacies in the Department's financial and accounting systems. The Department has made substantial compliance with the Federal Financial Management Improvement Act a top priority, and improvement initiatives to achieve that goal are under way.

While the Department has made improvements in managing undelivered orders, including a database to track them, the balance is extremely high and, in fact, has grown over the past few years. For instance, the amount of undelivered orders increased from \$3.3 billion in FY 2001 to over \$5 billion in FY 2002. In addition, the annual audits of the financial statements have consistently found that a large portion of these obligations is unnecessary. During the FY 2002 audit, an independent accounting firm estimated that at least \$230 million should have been deobligated. The Department is actively working to address this issue.

To address weaknesses related to managerial cost accounting that were identified during the annual audit of the financial statements, the Department is developing a Central Financial Planning System that it believes will address many of the concerns.

Human Resources

Overall, OIG FY 2003 reviews found staffing levels in the Department and at overseas posts to be generally adequate, with the exception of consular staffing overseas. In FY 2003, OIG continued to raise concerns about the number and training of consular personnel overseas. OIG identified junior officer rotational assignments as an impediment because visa processing positions were regularly filled by untrained junior officers, often for less than a full year. OIG also found that there was inappropriate assignment of junior officers "stretched" into key consular positions at higher grade levels, such as supervisory visa positions. In addition, OIG found first-tour officers staffing one-officer consular sections, a position that requires the depth of experience of a second-tour officer to meet the new levels of performance required to improve U.S. border security.



OIG believes significant progress has been made in addressing some of these concerns. For example, the Department initiated an extensive consular workload analysis throughout the Foreign Service to assess consular resource needs following the terrorist attacks of September 11, 2001. However, significant challenges remain, including insufficient numbers of officers, inexperienced officers placed in management positions, and undergraded positions, particularly as the consular workload has increased in response to new requirements for the use of visa biometrics and the need to interview more applicants.

OIG continued to review rightsizing issues at posts overseas to determine whether staffing was adequate to meet established goals and objectives. Where appropriate, recommendations were made to improve mission effectiveness through decreases or increases in staffing. OIG's review of Embassy Mexico City and its constituent posts, which comprise the largest U.S. nonmilitary presence outside the United States, found rightsizing to be the most urgent task confronting the Ambassador. OIG determined that staffing at the mission grew by more than 35 percent between December 1996 and December 2002, chiefly due to the increased consular workload, improved law enforcement cooperation, and the emphasis on national security since September 11, 2001. OIG recommended that the Department require all agencies at the mission to submit five-year projected staffing patterns to allow for improved coordination and control.

Counterterrorism and Border Security

Since early 2002, OIG has reviewed aspects of the Department's consular operations, both domestic and overseas, that directly affect border and homeland security in the post-September 11, 2001, era. OIG is conducting these reviews to identify weaknesses that might allow visas, passports, and other types of immigration documentation to be issued to members of terrorist organizations and their supporters.

In FY 2003, OIG issued reports that reviewed the Department's domestic passport operations, diversity visa program, and nonimmigrant visa issuance policy. OIG identified several shortcomings such as a lack of uniformity in visa processing and, in the Bureau of Consular Affairs, the lack of planning staff to develop consular input into border security initiatives and directions. A review of nonimmigrant visa issuance policy and procedures found that the Department did not fully appreciate, at that time, the pivotal role of the consular function as part of a coordinated national effort to manage border security and that, despite significant progress in bringing uniformity to the visa process, more needs to be done if the process is to be made more secure. Among OIG's recommendations is the need to reconfigure or enlarge space at many posts to accommodate the new mandated requirements for visa operations.

In response, the Department sent cables to ambassadors outlining the importance of the visa function in achieving U.S. border security and the need to integrate the consular and visa operations into their broader mission programs, as well as the importance of training consular officers at post. The Department also is working to improve consular training modules. In addition, OIG is assisting the Department by conducting surveys with each overseas inspection to gather worldwide data regarding aspects of consular operations at posts abroad that can be used to review and measure the inspected mission's border security readiness. These surveys of four key "areas of emphasis" in the visa-issuing process – executive oversight, staffing, training, and consular facilities – will form the basis for an annual OIG review of the Department's progress in strengthening U.S. border security.



An OIG review of the Department's domestic passport fraud prevention programs found that the smuggling of children or the substitution of the photograph of one child for another was facilitated by a regulatory exemption allowing children under 14 not to appear personally to apply for U.S. passports. In response to OIG's recommendation, the Bureau of Consular Affairs notified overseas posts that it plans to revise passport regulations and the instructions on the passport application form to direct that children under 14 are required to appear personally when passport applications are executed on their behalf.

Strategic and Performance Planning

Strategic and performance planning, measurement, and budget integration continue to present challenges for the Department, although significant steps to meet and overcome them were taken in FY 2003. Some of the key challenges that OIG found include: communicating and institutionalizing the planning process, translating these efforts into awareness and understanding at both senior and working levels within the Department, developing meaningful and measurable performance indicators for all aspects of foreign diplomacy, ensuring that performance plans and results are used effectively in managing mission and bureau personnel and resources, improving the integration of mission and bureau performance plans and resource allocations, linking broader plans and goals to individual office and employee performance plans, and fully integrating performance goals, measures, and results with budget formulation and implementation processes and decisions.

During FY 2003, the Department devoted considerable effort to improving its planning and resource allocation process and to addressing weaknesses in its planning and performance reporting that had been identified by OMB and independent evaluation groups. The planning and resource allocation process receives attention at the highest levels of the Department, with the Deputy Secretary of State personally overseeing reviews of individual bureau performance plans and resource requests that focus on the linkage between a bureau's initiatives, programs, and resources and their desired results. Other Department efforts included establishing a joint strategic plan with the U.S. Agency for International Development, forming two joint councils to ensure coordination and collaboration on a variety of policy and management issues that cut across the two agencies, streamlining and automating the planning cycle, identifying new outcome and efficiency measures for many of its initiatives and programs and reducing the overall number of performance measures to focus on the most critical indicators, and issuing its first integrated performance budget.

OIG's work this past year on issues relating to the Department's strategic and performance planning and implementation efforts was focused largely on assessments of individual program and mission efforts rather than systemic activities. OIG inspections found that the streamlined and automated planning process had reduced some of the burden on overseas missions, although software problems were still an issue with some posts. In addition, at most successful missions inspected, Mission Performance Plans were being used effectively to manage priorities and performance, although their role in allocating resources was limited. OIG is working with the Department to establish a methodology and schedule to ensure verification and validation of the Department's most important performance measures.



25th Anniversary of the Inspector General Act

Nearly 25 years ago, Congress sought to increase oversight of federal programs and operations, and to create a mechanism to report independently the results of these oversight reviews, with the passage of the Inspector General Act of 1978. The Act established Inspectors General to keep agency heads and Congress informed about program or operational deficiencies and gave them the authority and responsibility to be independent forces for effectiveness, efficiency, and economy within the federal government. On August 27, 1986, the U.S. Department of State's Office of Inspector General (OIG) was established under amendments to the Inspector General Act.

The State Department has a long history of mandated inspections and oversight to ensure program integrity. The 1906 Act to Reorganize the Consular Service of the United States required reviews of consular offices abroad to ensure the accurate accounting of consular fees and proper performance of their duties. In 1924, the Rogers Act expanded the inspection universe to include diplomatic as well as consular posts. This requirement was further expanded under the Foreign Service Act of 1946, which required Foreign Service inspectors to "inspect in a substantially uniform manner and at least once every two years the work of the diplomatic and consular establishments of the United States." The inspection cycle was extended to five years under the Foreign Service Act of 1980, which also established the Inspector General of the Department of State and the Foreign Service. To ensure that this function was carried out in an independent and objective manner, the Omnibus Diplomatic Security and Antiterrorism Act of 1986 required the establishment of an independent OIG at the Department by October 1, 1986, and increased the responsibilities of the office to include audits and investigations. The new State Department Inspector General was designated to serve concurrently as the Inspector General of the Arms Control and Disarmament Agency (ACDA).

Passage of the Omnibus Appropriation Act of 1996 (PL 104-28) merged the Office of Inspector General of the U.S. Information Agency (USIA), including the Broadcasting Board of Governors (BBG), with that of the Department and ACDA, effective April 26, 1996. The Foreign Affairs Reform and Restructuring Act of 1998 integrated ACDA into the Department on April 1, 1999, and USIA into the Department on October 1, 1999, completing the consolidation begun under the Office of Inspector General merger.

OIG Strategic and Performance Goals

The Government Performance and Results Act of 1993 (Results Act) requires agencies to submit annual performance reports detailing their success in achieving the goals and measures in their annual performance plans. As the independent oversight body for the Department of State, as well as the Broadcasting Board of Governors, the Office of Inspector General has chosen to develop its own vision, mission, and strategic and performance goals and to submit individual performance plans and reports along with those of the Department.





PERFORMANCE SECTION

FISCAL YEAR 2003 PERFORMANCE AND ACCOUNTABILITY REPORT

DEPARTMENT OF STATE STRATEGIC OBJECTIVES AND STRATEGIC GOALS

STRATEGIC OBJECTIVE #1 - Achieve Peace and Security -	
Strategic Goal Title	Strategic Goal Description
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.
STRATEGIC OBJECTIVE #2 - Advance Sustainable Development and Global Interests -	
Strategic Goal Title	Strategic Goal Description
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.
STRATEGIC OBJECTIVE #3 - Promote International Understanding -	
Strategic Goal Title	Strategic Goal Description
Public Diplomacy and Public Affairs	Increase understanding for American values, policies, and initiatives to create a receptive international environment.
STRATEGIC OBJECTIVE #4 - Strengthen Diplomatic and Program Capabilities -	
Strategic Goal Title	Strategic Goal Description
Management and Organizational Excellence	Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.



INTRODUCTION AND STRATEGIC GOAL CHAPTERS



INTRODUCTION TO THE PERFORMANCE SECTION

In FY 2003, the Department accomplished its mission through twelve strategic goals that articulate long-term outcomes and thirty-eight performance goals that represent shorter-term outcomes and priorities. Performance goals include specific targets designed to achieve specific performance results within a given fiscal year.

The Performance Section of the report is composed of chapters for each strategic goal organized in the following eight sub-sections:

Sub-Section	Purpose
Public Benefit	A concise narrative describing how pursuit of the goal benefits America and the world.
Selected Performance Trends	Graphs that show key performance trends specific to each goal.
Strategic Context	A table depicting the various components (programs, lead bureaus and external partners) that contributes to accomplishment of a given goal.
Performance Summary	A graphic summary of results achieved for a goal showing both this year's and last year's results.
Resources Invested	A summary of resources (dollars and people) devoted to pursuit of the goal for both the current reporting period (FY 2003) and the previous reporting period (FY 2002). The results chart and resource investment are shown on a single page so as to provide the reader with a concise snapshot of performance and resources as related to a given strategic goal.
Illustrative Example	An example of a key FY 2003 achievement that is typical of the Department's work in support of the goal.
Performance Results	Results history/trend, together with the current rating and a short impact statement pertaining to each of the FY 2003 results achieved.
Program Evaluations and PART Reviews	Summaries of evaluations and reviews conducted on the programs critical to activities related to a given strategic goal.

Percentage of Results Equal to or Above the "On Target" Rating			
Strategic Goal <i>(Number of FY 2003 Reported Results)</i>	FY 2002	FY 2003	Percentage Point Change
Regional Stability (8)	56%	75%	19%
Counterterrorism (13)	100%	77%	(23%)
Homeland Security (10)	50%	90%	40%
Weapons of Mass Destruction (20)	81%	88%	7%
International Crime and Drugs (17)	69%	100%	31%
American Citizens (5)	75%	80%	5%
Democracy and Human Rights (11)	29%	80%	51%
Economic Prosperity and Security (11)	59%	90%	31%
Social and Environmental Issues (18)	76%	89%	13%
Humanitarian Response (8)	63%	75%	12%
Public Diplomacy and Public Affairs (10)	100%	100%	0
Management and Organizational Excellence (40)	80%	84%	4%

This table shows the percentage of results attained that were equal to or above the "on target" rating for each strategic goal. The greater the percentage of results equal to or greater than the on target rating, the better.



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 laws. 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

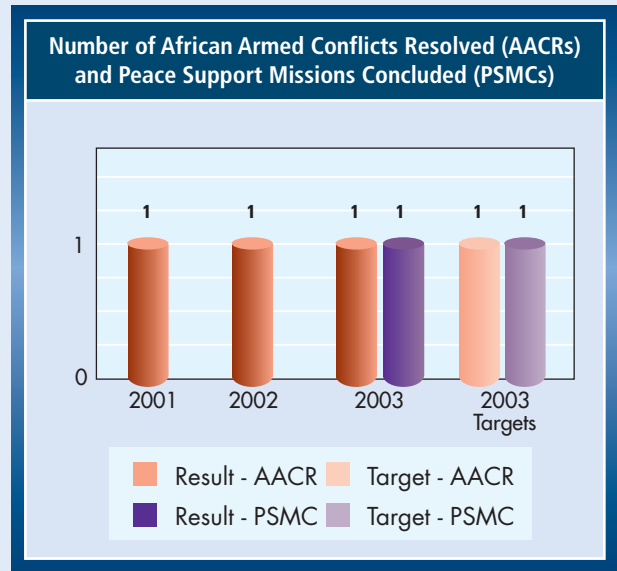
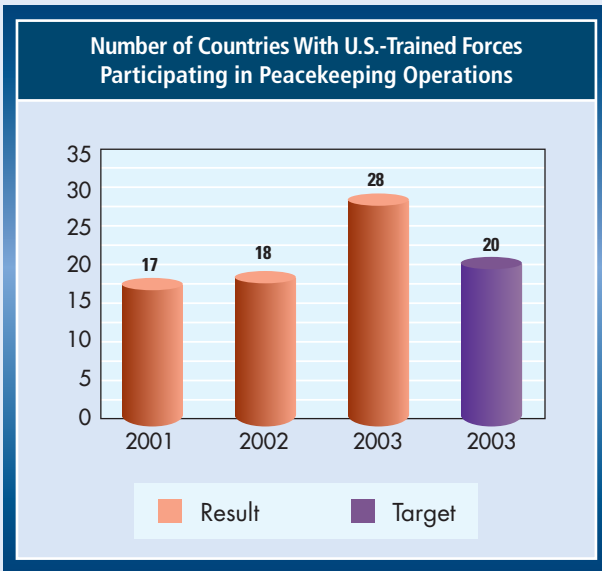
The United States must provide for the safety of Americans at home and abroad, protect against threats to its interests worldwide, and honor commitments to its allies and friends. The activities of the Department are cost-effective means for enhancing and ensuring stability in all regions of the world. Through diplomatic means, the United States builds and strengthens relations with neighbors and allies worldwide by shaping regional environments and by educating foreign audiences in ways that can prevent, contain, or resolve conflicts, and foster cooperative efforts. The benefits to the U.S. are greatest when the world is safer and more stable. Factors that contribute to regional instability include, but are not limited to economic instability, health crises, the illegal trade in toxic chemicals and dumping of hazardous wastes, exploitation of natural resources, trafficking in persons and in illegal conflict diamonds and systemic, state-sponsored denial of women's political and legal rights. The Department also advances U.S. national security interests through the resolution of regional instability, so that Americans, at home and abroad, are safe from violence. The Department achieves these regional stability objectives by focusing on two main performance goals: "Close Ties with Allies and Friends" and "Resolution of Regional Conflicts."



U.S. President George W. Bush, center, speaks with U.S. Secretary of State Colin Powell, left, during the opening session of the NATO summit in Prague. NATO leaders formally invited seven ex-communist countries to join the alliance. © AP Photo/Laurent Rebours



II. Selected Performance Trends



III. Strategic Context

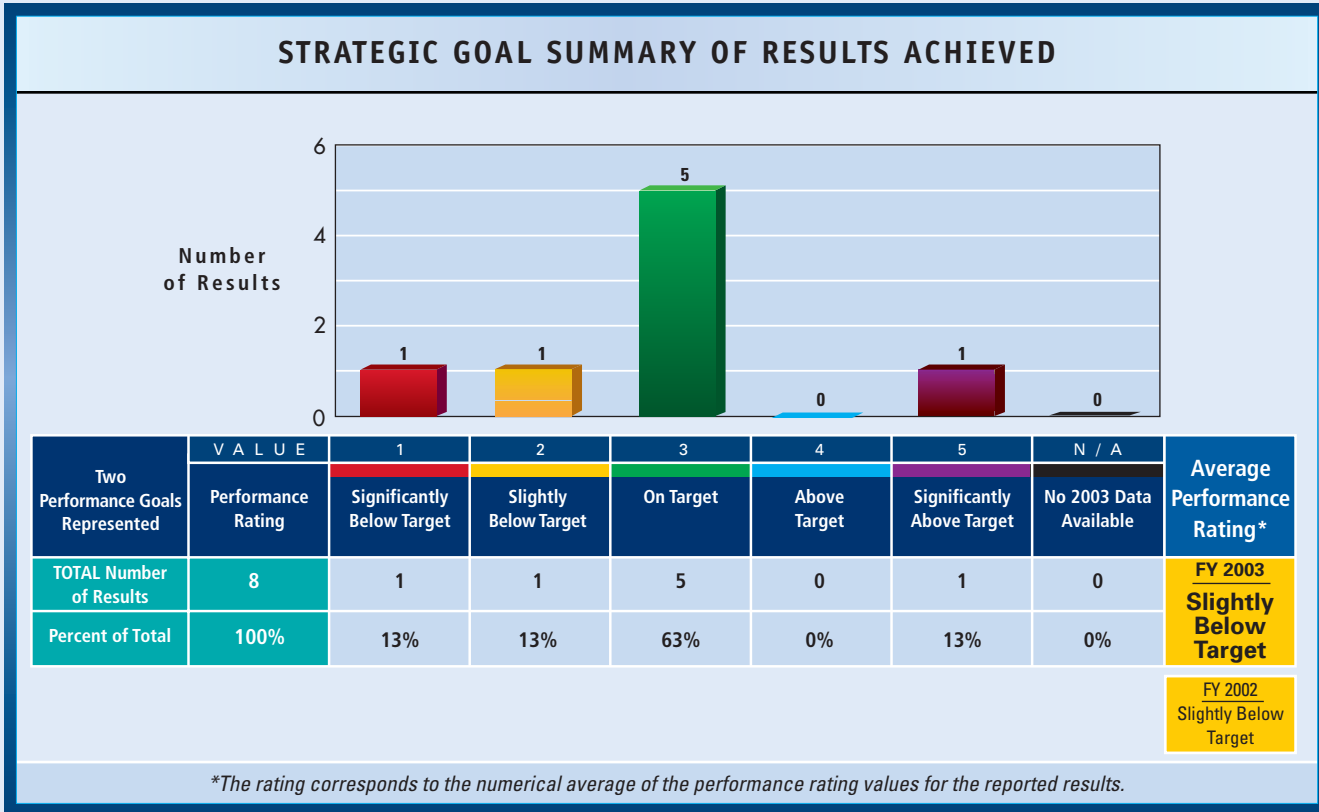
The Regional Stability strategic goal is supported by two performance goals. Shown below are the major initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Regional Stability	Close Ties with Allies and Friends	Enhanced and Expanded Euro-Atlantic Partnership	European and Eurasian Affairs, Arms Control, Verification and Compliance	OSD, JCS, IC, NSC Joint Consultative Group (JCG) in Vienna, NATO
		Regional Stability in East Asia and the Pacific	East Asian and Pacific Affairs	DoD
	Prevention and Resolution of Regional Conflicts	Conflict Management and Resolution	African Affairs	DoD, United Nations Department for Peacekeeping Operations (UNDPKO), France, UK, Belgium, ECOWAS, Nigeria, Senegal, Ghana, Kenya, Benin, Mali
		Indo-Pak Relations – Kashmir	South Asian Affairs	USAID, NSC, DoD, and various UN Agencies
		Peacekeeping Participation	Political-Military Affairs	OSD/Special Operations and Low Intensity Conflict
		Restrict Advanced Conventional Weapons Transfers	Nonproliferation	32 Member States of Wassenaar

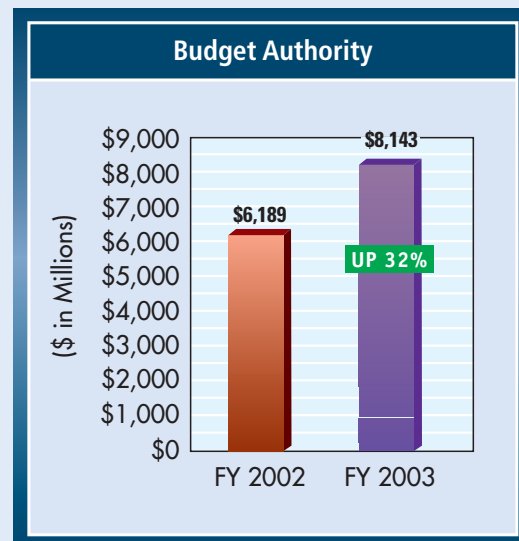
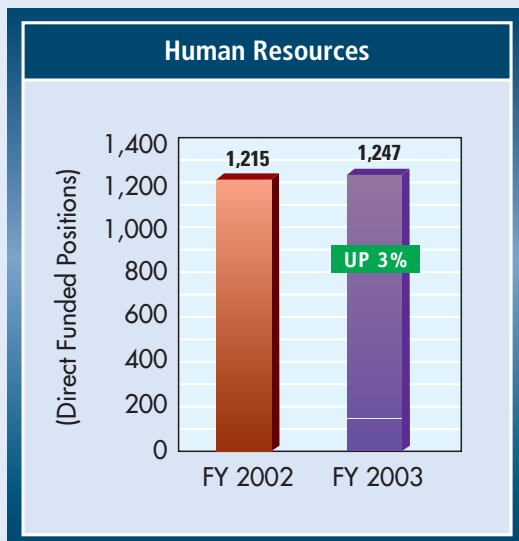


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Regional Stability strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "Slightly Below Target", no change from last year's "slightly below target" rating.



V. Resources Invested



VI. Illustrative Example of Significant Achievement

Sri Lanka

The Department played a significant role in moving the peace process forward by coordinating donor support for a “peace dividend” and by insisting the Liberation Tigers of Tamil Eelam (LTTE) abandon terrorism and reshape itself into a legitimate political organization. In April, the Department hosted a seminar on Sri Lanka attended by 26 countries and 18 international organizations to coordinate support among potential donors to Sri Lanka. In June, the United States co-chaired, along with Norway, the European Union, and Japan, a donors’ conference for Sri Lanka held in Tokyo. The United States pledged \$54 million over a two-year period, the largest bilateral contribution after Japan’s. Pledges at the conference totalled a staggering \$4.5 billion. The Department provided assistance to internally displaced persons and funded a demining program in the war-torn areas. The Department also funded a number of other programs directly supportive of the peace process, which have brought

considerable relief to a war-weary populace. As of mid-August, the LTTE appeared prepared to resume peace negotiations, which it had suspended, with the government. Although the country remains in transition, there is a sense that peace has returned to the island for good.



Nearly 30 Sri Lankan protesters hold banners in Tokyo, Japan, denouncing the Japanese government’s financial support of the Liberation Tigers of Tamil Eelam (LTTE), a Tamil group formed in opposition to the Sinhalese majority government in Sri Lanka. © AP Photo/Akio Suga



VII. Performance Results

PERFORMANCE GOAL 1

Close, strong, and effective U.S. ties with allies, friends, partners, and regional organizations

I/P # 1: AN ENHANCED AND EXPANDED EURO-ATLANTIC PARTNERSHIP

Promote stability, security, democracy, and prosperity within the region and build support for U.S. strategic goals beyond Europe.

OUTPUT INDICATOR

Indicator #1: Implementation of Adapted Conventional Forces in Europe (CFE) Treaty

FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. CFE adaptation negotiations continued. 2. Adapted Treaty and Final Act signed at Istanbul.
	2001	<ol style="list-style-type: none"> 1. Second Review Conference of CFE Treaty successfully concluded and advanced U.S. and NATO interests. 2. NATO remained firm in demanding Russian compliance with Istanbul commitments. 3. Russia made initial progress towards implementing Istanbul commitments.
	2002	<ol style="list-style-type: none"> 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 have not yet been met.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. The situation in Moldova, which had been improving earlier in 2003, then stalled at mid-year, is now again proceeding toward resolution; however, the trains moving ammunition and equipment out of Moldova are running only on a modest schedule. 2. It is clear that Russia will not meet the December 31, 2003, deadline to withdraw forces from Moldova. 3. Progress on Georgia has been stalled for most of 2003, though there are now indications that Georgia and Russia will meet soon to resume discussions on implementing the commitment regarding Georgia. 4. Russia remains in compliance with Adapted CFE Treaty Flank Limits.
	Target	Russia fulfills all Istanbul commitments (troop withdrawal from Georgia and Moldova), allowing for U.S. ratification and entry into force of the Adapted CFE Treaty.
	Rating	■ Significantly Below Target
	Impact	The continued inability to begin the process of achieving entry into force of the Adapted CFE Treaty will undercut the level of confidence and predictability achieved by the current CFE Treaty.
	Other Issues	<p>Reason for Performance Shortfall: Russia has not made the difficult political decisions necessary to fulfill its commitments regarding Georgia and Moldova.</p> <p>Steps to be Taken to Improve Performance: The U.S. will increase the level of pressure on Russia by making this a topic for senior exchanges.</p>

In Tbilisi, Georgia, Ambassador Miles at deployment of Georgian military personnel to Baghdad to join the coalition forces in Iraq.

Department of State Photo



I/P # 2: REGIONAL STABILITY IN EAST ASIA AND THE PACIFIC		
Use diplomacy to foster stability in the EAP region.		
OUTCOME INDICATOR		
Indicator #2: Status of U.S.-South Korean Relations		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Began interagency discussion of the Future of U.S.-South Korean Alliance.
	2002	1. Began U.S. and Republic of Korea (ROK) negotiations on the Future of the Alliance (FOTA).
FY 2003 DATA	2003 Results	Talks between the U.S. and ROK on the FOTA produced a timetable and division of costs for the reconfiguration of U.S. Forces in Korea during 2004 – 2008.
	Target	1. Negotiations on the future of U.S.-South Korean alliance. 2. Begin reconfiguration of U.S. Forces in South Korea.
	Rating	■ On Target
	Impact	The Republic of Korea is anxious about moving U.S. troops away from the Demilitarized zone. The realignment of troops is perceived as a weakening of the U.S. and ROK alliance and weakening of the deterrent against the North.
	Other Issues	Although there was some discussion of the U.S. and ROK working on Confidence Building Measures with the DPRK, these proposals were never fully developed. The reconfiguration of U.S. forces in Korea is a much better measure of the strength of the U.S.-South Korean Relationship.
OUTCOME INDICATOR		
Indicator #3: Status of Chinese Cooperation on Regional Stability		
FY RESULTS HISTORY	2000	Cooperation on regional security selective and episodic.
	2001	1. Limited Chinese tension-reducing diplomatic efforts toward North Korea and South Asia. 2. China cooperated in encouraging North Korean openness and dialogue.
	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.
FY 2003 DATA	2003 Results	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.
	Target	China increases coordination on security issues related to the Korean Peninsula and South Asia with the United States and the international community.
	Rating	■ On Target
	Impact	China's forward progress regarding coordination of regional security issues will contribute to regional stability in this region.



PERFORMANCE GOAL 2

Existing and emergent regional conflicts are contained or resolved

INITIATIVE/ PROGRAM (I/P) #3: CONFLICT MANAGEMENT AND RESOLUTION

Use a variety of diplomatic and foreign assistance tools to turn despair into hope.

OUTCOME INDICATOR

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

FY RESULTS HISTORY	2000	Baseline: Six armed conflicts ongoing. Four peace support missions active.
	2001	One conflict resolved (Ethiopia-Eritrea).
	2002	Conflicts Resolved: The war in Sierra Leone was effectively over and the peacekeeping mission was scaled down; 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 Economic Community of West African States (ECOWAS) troop contributors are better able to meet the demands of peacekeeping operations.
FY 2003 DATA	2003 Results	Conflicts Resolved: <ul style="list-style-type: none"> ● 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 (FDD); implementation negotiations ongoing at year-end; prospects fair for agreement in 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 18 August. The U.S. provided nearly \$26 million in logistics support to enable the deployment of ECOWAS peacekeeping forces. Peace Support Missions Concluded: <ul style="list-style-type: none"> ● Angola: Peace support mission withdrawn.
	Target	1. One conflict resolved (Burundi). 2. One peace support mission withdrawn (Angola).
	Rating	■ On Target
	Impact	<ul style="list-style-type: none"> ● Angola: Peace has been sustained for the first time since independence. The humanitarian crisis is on the way to resolution. Foreign investment and economic development are increasing. Preparations are underway for parliamentary and presidential elections projected for mid-2005. The vast majority of Internally Displaced Persons (IDPs) have been resettled. UNITA has been demilitarized and disarmed, and is transitioning to a political party. ● Burundi: Civilians continue to face severe hardship due to continued fighting between Burundian military and rebel forces in several areas of the country. Significant economic devastation from the decade-long conflict is the major challenge to future peace and democratization efforts. ● Democratic Republic of Congo: Optimism in country very high due to inauguration of the transitional government, end to major conflict, and indications that the situation in the east is improving. Heavily Indebted Poor Country debt relief approved by Paris Club, and African Growth and Opportunity Act eligibility extended to DRC by President Bush due to continued positive developments in implementation of both political and economic reforms. ● Liberia: As a result of the U.S. assistance, peace is returning to Monrovia where the bulk of the Liberians live. Internally Displaced Persons (IDPs) are starting to return although there remains much suffering in the countryside and some skirmishing continues.



I/P #4: INDO-PAK RELATIONS/KASHMIR		
Indo-Pak tensions are reduced and stability is advanced in Kashmir.		
OUTCOME INDICATOR		
Indicator #2: Status of Relations Between Pakistan and India on Kashmir		
FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> Continued military action by both sides along the line of control (LOC). Existing CBMs ignored. Pakistan providing materiel assistance and training to groups fighting in Kashmir. Poor channels of communication.
	2001	<ol style="list-style-type: none"> From November 2000 to May 2001, Indian offensive security force operations suspended; militant infiltration and attacks continued. Agra Summit broke down over communiqué wording.
	2002	<ol style="list-style-type: none"> 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. India successfully held elections in Kashmir.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Infiltration continued throughout the year. 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. Military forces on both sides returned to pre-crisis locations and readiness levels. 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 have not started.
	Target	<ol style="list-style-type: none"> Infiltration is substantially reduced; number of terrorist attacks declines significantly from 2000-2002 average. Militant training camps and related infrastructures in Pakistan are substantially dismantled. Military forces on both sides return to pre-crisis locations and readiness levels. India and Pakistan resume diplomatic contact.
	Rating	■ Slightly Below Target
	Impact	Hopes raised by the April peace initiative and subsequent confidence building measures have been deflated by continued violence and infiltration, and failure to start official bilateral talks has dampened expectations. Without strong action to restore momentum, there is a serious risk of a slide back into crisis.



I/P #5: PEACEKEEPING PARTICIPATION

Military assistance, including Peacekeeping Operations (PKO), is a key instrument in the realization of U.S. regional stability goals.

OUTPUT INDICATOR

Indicator #3: Number of U.S. Peacekeeping Operation (PKO)-Trained Countries That Participate in International PKO

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 17
	2002	18
FY 2003 DATA	2003 Results	28 <ul style="list-style-type: none"> Twenty eight of the twenty-nine countries that have received U.S. Enhanced International Peacekeeping Capabilities (EIPC) funding have subsequently participated in international peacekeeping operations.
	Target	20
	Rating	■ Significantly Above Target
	Impact	<ul style="list-style-type: none"> The pool of quality force contributions is increased, offering greater latitude to the UN and U.S., when seeking participants in global peacekeeping operations. <p>Examples of participation include,</p> <ul style="list-style-type: none"> Thailand, an EIPC recipient that had no peacekeeping history or interest in 1999, has become one of the leading Asiatic peacekeeping nations, having established a permanent training center and heavily supported UN operations in East Timor. Jordan, an EIPC recipient, has become a leader in the Middle East supporting global peacekeeping, and has committed substantial national resources to establish and build a new peacekeeping training center.
Other Issues	<p>Reason for Significantly Exceeding Performance Target: From 2001 to the present there has been a significant global increase in the demand for peacekeepers, not only for new and existing UN-sponsored missions, but for non-UN international peace support operations sponsored by coalitions and lead-nations. In 2002 and 2003, the U.S. provided PKO training to more new countries than had been anticipated when this performance target was first established, and countries provided with assistance were more actively sought out to participate in the range of operations on-going.</p>	



I/P #6: RESTRICT ADVANCED CONVENTIONAL WEAPONS (ACW) TRANSFERS		
The transfer of advanced conventional arms to states of concern is constrained.		
OUTPUT INDICATOR		
Indicator #4: Effectiveness of Wassenaar Arrangement (WA) Control Lists		
FY RESULTS HISTORY	2000	Control levels/parameters for some WA items are too high. Because some technologies are available globally, they are effectively uncontrolled. U.S. insistence on retaining those control levels has created problems with allies and threatens to undermine the WA as an arms control regime.
	2001	<ol style="list-style-type: none"> 1. Agreement in the WA to add reporting on two new sub-categories of military vehicles. 2. Within the WA, Russia alone continues to oppose mandatory reporting for small arms and light weapons, Man Portable Air Defense Systems (MANPADS), and warships down to 150 tons.
	2002	<ol style="list-style-type: none"> 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 continues to oppose mandatory reporting for small arms and light weapons, MANPADS, and warships down to 150 tons.
FY 2003 DATA	2003 Results	<p>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.</p> <p>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 also have 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.</p>
	Target	<ol style="list-style-type: none"> 1. Prompt reporting of arms transfers on the Wassenaar Arrangement Information System (WAIS). Reporting of denials of arms transfers, and notification before undercutting a previous dual-use denial. 2. Have 122 states participate in the UN Register of Conventional Arms Transfers. 3. Sharing of "best practices" papers on effective export control practices within the WA.
	Rating	■ On Target
	Impact	Fewer illicit transfers of conventional weapons mean fewer and less deadly conflicts, and thus greater security for the United States.

VIII. Program Evaluations and PART Reviews

Three OMB PART reviews for the FY 2004 budget process were conducted in FY 2003 that pertained to this Strategic Goal.

- 1) Peacekeeping Operations — OSCE (OMB PART)
- 2) Military Assistance to New NATO and NATO Aspirant Nations (OMB PART)
- 3) Security Assistance to Sub-Saharan Africa (OMB PART)

Detailed information on major findings, recommendations, actions to be taken, and PARTs can be found in the "OMB PART Summaries" appendix.



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 it has been significantly weakened by U.S. actions in the past two years. The Department has the lead in international aspects of the Global War on Terrorism (GWOT), which remains its top priority. In every corner of the globe, the Secretary, other senior officials, and Ambassadors have pressed their counterparts for expanded cooperation and intensified efforts against terrorists. Through such effective diplomacy, the U.S. has developed and leads a worldwide coalition that acts to suppress terrorism on all fronts: military, intelligence, law enforcement, public diplomacy and financial. In collaboration with its partners in other agencies and in other countries, the Department will remain committed to combating terrorist networks

wherever they exist, until the mission is accomplished and Americans are secure from such threats. To date, the Department has mobilized some 180 countries and territories in the GWOT 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 over forty foreign governments. Key to the ability to mobilize effective action by our foreign partners is the provision of training to those who want to help but lack the means. Since 9/11, these programs, including programs on anti-terrorist assistance, terrorist interdiction, and terrorist finance, have significantly improved the abilities of many countries to be effective partners.

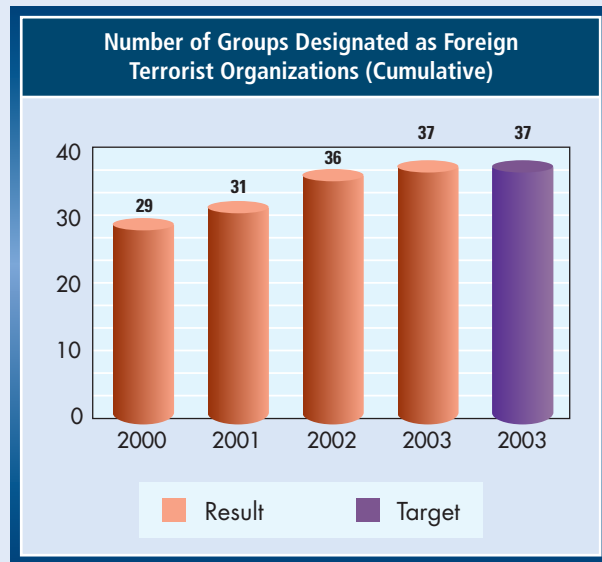
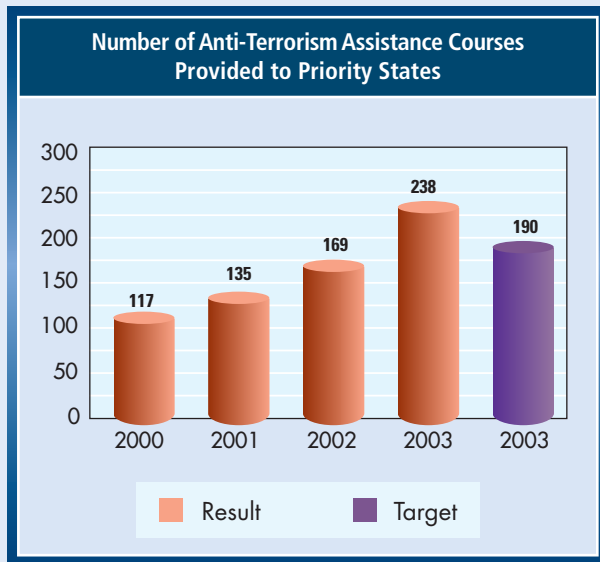


U.S. Deputy Secretary of State Richard Armitage gestures during a press conference in the headquarters of the U.S.-led occupation force in Baghdad.

© AP Photo/Ali Haider



II. Selected Performance Trends



III. Strategic Context

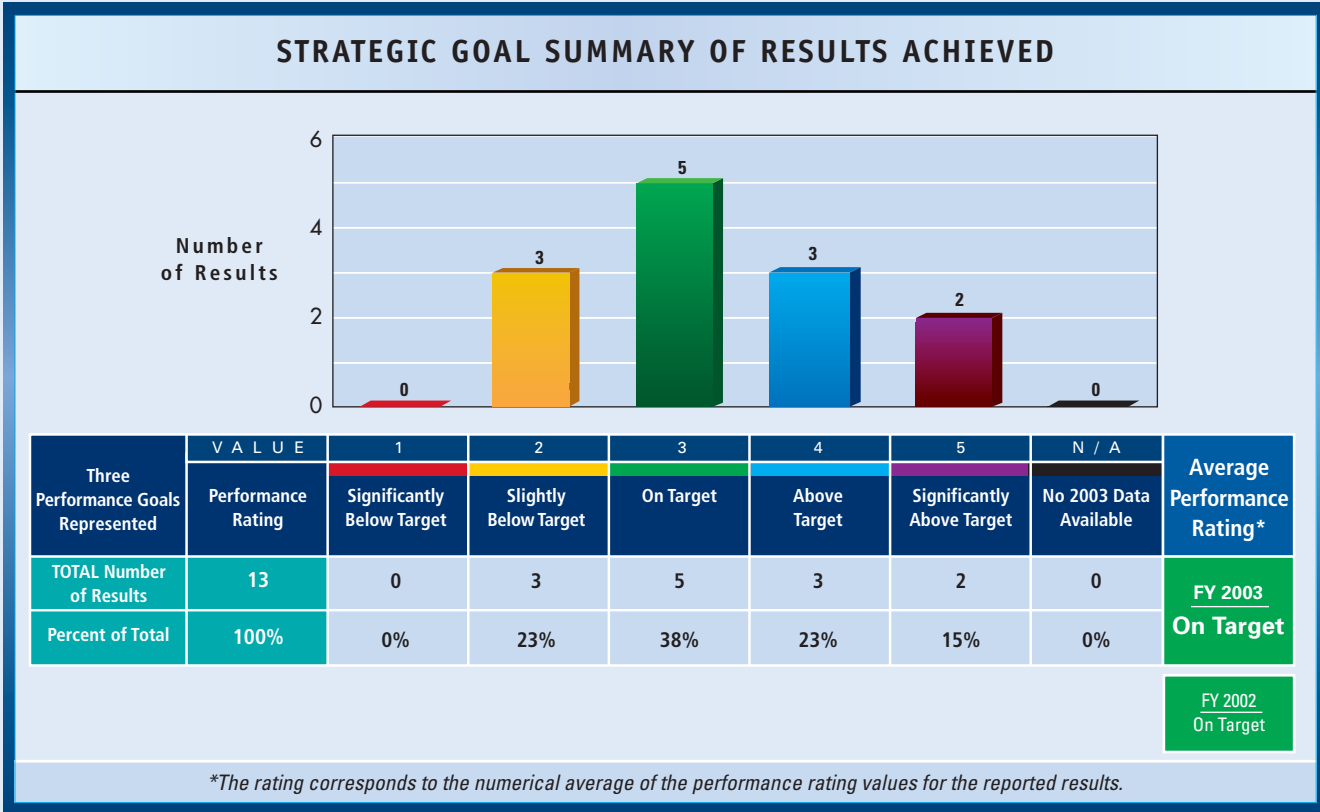
The Counterterrorism strategic goal is supported by three performance goals. Shown below are the performance goals, initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners	
Counterterrorism	Active Anti-Terrorist Coalitions	Diplomatic Engagement	Coordinator for Counterterrorism	UN	
		Anti-Terrorism Assistance	Coordinator for Counterterrorism, Diplomatic Security	N/A	
		Meeting International Standards	Coordinator for Counterterrorism	N/A	
	Freezing Terrorist Financing	Designations of Terrorist Organizations	Economic and Business Affairs, International Narcotics and Law Enforcement, Coordinator for Counterterrorism, International Organization	Treasury, DOJ	
		Counterterrorism Financing and Technical Assistance	Economic and Business Affairs, Coordinator for counterterrorism, International Narcotics and Law Enforcement	Treasury, DOJ	
	Prevention and Response to Terrorism	Foreign Emergency Support Team	Coordinator for Counterterrorism	DoD, DOE, FBI, CIA, DHS	
		Technical Support Working Group	Coordinator for Counterterrorism, Economic and Business Affairs	Treasury	
		Money Laundering and Terrorist Financing	International Narcotics and Law Enforcement, Coordinator for Counterterrorism	Treasury, FATF, UN, G-8, DOJ, DHS	
	Diminished Terrorism Conditions	Accomplishment of this performance goal is the responsibility of USAID.			

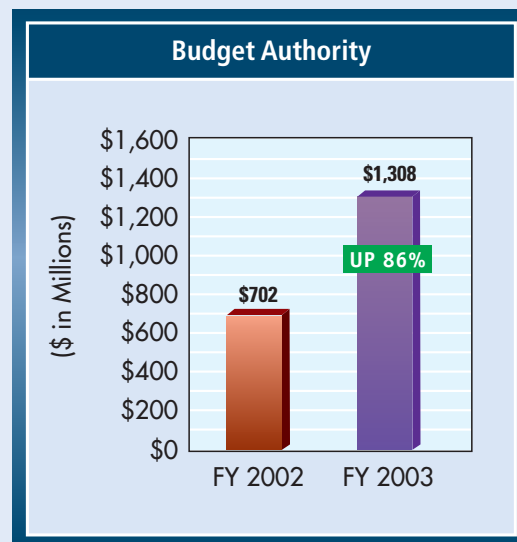
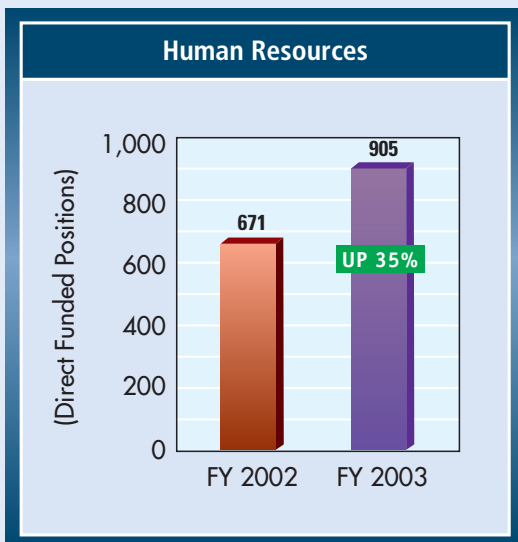


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Counterterrorism strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target", unchanged from last year's "on target" rating.



V. Resources Invested



VI. Illustrative Example of Significant Achievement

Pakistan Alliance



An indication of the mood of Pakistan border security personnel at the Pakistan-India frontier crossing Wagha, some 27 kilometers south of Lahore, Pakistan, shortly after a grenade attack on a crowded market in which two civilians were killed.

© AP Photo

Pakistan is a key U.S. ally in the war against terrorism. Nearly 500 al-Qaida suspects have been arrested in Pakistan and many of them have been handed over to the United States. Those captured include senior al-Qaida suspects, such as Khalid Shaikh Mohammed, who was arrested in March 2003 and is believed to be the No. 3 leader in al-Qaida and a suspected planner of the September 11 terror attacks. Adil Al-Jazeera, a suspected Osama bin Laden aide, was recently arrested by Pakistani authorities and turned over to the U.S. Pakistan's relationship with India is a crucial element of this complex issue.



Deputy Secretary of State Richard Armitage, left, and Indian Prime Minister Atal Behari Vajpayee gesture during talks in New Delhi, India. Armitage held talks with Indian leaders to encourage the unfolding peace initiative between nuclear-armed India and Pakistan. © AP Photo/Ajit Kumar



VII. Performance Results

PERFORMANCE GOAL 1

Coalition partners identify, deter, apprehend and prosecute terrorists

INITIATIVE/PROGRAM (I/P) #1: DIPLOMATIC ENGAGEMENT		
Ensure that the policies, plans and activities of foreign governments support United States objectives in the Global War on Terrorism (GWOT) through intense diplomatic engagement.		
INPUT INDICATOR		
Indicator #1: Number of Bilateral and Multilateral Counterterrorism (CT) Consultations with Key Partners		
FY RESULTS HISTORY	2000	6
	2001	9
	2002	13
FY 2003 DATA	2003 Results	25 <ul style="list-style-type: none"> Three multilateral counterterrorism conferences and twenty-two bilateral conference/workshops were completed in FY 2003.
	Target	25
	Rating	■ On Target
	Impact	<p>U.S.-sponsored multilateral and bilateral conferences/workshops succeeded in reinforcing the political will of the participating states and building their capacity to detect, deter and fight global terrorism.</p> <p>For example,</p> <ul style="list-style-type: none"> In preparation for the 2004 Summer Olympic Games in Athens, Greece, two senior policy bilateral conferences were held with more than 200 participants from all directorates within the Government of Greece and the USG. At the second conference, Greek experts briefed a forty member USG team on the Greek Operational Security Plan under development for the Olympic Games. The US side provided frank assessment and constructive advice to the Greek officials on the merits of their plan developed to prevent terrorism during the Games. In October 2003, in conjunction with the United Nations, the OAS Inter-American Committee Against Terrorism hosted a meeting of Regional and Subregional Organizations on Counterterrorism Cooperation. Senior Department officials to engage Argentina, Brazil, and Paraguay against terrorism as part of the "3+1" counterterrorism dialogue.



I/P #2: ANTI-TERRORISM ASSISTANCE (ATA)		
Develop the capacity of priority CT countries to combat terrorism.		
OUTPUT INDICATOR		
Indicator #2: Number of ATA Courses Provided to Priority States and the Number of Program Reviews that are Conducted Not Later Than 18 Months After the Training		
FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 117 ATA courses provided to forty-two states. Five program reviews conducted.
	2001	<ol style="list-style-type: none"> 135 ATA courses provided to forty-nine states. Fourteen program reviews conducted.
	2002	<ol style="list-style-type: none"> 160 ATA courses provided to forty-one states. Sixteen program reviews conducted.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 238 ATA courses provided to fifty states. (also included 23 "mini-courses") Fourteen program reviews conducted.
	Target	<ol style="list-style-type: none"> 190 ATA courses provided to fifty states. Sixteen program reviews conducted.
	Rating	<ul style="list-style-type: none"> 1. Significantly Above Target 2. Slightly Below Target
	Impact	<ul style="list-style-type: none"> • The United States increased the capability and willingness of 50 countries to participate in the Global War on Terrorism. • In the past year there has been an increase in the number of terrorists arrested in participant countries as well as documented cases of disrupting terrorist planning.
	Other Issues	<p>Reason for Significantly Exceeding Performance Target: ATA employed lower cost "mini-courses" of one-week duration to address country specific issues and introduced the delivery of some classroom based courses overseas resulting in cost savings on student travel and per diem. These low costs methods allowed ATA to conduct more events.</p>

Indonesia's National Police Chief Gen. Da'i Bachtiar, center, speaks during a press conference in Jakarta. Following the arrest of Hambali, the alleged al-Qaida's point man was interrogated by U.S. authorities at an undisclosed location over his role in the September 11 attacks.

© AP Photo/Dita Alangkara



I/P #3: MEETING INTERNATIONAL STANDARDS

Encourage countries to become parties to the 12 International Counterterrorism Conventions, and meet their obligations under UN Security Council Resolution (UNSCR) 1373.

OUTPUT INDICATOR

Indicator #3: Number of States That Have Periodically Submitted Required Reports to the UN Security Council, Corresponding to the Multiple Stages of Implementation of United Nations Security Council Resolution (UNSCR) 1373

FY RESULTS HISTORY	2000	UNSCR 1373 was passed in September 2001; it did not exist in 2000.
	2001	UN Counterterrorism Committee (CTC) established to monitor and assist members in implementing UNSCR 1373.
	2002	174
FY 2003 DATA	2003 Results	191 (all member states of the United Nations)
	Target	145
	Rating	■ Above Target
	Impact	The universal participation of UN member states in the UNSCR 1373 process establishes a genuine foundation for effective multilateral cooperation on counterterrorism, beyond the strictly legal requirement of the resolution. By submitting reports, several countries have identified laws and practices that could be improved. The Government of the Philippines, for example, last year passed a tougher antiterrorism financing law to meet the international standards cited in UNSCR 1373.
	Other Issues	UNSCR 1455 (January 2003) imposed a new requirement on UN Member States to report by April 2003 on measures taken to implement sanctions against Al Qaida/Taliban names listed on the 1267 Sanctions Committee. According to a report issued by the Committee in December, 108 countries had not complied with this requirement.



PERFORMANCE GOAL 2
U.S. and foreign governments actively combat terrorist financing

I/P #4: DESIGNATIONS OF TERRORIST ORGANIZATIONS		
Designate Foreign Terrorist Organizations (FTOs) and submit al-Qaeda-related individuals and entities to the UN 1267 Committee.		
OUTPUT INDICATOR		
Indicator #1: Yearly Number of Names Designated Under E.O. 13224 for Terrorist Asset Freezing		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 136 names were designated by the U.S.
	2002	Eighty-nine names were designated.
FY 2003 DATA	2003 Results	Eighty additional terrorist-related individuals and entities were named.
	Target	Eleven names designated.
	Rating	■ Significantly Above Target
	Impact	Designation under EO 13224 blocks property and makes contributions illegal. These are powerful legal tools in the fight against global terrorism. These designations disrupt FTO activity and demonstrate firm U.S. resolve to oppose terrorism.
	Other Issues	Reason for Significantly Exceeding Performance Target: Prerequisite legal frameworks were established and, coupled with enhanced cooperation among federal agencies, contributed to the successful delivery of a greater number of terrorist-related individuals and entities to the UN 1267 Committee than originally thought possible.



A campaign by the Departments of State and Treasury to combat terrorism financing.

International terrorism directed against Americans is financed by money sent to terrorists from sources around the world. To avoid future incidents, the U.S. Government is offering a reward of up to \$5 million for information leading to the dismantling of any system used to finance a terrorist organization and information leading to the arrest or conviction of those who planned or aided in any act of terrorism against U.S. persons or property.

Department of State Photo



I/P #4: DESIGNATIONS OF TERRORIST ORGANIZATIONS *Continued*

INPUT INDICATOR

Indicator #2: Yearly Number of Names Added to the UN 1267 Sanctions Committee’s Consolidated List

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 153 Taliban-related and 27 al Qaeda-related names were added to the 1267 Committee’s List.
	2002	One hundred and fifty-nine al Qaeda names were added to the 1267 Committee’s List.
FY 2003 DATA	2003 Results	Sixty-four names (14 entities and 50 individuals) were added between October 2002 and September 2003.
	Target	Sixty-five
	Rating	■ On Target
	Impact	UN member states are obligated to freeze without delay any assets identified with designated names, thereby depriving terrorists and supporters of these assets. Continuing efforts to freeze assets of individuals and entities newly determined to be involved in the financing of terrorism has circumscribed the ability of terrorists to fund their activities, and limited their ability to redirect the movement of assets from listed entities to new ones.

OUTPUT INDICATOR

Indicator #3: Number of Countries Submitting Names to the UN 1267 Sanctions Committee’s Consolidated List

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: No foreign countries submitted names to the 1267 Sanctions Committee.
	2002	Eight foreign countries submitted al-Qaeda-related names to the 1267 Sanctions Committee.
FY 2003 DATA	2003 Results	Forty-three foreign countries submitted al-Qaeda names to the 1267 Sanctions Committee between October 2002 and September 2003.
	Target	Forty names
	Rating	■ Above Target
	Impact	Countries submitting names demonstrate global effort which reduces options for terrorist financing to exist. Continuing efforts to freeze assets of individuals and entities newly determined to be involved in the financing of terrorism has circumscribed the ability of terrorists to fund their activities, and limited their ability to redirect the movement of assets from listed entities to new ones. The active participation of 50 countries in 2003 to propose individuals and entities for inclusion in the Consolidated list demonstrates international commitment to a robust, dynamic designation process.



I/P #4: DESIGNATIONS OF TERRORIST ORGANIZATIONS *Continued*

INPUT INDICATOR

Indicator #4: Number of Groups Designated as Foreign Terrorist Organizations (FTOs) Pursuant to U.S. Law and Timeliness of Review of Such Groups

FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> Twenty-nine groups designated as FTOs pursuant to U.S. law.
	2001	<ol style="list-style-type: none"> Thirty-one groups designated as FTOs per U.S. law. Twenty-eight FTOs reviewed for re-designation, twenty-five groups re-designated (two groups consolidated into one) and two other groups dropped from the list.
	2002	<ol style="list-style-type: none"> Two more organizations designated as FTOs, bringing the total to thirty-three. Five groups were under review for possible FTO designation.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Three more new FTOs were designated, bringing the total to thirty-six. One FTO designation was amended to reflect its name change. All twenty-seven FTO designations due to expire during FY 2003 were reviewed and re-designated on time.
	Target	<ol style="list-style-type: none"> Complete all FTO reviews. No new addition pending for more than four months.
	Rating	■ On Target
	Impact	Designation of FTOs makes material support illegal, blocks assets, and makes representatives inadmissible to the US. These are powerful legal tools in the fight against global terrorism. FTO designations and re-designations demonstrate firm US resolve to oppose terrorism.



I/P #5: COUNTERTERRORISM FINANCING TRAINING AND TECHNICAL ASSISTANCE

Provide training and technical assistance to countries whose financial systems are vulnerable to abuse.

OUTPUT INDICATOR

Indicator #5: Number of U.S. Training and Assistance Programs and Assessments Delivered to Priority States to Help Combat the Financing of Terrorists

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	<p>Baseline:</p> <ol style="list-style-type: none"> Nineteen states listed as priority states. Nine assessments were conducted by U.S. interagency financial systems assessment teams. Ten of the nineteen priority assistance countries were assessed by U.S. interagency financial systems assessment teams (FSAT) and ten training and technical assistance plans were developed. Some form of training and technical assistance delivered to 15 of the 19 countries (training in one of the five functional areas: legal framework, financial/regulatory, financial intelligence unit, prosecutorial/judicial, financial investigations).
FY 2003 DATA	2003 Results	Fifteen assessments completed. Fifteen of the targeted nineteen states are now receiving training and technical assistance.
	Target	Complete assessments for seventeen of nineteen priority states.
	Rating	■ Slightly Below Target
	Impact	The delivery of substantive counterterrorist finance assistance has had a significant impact on furthering U.S. and Coalition objectives in the Global War on Terrorism. The assessments have allowed the USG and host nations to focus limited resources on key areas involving the detection of money laundering and terrorist financing cases. The delivery of assistance has resulted in the creation of counterterrorist regimes that have improved the ability of our key allies to identify, freeze, disrupt and dismantle terrorist financing networks.
	Other Issues	Indicator changed to better reflect the Department's focus, which is to deliver effective assistance to priority states. Previous indicator focused on the number of countries instituting undefined measures to help combat terrorist financing.



PERFORMANCE GOAL 3

Coordinated international prevention and response to terrorism, including bioterrorism

I/P #6: FOREIGN EMERGENCY SUPPORT TEAM (FEST)

Provide U.S. Ambassadors with advice, assistance, and assessments concerning terrorism-related issues.

INPUT INDICATOR

Indicator #1: Degree of Support for Combatant Commanders' CT Exercise Programs and the Chairman of the Joint Chiefs of Staff (CJCS) Sponsored, No-Notice CT Exercise

FY RESULTS HISTORY	2000	FEST participated in two of the Combatant Commanders' national- and International-level counter-terrorist exercises.
	2001	FEST participated in two national- and international-level counter-terrorist exercises and the CJCS-sponsored, no-notice counter-terrorist exercise.
	2002	<ol style="list-style-type: none"> 1. No exercises scheduled because of Operation Enduring Freedom. 2. Co-chaired the CSG Exercise Sub-Group and developed the next 18 month, national- and international-Level exercise schedule. 3. Finalized Exercise Sub-Group's Operating Charter.
FY 2003 DATA	2003 Results	FEST participated in Chairman of Joint Chiefs of Staff no-notice counterterrorist exercise. The Department participated in TOPOFF II. FEST participated in US Pacific Command's counterterrorist exercise.
	Target	The FEST participates in two of the Combatant Commander's national and international-level counterterrorist exercises, the CJCS no-notice exercise, and the National Level Top Officials (TOPOFF) Exercise.
	Rating	■ Above Target
	Impact	Lessons learned in all exercises will be utilized to implement changes in policies and procedures that will improve U.S. government response to terrorism. Lessons learned will be shared with international partners to enhance their counterterrorism response mechanisms.
	Other Issues	FEST only participated in one Combatant Commander's exercise due to the cancellation of US Southern Command's exercise scheduled for March 2003. Cancellation was a result of the proximity of Operation Iraqi Freedom.



Paulo Vilarinhos, health secretary from Brasilia, Brazil, checks out entomology equipment at a display booth at the American Mosquito Control Association Convention in Minneapolis.

© AP Photo/Janet Hostetter



I/P #7: TECHNICAL SUPPORT WORKING GROUP (TSWG)		
Conduct rapid prototyping and technology development in order to effectively detect, deter, and defend against terrorist attacks.		
EFFICIENCY INDICATOR		
Indicator #2: Degree to Which Currently-Funded Technical Support Working Group (TSWG) Research Projects are Completed On-Time and Within Budget and the Degree to Which the Number of Projects Accepted Is Increased		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: Seventy-five percent of currently funded research projects completed on time and within budget.
FY 2003 DATA	2003 Results	1. Seventy-five percent of FY 2003 projects completed on time and within budget. 2. Five percent increase in number of projects over FY 2002.
	Target	1. Seventy-five percent of currently funded research projects completed on time and within budget. 2. Five percent increase in the number of research projects accepted.
	Rating	■ 1. On Target ■ 2. On Target
	Impact	Over sixty products fielded during FY 2003 are now being used by U.S. counterterrorism elements in intelligence, security, law enforcement, military and first responder communities to enhance capabilities and save lives.

I/P #8: MONEY LAUNDERING AND TERRORIST FINANCING		
Support the Financial Action Task Force (FATF) and Fund the Growing Demand for Assistance for NCCT Countries.		
OUTCOME INDICATOR		
Indicator #3: Status of FATF and Money Laundering List of Non-Cooperative Countries and Territories (NCCT)		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: Seventy-five percent of currently funded research projects completed on time and within budget.
FY 2003 DATA	2003 Results	Two countries are in the initial stages of being removed from the FATF list.
	Target	Two countries removed from the FATF list.
	Rating	■ Slightly Below Target
	Impact	The steady removal of countries and territories from FATF list reduces opportunity for global criminal and terrorist activity.

VII. Program Evaluations and PART Reviews

One OMB PART review for the FY 2004 budget process was conducted in FY 2003 pertaining to this Strategic Goal.

- Anti-terrorism Assistance (OMB PART)

Detailed information on major findings, recommendations, and actions to be taken for this PART can be found in the "OMB PART Summaries" appendix.



STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

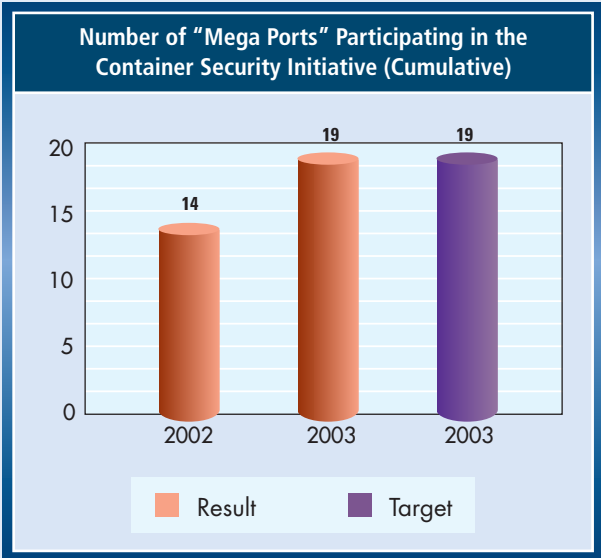
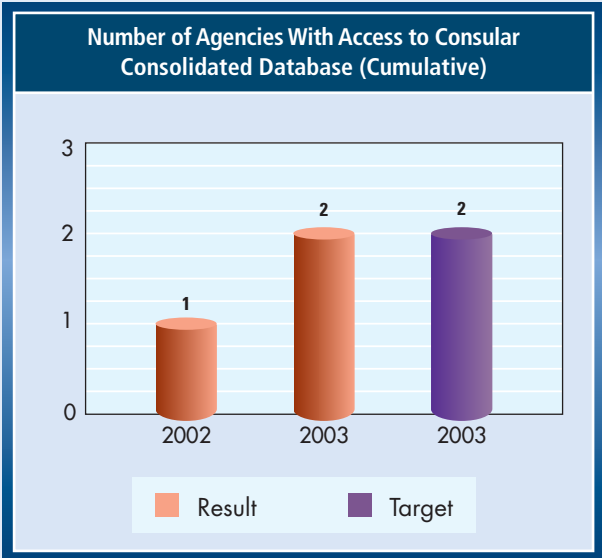
STRATEGIC GOAL 3: HOMELAND SECURITY

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 them harm. The Department, together with the newly established Department of Homeland Security (DHS) and other USG agencies, is addressing U.S. vulnerabilities to terrorist attacks and other transnational threats within 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. The strengthening of 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 recruit and train new adherents.

II. Selected Performance Trends



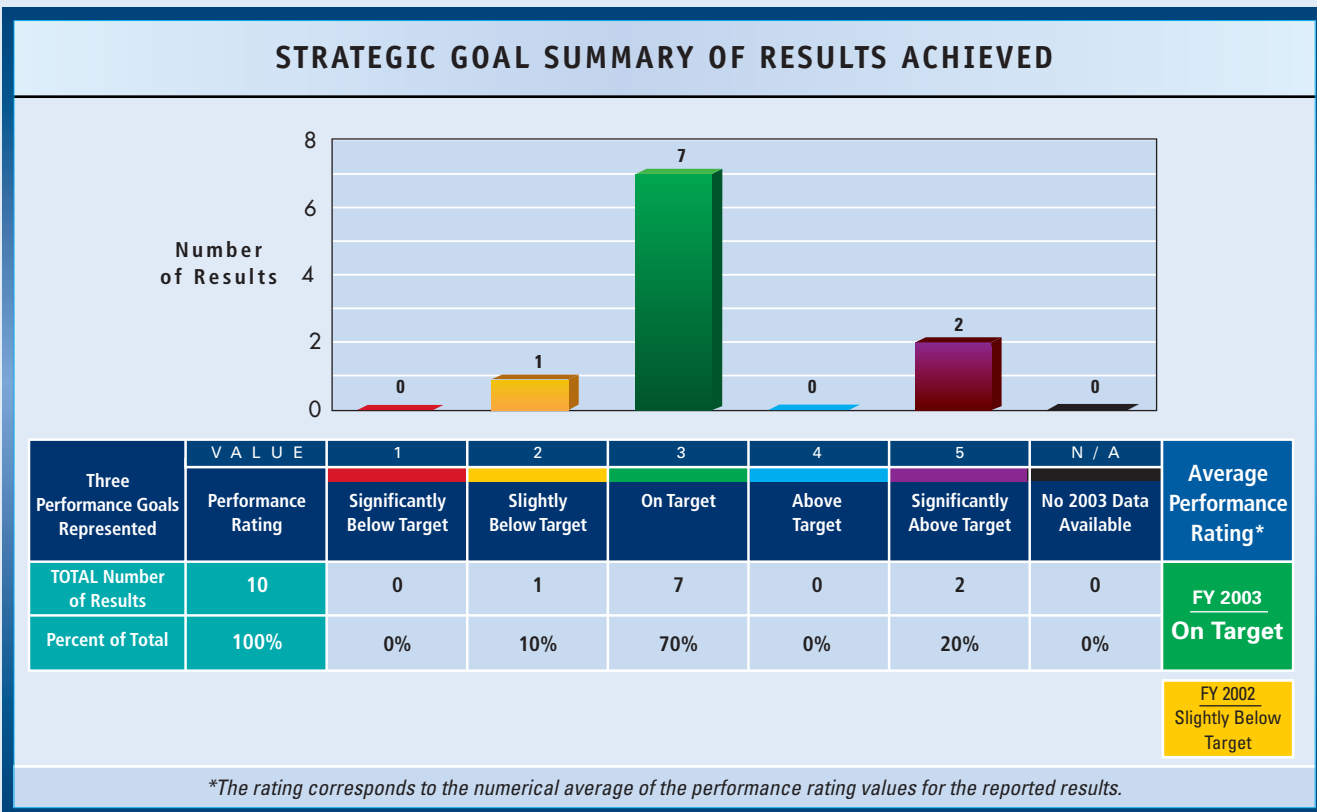
III. Strategic Context

The Homeland Security 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.

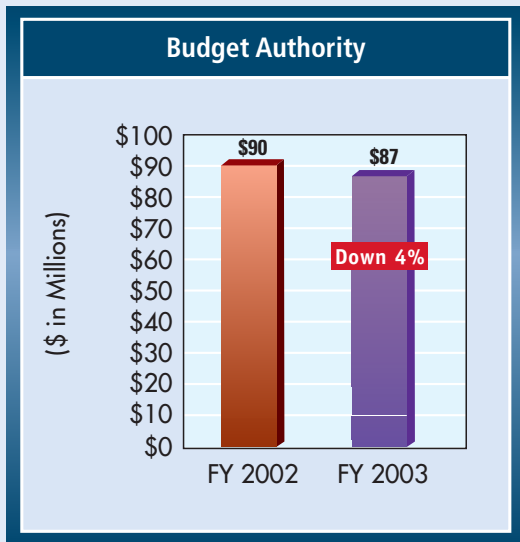
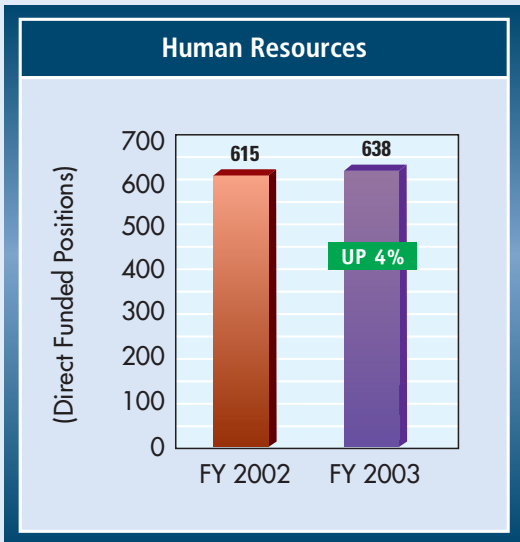
Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Homeland Security	Proper Visa Adjudication	Visa and Consular Services	Consular Affairs	DHS, DOJ, DOL, FBI, CIA, NARA, DOD, SSA
		U.S.-EU Cooperation on Border Security	Consular Affairs, Economic and Business Affairs	DHS
	Border Agreements	U.S.-Canada Smart Border Action Plan, U.S.-Mexico Border Partnership	Western Hemisphere Affairs, International Narcotics and Law Enforcement	DHS
		Container Security Initiative	Economic And Business Affairs	DHS
	Infrastructure Network Protection	Cyber Security	Political-Military Affairs, Economic and Business Affairs	DHS, DoJ, DoD, DoE, DoC, HSC, CIA, FBI, NSA, DIA

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Homeland Security strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target", an improvement from last year's "slightly below target" rating.



V. Resources Invested



VI. Illustrative Example of a Significant Achievement

Expanded Use of Biometric and Facial Recognition Technology



The Department has expanded the use of facial recognition (FR) technology to detect fraudulent visa applications. The Kentucky Consular Center (KCC) used FR to disqualify 20,000 potential winners in the annual Diversity Visa lottery based on unallowable duplicate entries. In April, KCC launched a FR pilot for nonimmigrant visas, with thirteen posts participating, representing a cross-section of geographic bureaus. In addition to identifying possible fraud, the results will assist in developing a policy on FR, the globally interoperable biometric selected by the International Civil Aviation Organization for machine-assisted identity confirmation using Machine Readable Travel Documents.

Jurez, Mexico residents Cesar Gallegos and Edgar Gallegos show their laser visa cards at the Paso del Norte Bridge in El Paso Texas. The biometric, machine-readable laser visa cards became mandatory Oct. 1, 2002.

© AP Photo



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

Improve ability to process visas and other services while maintaining the ability to detect when it is appropriate to deny a visa.

INPUT INDICATOR

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

FY RESULTS HISTORY	2000	0
	2001	0
	2002	1
FY 2003 DATA	2003 Results	2
	Target	2
	Rating	■ On Target
	Impact	CCD access significantly improves effectiveness of national security and counterterrorism activities conducted by all involved agencies.



Mariana Rodriguez, 20, of Tijuana, Mexico laughs as an Immigration and Naturalization Service inspector comments on her new haircut which looks much different than the photo on her visa as she enters the U.S. at the San Ysidro Port of Entry in San Diego, California.

© AP Photo/David Maung



I/P #1: VISA AND CONSULAR SERVICES *Continued*

OUTPUT INDICATOR

Indicator #2: Percentage of Files Stored Electronically in Accordance With the Requirements of Enhanced Border Security and Visa Entry Reform Act (PL 107-173)

FY RESULTS HISTORY	2000	0
	2001	0
	2002	100% of the paper files were retained. Preparations for electronic storage began.
FY 2003 DATA	2003 Results	Software is being developed to support Kentucky Consular Center (KCC) scanning of archival material.
	Target	Begin to phase in electronic storage. Begin to scan files on ineligible applicants and begin scanning of select applications.
	Rating	■ On Target
	Impact	<ul style="list-style-type: none"> ● Adjudicating officers now have immediate access to limited set of non-immigrant visa applications and serious refusal files on-line. This provides rapid access to necessary background information. ● Refusal notes for newly refused cases are being entered into the CCD which gives adjudicating officers a more complete reference from which decisions can be made.

OUTCOME INDICATOR

Indicator #3: Development of a Biometrics Collection Program for U.S. Visas

FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. Biometric indicators (photo and two fingerprints) were included in non-immigrant Border Crossing Card (BCC). 2. All posts in Mexico collected biometric indicators from applicants, both on- and off-site, and transmitted data electronically to Immigration and Naturalization Service.
	2001	<ol style="list-style-type: none"> 1. Biometric BCC program continued. 2. Facial recognition technology was used to disqualify duplicate entries in Diversity Visa lottery.
	2002	<ol style="list-style-type: none"> 1. Biometric BCC program continued. 2. Production of BCCs at U.S. Embassy in Mexico supplemented BCC production by INS in periods of great demand. 3. Use of facial recognition (FR) technology expanded.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. Developed recommendations on biometric standards for visas. 2. Used Facial Recognition (FR) technology to disqualify over 20,000 from the annual Diversity Visa Lottery for filing duplicate entries. To evaluate FR's full potential for combating visa and passport fraud, launched a facial recognition pilot for nonimmigrant visas. 3. Began worldwide deployment of biometric NIV software, with four posts going live with fingerprint collection in September 2003.
	Target	<ol style="list-style-type: none"> 1. Work with DHS and National Institute of Standards and Technology (NIST) to set a biometrics-based standard for the documentation of the visa process. 2. Continue Biometric BCC program and practical application of FR technology. 3. Begin development work on worldwide biometrics collection.
	Rating	■ Significantly Above Target
	Impact	Section 303 of the Enhanced Border Security and Visa Entry Reform Act of 2002 requires that "Not later than October 26, 2004, the Attorney General and the Secretary of State shall issue to aliens only machine-readable, tamper-resistant visas and travel and entry documents that use biometric identifiers." The results achieved during FY 2003 lay the groundwork for a global biometric enrollment program meeting the requirement of the law.
	Other Issues	The Department partnered with Department of Homeland Security and the NIST on development of biometric standards.



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

Enhance cooperation with our European and Eurasian partners to support our systems to identify and interdict terrorists and terrorist threats before they reach our borders.

OUTPUT INDICATOR

Indicator #4: Passenger Name Record (PNR) and Advanced Passenger Information (APIS) Requirements

FY RESULTS HISTORY	2000	Voluntary program to provide the US Customs Service (USCS) and the Immigration and Naturalization Service with passenger information.
	2001	Passenger manifest information taken from visas and passports made mandatory by United States Customs Service.
	2002	<ul style="list-style-type: none"> The Department assisted foreign carriers, particularly air carriers to meet the high performance requirements of 97 percent accuracy. APIS program expanded to cruise vessels.
FY 2003 DATA	2003 Results	Reached a provisional agreement with EU allowing European carriers to provide PNR data beginning in March 2003. The Department of Homeland Security (DHS) offered a number of proposals to meet EU privacy requirements; negotiations have yielded some concessions from the Europeans, but differences remain.
	Target	<ul style="list-style-type: none"> DHS develops software filters to comply with privacy-related undertakings of the European Union. The Department works with foreign governments to gain acceptance/support for data access requirements.
	Rating	■ Slightly Below Target
	Impact	Access to PNR data significantly improves aviation and homeland security.
	Other Issues	The U.S. is significantly closer to reaching an agreement with the EU Commission that would allow access to PNR data to DHS without being in violation of EU data privacy laws.



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

INITIATIVE/ PROGRAM (I/P) #3: U.S.-CANADA SMART BORDER ACTION PLAN AND THE U.S.-MEXICO BORDER PARTNERSHIP		
Strengthen the controls over goods that enter the United States.		
OUTCOME INDICATOR		
Indicator #1: Status of the Border Security Initiatives		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Dialogue started with the Canadian Government to work together on border issues.
	2002	The 30-point Canadian plan and the 22-point Mexican plan were launched.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> All programs proceeding largely on schedule. Slight delay in Advanced Passenger Information/Passenger Name Record API/PNR program with Canada.
	Target	<ol style="list-style-type: none"> Delivery begins on U.S. support to Mexican law enforcement in non-intrusive inspection systems, safety and search and rescue training and equipment, border port management tools, Advanced Passenger Information, and facilitating Mexican access to the U.S. SENTRI system and related programs. Under the 30-point Canadian program, the API/PNR program is underway and is fully in place by early 2003.
	Rating	<ul style="list-style-type: none"> 1. On Target 2. On Target
	Impact	Full implementation will allow for more thorough screening of travelers, improving the security of goods entering the U.S., and improving border safety.



U.S. Customs Inspector monitors a Vehicle Access Container Initiative System, a nonintrusive inspection mobile, as it examines a container at the Port of Los Angeles.

© AP Photo/Ric Francis



I/P #4: CONTAINER SECURITY INITIATIVE

Increase capability of using digital information for pre-boarding screening and post-arrival tracking of people and goods.

OUTCOME INDICATOR

Indicator #2: Participation in the Container Security Initiative (CSI)

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: Launch of the CSI. Nine countries included, encompassing fourteen of the twenty largest ports.
FY 2003 DATA	2003 Results	Nineteen of the largest twenty ports agreed to participate in the CSI program. CSI was expanded to include additional ports worldwide. CSI "pilot phase" deployments underway at sixteen ports.
	Target	<ul style="list-style-type: none"> Nineteen of the largest twenty ports that ship to the United States sign Declarations of Principles (DoPs) to participate in the CSI program. Additional "pilot phase" deployments begin. CSI expanded to include ports beyond the top twenty and negotiations begin on EU-wide agreement. Begin negotiations with Taiwan where the remaining large twentieth port is located. Discussions continue with the EC and member states on expansion to additional EU ports.
	Rating	<div style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> On Target
	Impact	<ul style="list-style-type: none"> High Risk containers are targeted and screened at foreign ports before embarking for the U.S. The risk of terrorists using an ocean container to transport weapons of mass destruction or other illicit cargo or persons, to the U.S. is significantly reduced as a result of the prescreening.

OUTPUT INDICATOR

Indicator #3: Cargo Manifest Requirements

FY RESULTS HISTORY	2000	Paper manifests sent to United States Customs Service (USCS) sometimes arriving a month after being sent.
	2001	USCS began electronic manifest programs with U.S. exporters.
	2002	USCS expanded electronic manifesting to Canadian and Mexican borders to speed clearance.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> All vessel cargo manifest information is being provided to the Bureau of Customs and Border Protection (CBP, formerly the USCS) either in electronic or paper format at least 24 hours prior to loading unless exempted. Regulations are being finalized for electronic submission of data for all modes of transport.
	Target	<ol style="list-style-type: none"> CBP requires 24-hour advance notice prior to loading for all vessel cargo unless exempted. Regulations are promulgated for electronic transmission for all modes. Paper is currently being accepted for vessel cargo.
	Rating	<div style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> 1. On Target <div style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> 2. On Target
	Impact	<ul style="list-style-type: none"> CBP can now target and inspect high-risk vessel shipments before they are loaded for transit to or through the U.S.



PERFORMANCE GOAL 3

Protection of critical physical and cyber infrastructure networks through agreements and enhanced cooperation

I/P #5: CYBER SECURITY		
Strengthening critical physical and cyber infrastructures.		
OUTPUT INDICATOR		
Indicator #1: Number of Countries With Critical Infrastructure Protection (CIP) Action Plans		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	Baseline: 69 ● This figure includes countries with which the U.S. has had bilateral or multilateral cyber and physical security exchanges.
	Target	22
	Rating	■ Significantly Above Target
	Impact	This result will significantly improve cybersecurity of critical telecom infrastructures worldwide and thereby afford greater protection against cyber-terrorism. The U.S. coordinates with other nations via bilateral and multilateral fora to advocate the adoption of national and regional cybersecurity programs that help to fulfill USG strategic cybersecurity goals as outlined in the National Strategy to Secure Cyberspace.
	Other Issues	Indicator was changed to better measure progress in this area. Previous indicator counted the number of CIP action plans. Counting the number of countries is more relevant.

VIII. Program Evaluations and PART Reviews



The sun sets on high voltage powerlines that run from the Niagara

Power Authority Plant in Lewiston, New York near Niagara Falls.

© AP Photo/Dan Cappellazzo

Two program evaluations and one OMB PART review for the FY 2004 budget process were conducted in FY 2003 that pertained to this Strategic Goal.

- 1) Review of Nonimmigrant Visa Issuance Policy and Procedures (ISP-I-03-26), (OIG)
- 2) Visa Process should be Strengthened as an Antiterrorism Tool (GAO-03-132) (GAO)
- 3) Visa and Consular Services Program/Border Security (OMB PART)

Detailed information on major findings, recommendations, actions to be taken, program evaluations and PART can be found in the "OMB PART Summaries" and the "Completed Program Evaluations for FY 2003" appendices.



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 can threaten our territory and citizens, our armed forces, our national interests, and our allies and friends overseas. The Department helps combat 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 rogue states. Our efforts improve 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 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 to reduce current nuclear weapons stockpiles; cooperative efforts to develop missile defenses as appropriate; strengthening nonproliferation treaties and commitments and their implementation; and active measures to improve and enforce export controls. The Department is helping shape U.S. and international strategies to eliminate threats remaining from the Cold War's WMD legacy, enhance controls on biological agents and toxins, especially in the area of national controls; and, most recently, redirect Iraq's former WMD scientists. To ensure our WMD strategies are both robust and effective, the Department seeks to integrate verification measures into arms control negotiations and nonproliferation agreements and commitments. The Department also works to ensure that compliance is rigorous and enforced. WMD and missile proliferation, especially in troubled regions, exacerbates regional instability and its associated negative political, economic and social consequences, including the danger that terrorists might acquire WMD and delivery systems. The Department is on the leading edge in responding to these and other WMD challenges that might arise.



Iraqi missiles are transported to a safer place for further testing in Baghdad, Iraq. Following the war in Iraq that ousted Saddam Hussein from power, the search continues for weapons of mass destruction.

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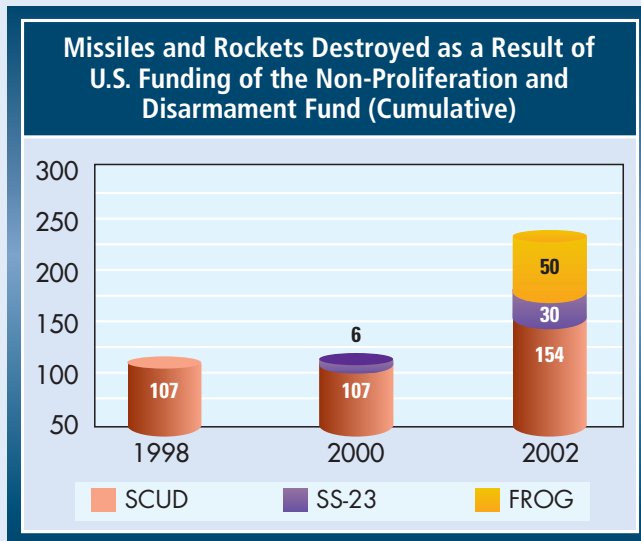
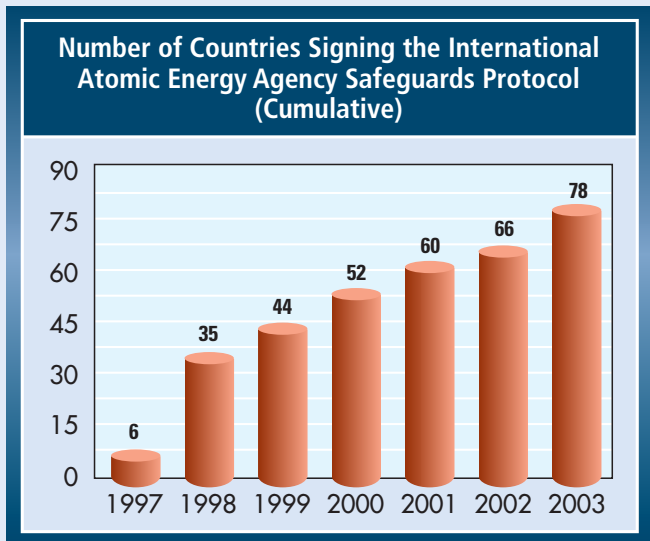
II. Strategic Context

The Weapons of Mass Destruction strategic goal is supported by three performance goals. Shown below are the major initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Weapons of Mass Destruction	Bilateral Measures	Curb Access	Nonproliferation, Verification and Compliance	DoC, DoD, DoE, DHHS, EPA, FBI, IC, NRC, NSC, USDA, CRDF, Australia Group, EU, G-8, IAEA, ICOC, MTCR, NATO, NPT, NSG, UNSC, Zangger Committee, ISTC, STCU
		Cooperation With Allies and Friends on Missile Defense	Arms Control	DoD, IC, NSC, NATO
		Cooperation with Russia on New Strategic Framework	Arms Control, Verification and Compliance	DoD, IC, NSC, NATO
	Multilateral Agreements and Nuclear Safety	Strengthen Global Norms	Nonproliferation, Verification and Compliance	Same as "Curb Access"
		Chemical Weapons Convention	Arms Control, Verification and Compliance	DoD, DoC, DoJ, DoE, IC, NSC, OPCW
		Biological Weapons Convention	Arms Control, Verification and Compliance	DoD, DoE, DoC, DHHS, IC, NSC, WHO, FAO
		Promote Safe Nuclear Cooperation	Nonproliferation, Verification and Compliance	DoE, EPA, NRC, NSC, OVP, Treasury, USAID
	Verification and Compliance	Arms Control and Nonproliferation Verification	Verification and Compliance	DoD, DOE, IC, DoC, JCS, DHS, FBI, NSC, OVP, DoJ, USDA, OPCW, Australia Group, EU, G-8, IAEA, ICOC, MTCR, NATO, NPT, NSG, UNSC, Zangger Committee
		President's Annual Noncompliance Report	Verification and Compliance	Same as above
		Compliance Diplomacy	Arms Control, International Organizations, Verification and Compliance, Nonproliferation	Same as above
		All Source Intelligence Collection; Technology R&D	Verification and Compliance	IC, DoD, DOE, DHS, OSTP, TSWG, DTRA, National Labs, NSC, OVP
		Rapid and Accurate Communication for Arms Control	Arms Control, Verification and Compliance	DoD, DoE, DoC, NSC, IC

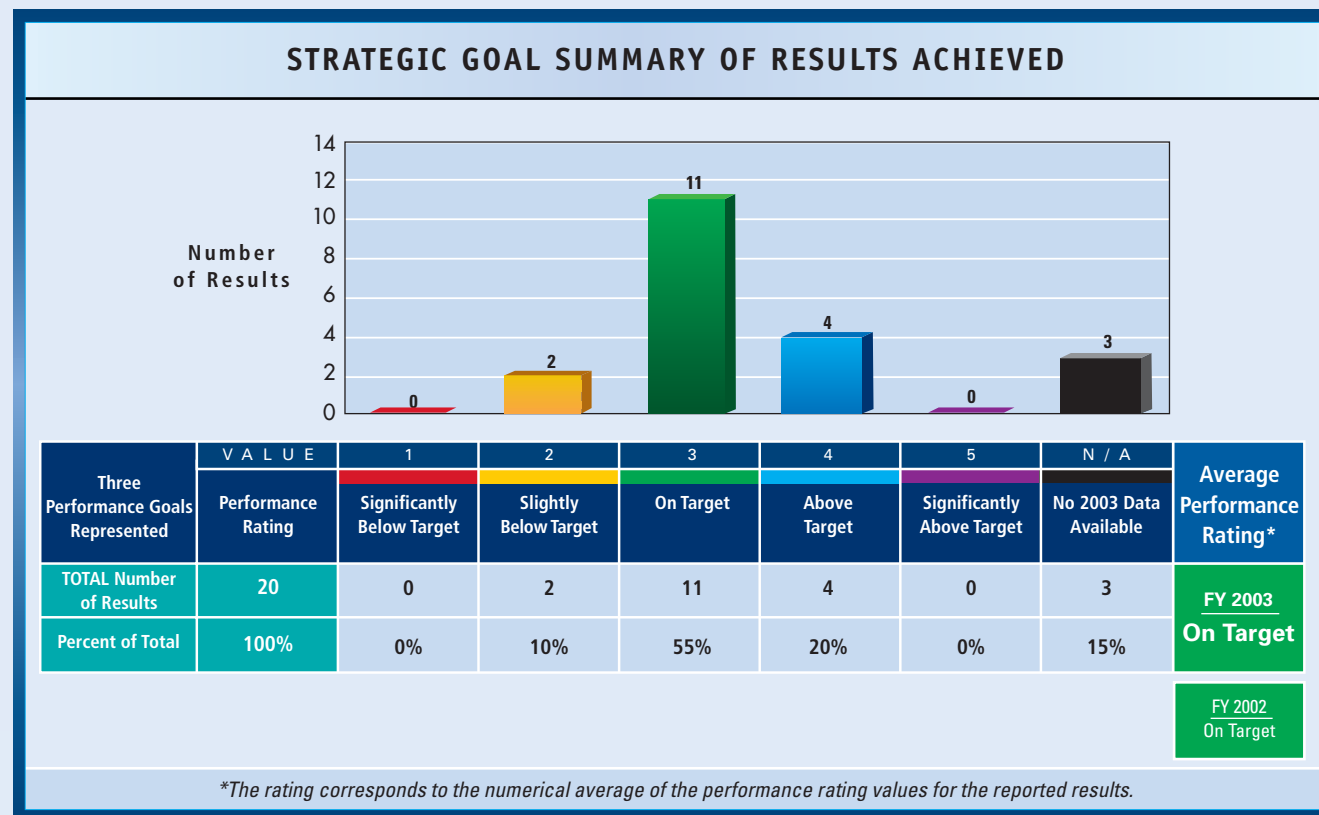


III. Performance Trends

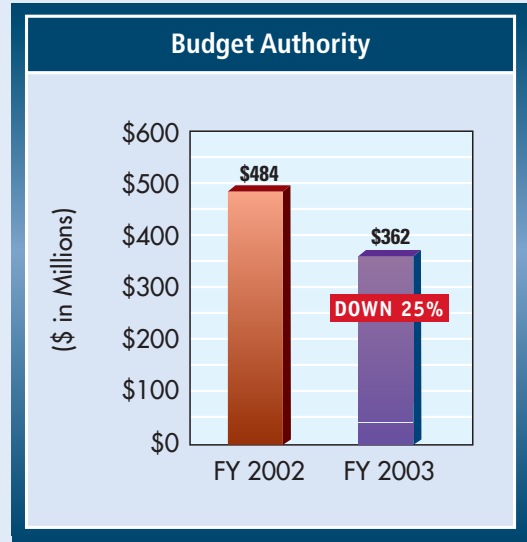
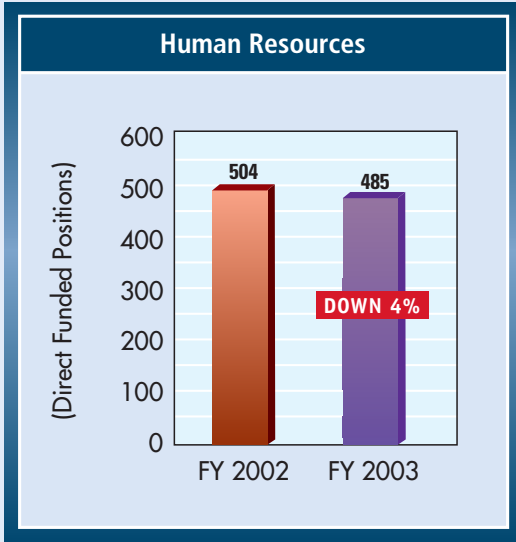


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Weapons of Mass Destruction strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target", unchanged from last year's "on target" rating.



V. Resources Invested



VI. Illustrative Example of Significant Achievement

Fissile Materials Disposition



Dr. Vladimir Smirnov, General Director of Russian energy company TENEX, speaks at a Washington news conference to announce a milestone in the effort to reduce the threat of nuclear proliferation through the elimination of weapons-grade uranium, and its transformation into electricity-producing fuel. Sen. Richard Lugar, R-Ind., looks on at right. © AP Photo/John Harrington

A Plutonium Production Reactor Agreement (PPRA) Amendment and replacement implementing agreement was signed. In addition, access arrangements for U.S. personnel overseeing projects to construct/ refurbish fossil fuel plants to replace production reactors was signed. PPRA monitoring of shutdown reactors and Russian weapon-grade plutonium in storage continues smoothly.



VII. Performance Results

PERFORMANCE GOAL 1

Protection of critical physical and cyber infrastructure networks through agreements and enhanced cooperation

I/P # 1: CURB ACCESS		
Curb access of proliferators, terrorists, and state sponsors of terrorism to material, equipment and technology for WMD and missiles.		
OUTCOME INDICATOR		
Indicator #1: Access to Weapons of Mass Destruction Impeded		
FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> Russia: Provided technology and assistance to Iran and India. China: Announced it would not assist other countries in developing ballistic missiles. North Korea: Negotiated about ending missile exports. Former Soviet Union Countries: One (Ukraine) of twelve Former Soviet Union countries enforced export controls.
	2001	<ol style="list-style-type: none"> Russia: Partially halted assistance to Iran. China: Implemented its 1997 nuclear commitment, but not its 2000 missile commitment. North Korea: Did not export nuclear material or technology, but continued to seek buyers for missile exports. Former Soviet Union Countries: Marked increase in meeting export control standards and in interdicting WMD and related components.
	2002	<ol style="list-style-type: none"> Russia: Exported technology; increased attention to Iran’s WMD and missile programs. China: Implemented its 1997 nuclear commitment but not its 2000 missile commitment. North Korea: Accepted U.S. offer for talks, but continued to export missile-related items. Former Soviet Union Countries: European countries developed export controls; some NIS countries moved towards controls.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Russia: Maintained its cooperation with Iran’s program, but expresses increasing concern as IAEA establishes Iranian safeguard violations. International consensus against supply to Iran remains in place. China: Continues to cooperate. Attention, however, has been given to other priorities that have arisen. North Korea: Has not contributed to nuclear programs in other countries, but ballistic missile exports contributes to destabilizing already volatile regions of the Middle East/North Africa and South Asia. Export Control: Over twenty countries, including Former Soviet Union countries in Europe and Eurasia have adopted export control laws, or strengthened export control systems and enforcement mechanisms. G8 Initiative: Accepts 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. <ul style="list-style-type: none"> ● Russia becomes a member of the Nuclear safety and Security group. ● Ukrainians increase staff to meet its increasing responsibilities. ● New Safe Confinement conceptual design is completed and obtains regulatory approval. ● Stabilization contractor is selected and mobilized.
	Target	<ol style="list-style-type: none"> Russia: Stops nuclear cooperation with Iran; no nuclear contracts with India. China: Fully implements and adheres to 1997 nuclear commitment and November 2000 missile commitment, including effective enforcement of comprehensive missile-related export controls. North Korea: Eliminates or freezes its MTCR class missile programs exports; agrees to complete, verifiable, irreversible dismantlement of its nuclear weapons programs. Export Control: Make significant progress by targeted countries towards establishment and enforcement of export control standards. Former Soviet Union Countries: Significant progress by NIS and other countries towards enforcement of export control standards.
	Rating	■ On Target
Impact	These results, as a whole, signify progress toward proliferation control. The North Korean exports represent a continuing concern, although the Russian reconsideration of cooperation with Iran is encouraging.	



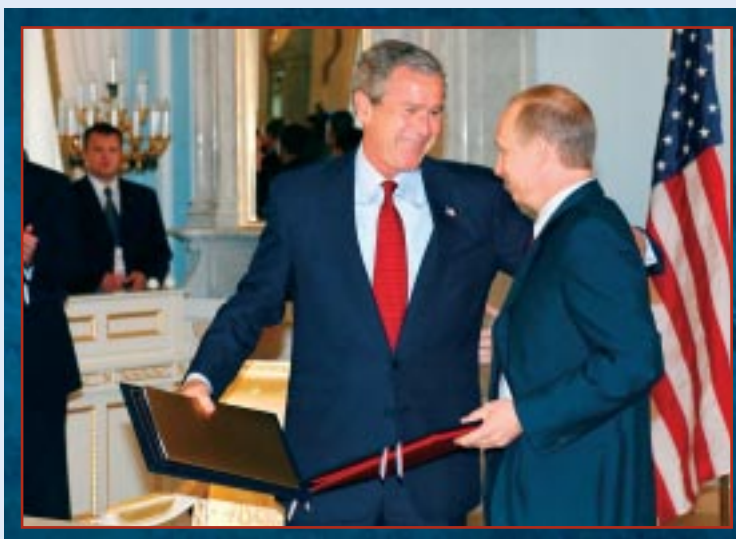
I/P # 1: CURB ACCESS <i>Continued</i>		
OUTCOME INDICATOR		
Indicator #2: States Conform to International Non-Proliferation Norms of Behavior		
FY RESULT HISTORY	2000	<ol style="list-style-type: none"> South Asia: Continued unilateral nuclear testing moratoria, restraints in nuclear and missile program, stronger export controls. Experts cooperated with India to improve export control regulation and mechanisms. Middle East: Iraq defied UN inspectors. Iran continued WMD development. East Asia: North Korean moratorium on missile testing and freeze at Agreed Framework continues, but North Korea continued missile exports.
	2001	<ol style="list-style-type: none"> South Asia: Continued unilateral nuclear testing moratoria; restraints in nuclear and missile program; stronger export controls. Middle East: Iraq defied UN inspectors. Iran continued WMD development. East Asia: North Korean moratorium on missile testing and freeze at Agreed Framework continues, but continued missile exports.
	2002	<ol style="list-style-type: none"> South Asia: Onward proliferation concerns remain. Middle East: Broad international support for pressure on Iraq leads to two landmark UN Security Council Resolutions; Goods Review List (1409) and resumption of weapons inspections (1441). Smart sanctions denied Iraq technologies necessary for WMD and missiles. Iran continued WMD and missile development. Strengthened export controls in region. East Asia: North Korea acknowledged its uranium enrichment program, lifted the Agreed Framework freeze, announced withdrawal from the NPT, and expelled IAEA monitors. The Long Range Missile flighttest moratorium continued, but North Korea's missile-related exports also continued.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> South Asia: Five technical export control cooperation exchanges completed with India. Indian officials work toward exchanges in export control system; make arrests and begin prosecution of notorious proliferating entity and investigate additional entities. Technical export control cooperation with Pakistan initiated, with first meetings held in February. Middle East: UNMOVIC and IAEA inspectors withdrawn from Iraq prior to military action to disarm Iraq. Iran's nuclear program is under intense scrutiny, as IAEA Director General reports numerous safeguards failures. Under a deadline set by the IAEA Board of Governors (BOG) on September 12, unanimously found it to be "essential and urgent" that Iran cooperate fully with the IAEA to address questions arising from Iran's safeguards failures and called on Iran to suspend all enrichment related and reprocessing activities. WMD and other related technology are denied to Libya. East Asia: North Korea agreed to multilateral talks to address concerns about its nuclear program. Three-party talks among the U.S., North Korea, and China were held in April 2003. Six-party talks; U.S., North Korea, China, Japan, Russia and the Republic of Korea were held in August 2003. States particularly welcomed the six-party talks in Beijing in August 2003. The talks, and the consensus that emerged from them, are "a clear step in the right direction", the resolution said. The IAEA General Conference adopted a resolution calling for North Korea to promptly accept comprehensive IAEA safeguards and cooperate in their full and effective implementation.
	Target	<ol style="list-style-type: none"> South Asia: Restraint on missile programs and testing moratoria continue. Progress by India and Pakistan on bringing export controls in line with international standards. Middle East: Controls on Iran receive international support. Iran denied nuclear weapons technologies. Stronger export controls throughout region. East Asia: Progress on verifiable constraints on North Korea's missile policy; and the verifiable and irreversible end to its nuclear weapons program.
	Rating	■ Above Target
	Impact	The curbs on Iran's nuclear program and worldwide consensus about the dangers it poses, will impede Iran's efforts to obtain nuclear weapons capability. The FY 2003 results as a whole serve to curb access to WMD which in turn help make the world a safer place.



I/P #1: CURB ACCESS <i>Continued</i>		
OUTCOME INDICATOR		
Indicator #3: Progress Toward Implementing Fissile Material Projects		
FY RESULT HISTORY	2000	U.S.-Russian agreement on plutonium disposition completed.
	2001	Plutonium disposition suspended; Plutonium Production Reactor Agreement (PPRA) suspended.
	2002	<ol style="list-style-type: none"> 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.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. Russia decided to use the same design for mixed oxide (MOX) 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 continue smoothly. 3. Negotiations continued on Mayak Fissile Material Storage Facility (FMSF).
	Target	<ol style="list-style-type: none"> 1. PPRA and subsidiary documents concluded; implementation begins. 2. U.S.-Russian Plutonium Disposition Agreement and financing structures for assistance completed. 3. Mayak FMSF transparency arrangements concluded.
	Rating	■ On Target
	Impact	Progress made toward eliminating sources of proliferation from Russia, thus keeping them out of the hands of terrorists and dangerous countries.

U.S. President George W. Bush (L) and Russian President Vladimir Putin (R) exchange documents during the ceremony of the signing of the protocol on the ratification of a Treaty on Strategic Offensive Reductions in St. Petersburg.

© AP Photo



I/P #1: CURB ACCESS <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #4: U.S. Private Sector/non-NP Partner Project Funding as a Percentage of Total U.S. Project Funding; and, Number of Institutes Securing Alternate Funding and "Graduating" From Science Center Funding ¹		
FY RESULT HISTORY	2000	<ol style="list-style-type: none"> Engaged more than 30,000 scientists in peaceful civilian efforts. Moved to support sustainable transition from weapons to civilian work.
	2001	Up to 40,000 scientists and several new high-interest institutes now engaged.
	2002	<ol style="list-style-type: none"> Engaged 363 former WMD institutes compared to 9 high-priority Biological Weapons (BW) and Chemical Weapons (CW) institutes not able to be accessed. Eight new U.S. industry partners recruited. U.S. private sector and non-NP governmental Partner project funding was 8% of total U.S. project funding. launched BioIndustry Initiative (BII) designed to reconfigure former BW production facilities for peaceful uses and to engage former BW scientists in accelerated drug and vaccine development. Three new technological applications brought to market, including Neurok TechSoft (linear differential equation solver), a laser-based flouorocarbon detector, and new computer animation technology.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> U.S. private sector industry partners total over 60. Five new projects funded at three newly engaged BW and CW institutes. Three new U.S. industry partners recruited thus far, with partial year results for U.S. non-NP Partner funding at 14% of total project funding. The BioIndustry Initiative has funded long-term commercialization and sustainability programs at large-scale biologic production facilities in Russia and Kazakhstan; has developed Russian Bioconsortium of former BW research and production facilities; has developed relationships with DOW Chemical and Eli Lilly.
	Target	Continue the expansion of partnerships and technology markets.
	Rating	■ Above Target
	Impact	Every institute and most scientists redirected to non-weapons related research represents a victory of nonproliferation policies. Institutes attaining global standards or that patent unique achievements lessen their dependence on weapons related work.
<p>¹ This indicator is entirely new, but reports the same results as the predecessor indicator: "Number of Russian/ NIS Weapons Scientists Redirected in Civilian Activities and Progress in Developing Self-Sustaining Civilian Alternative Employment."</p>		



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

Seek the support of allies and friends for the new strategic relationship with Russia and the Moscow Treaty on Strategic Offensive Reductions. Seek their cooperation in countering new WMD threats and in missile defense development and deployment aimed at dissuading rogue states from acquiring WMD and ballistic missiles and deterring their use.

OUTCOME INDICATOR

Indicator #5: Status of Cooperation With Allies on new Strategic Framework

FY RESULT HISTORY	2000	N/A
	2001	Baseline: Consultations began with allies on New Strategic Framework.
	2002	The Department led or participated in over 125 consultation visits on U.S. missile defense efforts, threat assessments, ABM Treaty withdrawal, and the Moscow Treaty. Allies and friends welcomed the Moscow Treaty, and accepted U.S. withdrawal from the Anti-Ballistic Missile (ABM) Treaty.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> The UK agreed to support the upgrade of the early warning radar at Fylingdales; discussions with Denmark on upgrading the early warning radar in Greenland are progressing well. The U.S. and UK signed a Memorandum of Understanding regarding missile defense cooperation in June 2003. The U.S. worked with Germany and Italy on the Medium Extended Air Defense System. The U.S. and Canada established a regular consultation mechanism and to explore potential areas of joint cooperation on missile defense. At the November 2002 Summit, the U.S. obtained NATO agreement to study the feasibility of missile defenses to protect population and territory, and the U.S. continues to work closely with NATO on this. The U.S. worked closely on missile defense with Japan, whose government has significantly increased its budget request for missile defense-related work. The U.S. and Australia discussed Canberra’s interest in missile defense and opportunities for cooperation. The U.S. and India discussed how India could conduct a missile defense requirements analysis.
	Target	Allies and friends agree to specific missile defense goals and options.
	Rating	■ On Target
	Impact	<p>Cooperation on missile defense addresses threats to the U.S., its allies and friends by reducing the appeal of ballistic missiles for states considering their acquisition, enhancing deterrence and reinforcing stability.</p> <p>Cooperation on missile defense development and deployment reduces the technical risks and costs of missile defense. For example, multinational cooperation can improve the effectiveness of layered defenses, in which offensive missiles are detected, tracked, and intercepted along the entire flight path, by making available basing areas that provide geographical advantages not available to similar facilities on U.S. territory.</p> <p>Made it possible for three Dutch Patriot batteries to be deployed to Turkey and for U.S. Patriot batteries to be deployed to Kuwait during Operation Iraqi Freedom.</p>



I/P #3: COOPERATION WITH RUSSIA ON NEW STRATEGIC FRAMEWORK		
Give further content and definition to the Administration's commitment to deepening the strategic relationship with Russia.		
OUTCOME INDICATOR		
Indicator #6: Status of Cooperation with Russia on New Strategic Framework		
FY RESULT HISTORY	2000	N/A
	2001	Baseline: Consultations began with Russia on New Strategic Framework.
	2002	<ol style="list-style-type: none"> USG established the basis of a New Strategic Framework for its security relationship with Russia that consists of, among other things, a new approach to deterrence that relies on both offensive and defensive means. The U.S. and Russia signed the Treaty on Strategic Offensive Reductions (Moscow Treaty) on May 24, 2002, and issued a Joint Declaration on the Framework, establishing a Consultative Group on Strategic Security (CGSS). The U.S. withdrew from the Anti-Ballistic Missile (ABM) Treaty, removing the principal legal obstacle to pursuing alternative approaches to developing an effective missile defense system. The Department instituted a regular dialogue with Russia designed to increase transparency and openness in missile defense endeavors.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> The Moscow Treaty entered into force on June 1, 2003. Discussions on procedures for, and scheduling of the Moscow Treaty's Bilateral Implementation Commission began. The Department opened regular consultations on arms control and related issues with the Russian Ministry of Foreign Affairs at the Assistant Secretary level. CGSS Working Groups on offensive strategic affairs and missile defense, including transparency and cooperation, met twice and three times, respectively. 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 Confidence- and Security-Building Measures. Discussions on START implementation continued, on a more positive basis than in previous years; meetings of the Joint Compliance and Inspection Commission (JCIC) took place in June and August 2003.
	Target	<ol style="list-style-type: none"> Entry into Force of the Moscow Treaty. Transparency and predictability efforts underway to enhance confidence in strategic reductions and missile defenses.
	Rating	■ On Target
	Impact	<ol style="list-style-type: none"> Entry into force of the Moscow Treaty codifies the mutual commitments of the U.S. and Russia to make deep strategic offensive reductions. It facilitates the transition from strategic rivalry to a genuine strategic partnership. The Treaty is an important element of the New Strategic Framework, which involves a broad array of cooperative efforts with Russia in political, economic, and security areas. The START Treaty also continues in force. Its comprehensive verification regime provides the foundation for providing confidence, transparency, and predictability in further strategic offensive reductions. The Parties are beginning to deal with START implementation issues more in keeping with our new strategic relationship, enabling resolution of some long-standing issues and removing irritants in our relationship. Working Groups established by the CGSS are intended to exchange information and foster transparency regarding offensive nuclear forces and missile defense. Data exchanges and cooperative activities serve to reduce uncertainties, enhance openness, foster a more predictable strategic environment, and build trust. Eventually, we hope that bilateral transparency with Russia will mirror the cooperative interaction we enjoy with friendly nuclear powers.



PERFORMANCE GOAL 2

Strengthened multilateral wmd agreements and nuclear energy cooperation under appropriate conditions

I/P # 4: STRENGTHEN GLOBAL NORMS		
Global norms and standards are strengthened by raising standards and enforcing increased compliance.		
OUTCOME INDICATOR		
Indicator #1 Status of the Non-Proliferation Treaty (NPT) and the International Atomic Energy Agency (IAEA)		
FY RESULT HISTORY	2000	<ol style="list-style-type: none"> The 2000 Review Conference showed wide support for the NPT. Forty-five countries have signed the IAEA safeguards protocol.
	2001	Fifty-two countries have signed the IAEA safeguards protocol.
	2002	<ol style="list-style-type: none"> Preparation Communications (PrepCom II) for the 2005 NPT Review Conference concluded smoothly. The IAEA took action on integrated safeguards and emphasized financial needs; nine more states signed, bringing the total to sixty-seven, of which, twenty-eight protocols have entered into force. The IAEA Board approved a multi-year program with a substantial increase in funding, to \$11 million annually.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> PrepCom II for the 2005 NPT Review Conference concluded successfully. Cuba and East Timor joined the treaty. The international community urged Iran to comply with the NPT and North Korea to reverse its Position on NPT withdrawal. Eleven more states signed an Additional Protocol, bringing the total to seventy-eight, of which, thirty-seven protocols have entered into force. Voluntary contributions to the IAEA anti nuclear terrorism program funding doubled in FY 2003.
	Target	<ol style="list-style-type: none"> The NPT remains strong. The review process continues with no disruption. Several more states sign or bring into force the IAEA safeguards protocol. The IAEA anti-nuclear terrorism program receives adequate funding and expands assistance.
	Rating	■ On Target
	Impact	NPT standards against nuclear proliferation remain strong and violators are being pursued. IAEA safeguards gaining more political and financial support and countries are improving protection against nuclear and radiological terrorism.



I/P #4: STRENGTHEN GLOBAL NORMS <i>Continued</i>		
OUTCOME INDICATOR		
Indicator #2: Status of the Physical Protection Convention (CPPNM)		
FY RESULT HISTORY	2000	N/A
	2001	N/A
	2002	<p>Baseline:</p> <ol style="list-style-type: none"> 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.
FY 2003 DATA	2003 Results	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.
	Target	Conference approves a series of amendments to the Physical Protection Convention (CPPNM) to cover nuclear material in domestic use.
	Rating	■ Slightly Below Target
	Impact	Progress toward producing a consensus amendment impeded and conclusion of a successful amendment delayed. End result still expected to be achievable.



I/P #5: CHEMICAL WEAPONS CONVENTION

Support the 1997 Chemical Weapons Convention, the global treaty outlawing the development, production, acquisition, stockpiling, retention, and transfer of chemical weapons.

OUTCOME INDICATOR

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

FY RESULT HISTORY	2000	<ol style="list-style-type: none"> 1. A total of 133 States Parties. 2. The United States began implementing U.S. industry obligations. 3. Discussions with Russia on chemical weapons (CW) destruction moribund.
	2001	<ol style="list-style-type: none"> 1. A total of 144 States Parties. 2. The United States fully implemented its industry obligations; sixteen inspections of U.S. industry facilities conducted. 3. Organization for the Prohibition of Chemical Weapons (OPCW) budget problems continued. 4. Some destruction of Russian chemical weapons begun.
	2002	<ol style="list-style-type: none"> 1. Four States Parties were added to the CWC, and Libya and Thailand voiced intent to join. 2. The United States fully implemented CWC industry obligations by meeting all declaration and reporting requirements, hosting eight industry inspections, and successfully resolving issues from five previous inspections. 3. Three of the six Congressional conditions for granting authority for U.S. financial assistance for Russian stockpile destruction were resolved; limited progress was made on the other three conditions; Congress granted the President waiver authority. As a result of intense Department efforts, significant international financial assistance was provided. 4. In the summer of 2002, the United States succeeded in bringing about a change in the leadership of the OPCW Technical Secretariat and called for voluntary donations to resolve the immediate OPCW financial crisis. The United States made a \$2 million voluntary contribution, and sought and obtained agreement of the States Parties for a ten percent increase in the 2003 OPCW budget.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. A total of 156 States Parties. 2. The first Russian destruction facility started operations in December 2002, and Russia met its revised deadline of destroying 400 agent tons by April 2003. Construction of a second destruction facility has begun. 3. OPCW has significantly recovered from the financial and administrative crisis it faced a year ago. The new Director-General of the OPCW Technical Secretariat has undertaken necessary management and financial reforms. Inspections, a key operation for the OPCW, have increased by over 15 percent, while the budget increase has been held to less than 10 percent, indicating an increase in efficiency as well. Inspections have also been retargeted to focus better on potential chemical weapons threats.
	Target	<ol style="list-style-type: none"> 1. A total of 150 States Parties. 2. One CW destruction facility in Russia begins operations. 3. OPCW under good management and conducting full inspection program.
	Rating	<p>■ Above Target</p>
	Impact	<ul style="list-style-type: none"> • OPCW is nearing the point where it is able to carry out its full responsibilities regarding implementation of the CWC. When working efficiently and effectively, the CWC regime will not only ensure the destruction of current CW stockpiles, but will also contribute significantly to the goal of reducing the proliferation of chemical weapons • A year ago, the OPCW was cash broke and unable to even carry out the full schedule of inspections. The U.S. took the lead in demanding urgent and basic reforms, beginning with the replacement of the Director-General. Other States Parties followed the U.S. lead. • Reporting by the OPCW to member states has also improved, providing the U.S. better insight into worldwide chemical activities and thus a better opportunity to spot potential proliferation activity near its outset.



I/P #6: BIOLOGICAL WEAPONS CONVENTION		
Support the 1972 Biological Weapons Convention (BWC) banning the development, production, stockpiling, and acquisition of biological weapons (BW).		
OUTPUT INDICATOR		
Indicator #4: Number of States Parties who Incorporate U.S. Proposals in Their National Approaches to Controlling the Biological Weapons Threat		
FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. The States Parties continued work on the BWC Protocol. 2. The United States worked with the Ad Hoc Group Chairman to fix deficiencies in the BWC Protocol.
	2001	<ol style="list-style-type: none"> 1. The States Parties continued work on the BWC Protocol. 2. The United States rejected the flawed BWC Protocol because it would harm the U.S. pharmaceutical industry and undermine U.S. security.
	2002	USG developed alternative package of effective measures to strengthen the BWC and began discussions with other BWC States Parties.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. States Parties agreed at the November 2002 Review Conference to a work program based on U.S. proposals. 2. At the August 2003 experts meeting, at least 25 states reported that national legislation, mirroring U.S. laws to control the BW threat, was already in place. The 80 states participating agreed that such legislation was an important element of their obligations as BWC States Parties. While all participants agreed on the importance of measures to improve biosecurity, evidence of implementation was more fragmentary. However, at least 20 States Parties acknowledged the validity of the U.S. approach and indicated they had at least begun an awareness-raising program in their countries. 3. At the November 2003 meeting of States Parties, the U.S. got an agreed pledge that all Parties will work to implement and enforce appropriate safeguards in their respective countries.
	Target	U.S. alternative proposals incorporated by 18-20 BWC States Parties in their national approaches to control the BW threat.
	Rating	■ On Target
	Impact	<ul style="list-style-type: none"> • 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. Some countries do not have adequate laws to prohibit or control the handling of biological pathogens that could easily be transformed into biological weapons, and many do not have adequate security for handling such pathogens. • The agreement by States Parties on the importance and potential impact of the measures suggested by the U.S. constitutes a major political victory. The attitude toward the U.S. – that the U.S. was trying to undercut or even abolish the BWC itself – has largely abated, and countries now appear willing to work on the basis of the U.S. program. • The next BWC Review Conference in 2006 will enable the Department to determine whether there has been a significant improvement in the situation.



I/P #7: PROMOTE SAFE NUCLEAR COOPERATION

Global nuclear cooperation under the highest nonproliferation and safety standards is promoted.

OUTPUT INDICATOR

Indicator #5: Unsafe Reactor Closures and Nuclear Waste Improvements

FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> Several reactor closures agreed to in NIS and other Eastern European countries. Negotiations held on nuclear waste framework agreement.
	2001	<ol style="list-style-type: none"> Several NIS plants closed. G-7 adopted the goal of pressuring Russia to close unsafe reactors.
	2002	<ol style="list-style-type: none"> Positive results achieved in Eastern Europe: e.g., Lithuania and Armenia; Bulgaria shut down two of its four high-risk reactors. Liability agreement reached with Russia allowing U.S. participation in waste cleanup; implementing agreements negotiated.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Ignalina initiates closure procedures for Unit 1 and plans for closure of Unit 2. Russia is working on a comprehensive plan for de-commissioning of some of its reactors. Begins a comprehensive plan for addressing nuclear waste issues.
	Target	<ol style="list-style-type: none"> Closure of key plants in the former Eastern Bloc. G-7 and Russia agree to new reactor closure agenda; the international community funds programs to deal with Russian nuclear waste problems.
	Rating	■ Above Target
	Impact	Steps completed that will lead to the elimination of proliferation material in the former Eastern Bloc, thus keeping them out of the hands of terrorists and dangerous countries.

Secretary Powell met with Dr. Mohamed El Baradei, Director General, International Atomic Energy Agency (IAEA), in January 2003, to discuss IAEA inspections in Iraq, Iran's nuclear development, and North Korea's withdrawal from the nuclear Nonproliferation Treaty (NPT).

Department of State Photo



I/P #7: PROMOTE SAFE NUCLEAR COOPERATION <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #6: Extension of Benefits of Nuclear Cooperation to U.S. Partners and Implementation of Provisions of Existing Cooperation Agreements		
FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. The United States had nuclear cooperation agreements with the IAEA, EU, and twenty-five other nations. 2. New nuclear technology transfers to China stalled. 3. The United States conducted regular consultations on protection of U.S.-supplied nuclear material. 4. The United States reached necessary agreements on security arrangements for transfer from Europe to Japan. 5. Generation of innovative reactor designs began well.
	2001	<ol style="list-style-type: none"> 1. U.S.-China discussions made substantial progress. 2. Generation IV International Forum (GIF) successfully drafted/approved. 3. No significant issues about security of U.S.-origin nuclear materials. 4. United States continued as reliable partner in nuclear cooperation.
	2002	<ol style="list-style-type: none"> 1. U.S.-China Agreement for Cooperation implemented successfully. 2. U.S.-China discussions on "retransfer consents" concluded, but agreement not yet in force. 3. GIF developed list of new technologies for international development and continued as a leading forum for international cooperation in advanced reactor development for safety, sustainability, and proliferation resistance. 4. No security problems arose with U.S.-origin nuclear material. 5. United States continued as reliable partner in nuclear cooperation. 6. Agreement extended with Morocco, but not with Indonesia. 7. Other agreements remained in force.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. U.S.-China concluded agreement on re-transfer consents. 2. Nuclear committee with Argentina established. Very successful first meeting held. 3. Committees with South Africa and Brazil remain under active discussion. 4. GIF moves forward on developing joint research proposals. The Department of Energy agrees to facilitate by R&D agreements with foreign partners. 5. U.S. continued active participation in international forums. 6. Continued contributions to the IAEA TC fund – along with in-kind contributions.
	Target	<ul style="list-style-type: none"> ● Peaceful nuclear cooperation with China proceeds smoothly. ● GIF proceeds as a viable forum for reactor cooperation. ● No security problems arise from U.S.-origin nuclear material; other cooperation programs proceed normally.
	Rating	■ On Target
	Impact	The U.S. continues to show itself as a leader in the quest for peaceful nuclear cooperation. Moreover, the U.S. needs to be a reliable supplier for both the economic benefit of continuing this important component of our exports and for the nonproliferation benefit of "staying in the game". The U.S. cannot talk to others about supply rules if it cannot guarantee that it will conduct supply under the regime that is negotiated.



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

Integrate Verification into Negotiations and implementation of arms control and nonproliferation agreements and commitments.

INPUT INDICATOR

Indicator #1: Status of Verification of Arms Control and Nonproliferation Agreements and Commitments

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	<p>Baseline:</p> <ol style="list-style-type: none"> 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.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. The Senate provided its advice and consent to ratification of the Moscow Treaty in June 2003. Began implementation of Moscow Treaty through its Bilateral Implementation Commission (BIC). 2. Considered role of transparency measures in terms of the BIC; however the BIC did not meet in FY 2003. 3. Integrated verification concepts into USG deliberations and negotiations toward verifiable elimination of North Korea's nuclear program, including preparation of core interagency building blocks.
	Target	<ol style="list-style-type: none"> 1. The Senate provides advice and consent to ratification of the Moscow Treaty. 2. Analyze and make decisions on role of transparency measures to support Moscow Treaty implementation and Bilateral Implementation Commission activities. 3. Fully integrate verification concepts into USG deliberations and into negotiations toward verifiable elimination of North Korea's nuclear program.
	Rating	<p>■ On Target</p>
	Impact	<ol style="list-style-type: none"> 1. Implementing the Moscow Treaty through the Bilateral Implementation Commission and exploring transparency measures serves to enhance the viability of the Treaty and strategic reductions. 2. Integrating verification concepts into deliberations and negotiations toward verifiable elimination of North Korea's nuclear programs offers a more sustainable and effective negotiating outcome, contributes significantly to U.S. national security, and safeguards the global community from weapons of mass destruction.



I/P #9: PRESIDENT’S ANNUAL NON-COMPLIANCE REPORT

Prepare and coordinate Presidential Reports on Compliance with Arms Control and Nonproliferation Agreements and Commitments and other Congressionally mandated reports.

OUTPUT INDICATOR

Indicator #2: Report on World Military Expenditures and Arms Transfers (WMEAT) Published

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Release of most of WMEAT 1999-2000 Report (with CY 1998-1999 updates) on Internet and SIPRNET.
	2002	WMEAT 1999-2000 Report completed and printed.
FY 2003 DATA	2003 Results	WMEAT 2000-2003 (With CY 2000-2002 updates) in progress and will be completed in 2004.
	Target	Release WMEAT 2002 Report (CY 2002 updates) by the end of 2003.
	Rating	■ Slightly Below Target
	Impact	Publication delay will not have an adverse effect on national security.
	Other Issues	Beginning in FY 2004, this indicator will be tracked internally only. The Department will no longer report these results via the Performance and Accountability Report.

OUTPUT INDICATOR

Indicator #3: Submission of Presidential Report on Compliance with Arms Control and Nonproliferation Agreements and Commitments

FY RESULTS HISTORY	2000	CY 1999 Annual Noncompliance Report submitted to Congress, but not on time.
	2001	CY2000 Annual Noncompliance Report not submitted to Congress on time, and instead was combined with the CY 2001 report.
	2002	<ol style="list-style-type: none"> 1. CY 2001 Annual Noncompliance Report submitted to the NSC on time, but needed revision to meet more fully Congressional requirements. 2. CY 2001 Report on Compliance with the CWC submitted to the NSC, but needed revision to meet Congressional requirements more fully. 3. CY 2001 Report on Compliance with the Conventional/Armed Forces in Europe (CFE) Treaty submitted to the NSC on time.
FY 2003 DATA	2003 Results	N/A (See "Other Issues" below).
	Target	<ol style="list-style-type: none"> 1. Timely submission of the CY 2002 Annual Noncompliance Report to Congress. 2. Pursuant to Senate Resolutions of Ratification, prepare and submit to the Congress, the CY 2002 Annual Reports on Compliance with the CWC and the CFE Treaty.
	Rating	■ N/A
	Impact	N/A
	Other Issues	Indicator was dropped. Work pertaining to this indicator was subsumed into indicator four.



I/P #10: COMPLIANCE DIPLOMACY

Develop and implement compliance diplomacy strategy to enforce compliance with arms control and nonproliferation agreements and commitments. Ensure implementation of inspection regimes.

INPUT INDICATOR

Indicator #4: Status of Implementation of a Global Norm of Adherence to and Compliance with Arms Control and Nonproliferation Agreements and Commitments

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	<p>Baseline: Compliance issues associated with the Chemical Weapons Convention (CWC) enforced.</p> <ul style="list-style-type: none"> ● 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. <p>Baseline: Compliance issues with the Biological Weapons Convention (BWC) enforced.</p> <ul style="list-style-type: none"> ● Protocol to the BWC was not supported at the BWC Ad Hoc Group, nor revived at the Fifth Review Conference. The United States called for violators to come into compliance with the BWC. ● Concerns about noncompliance with the BWC were raised in all BWC consultations leading up to the resumed Fifth BWC Review Conference; the United States made this a major focus of the Conference.

FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. Proliferation Behavior Reviewed: Improved and prepared the Annual Noncompliance Report. Thus the Department is better positioned to affect compliance enforcement through compliance diplomacy and sanctions. Coordination of the Report serves as a means of establishing U.S. policy regarding noncompliance activities. 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 (BWC) 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).
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I/P #10: COMPLIANCE DIPLOMACY <i>Continued</i>		
INPUT INDICATOR <i>Continued</i>		
Indicator #4: Status of Implementation of a Global Norm of Adherence to and Compliance with Arms Control and Nonproliferation Agreements and Commitments <i>continued</i>		
FY 2003 DATA	Target	<ol style="list-style-type: none"> Proliferation Behavior: Participate in rigorous review of proliferation behavior to determine sanctionable activities. (The Non-Compliance Report) Non-proliferation Compliance/ Enforcement: Compliance associated with arms control and nonproliferation agreements and commitments enforced. Start Treaty: Conducted START Treaty-related consultations. Sanctions: Expanded use of sanctions to induce foreign states' compliance with their nonproliferation obligations.
	Rating	■ On Target
	Impact	<p>Better compliance enforcement through diplomacy and sanctions sends a strong message of U.S. resolve to prevent the proliferation of dangerous weapons.</p> <ul style="list-style-type: none"> Department efforts led to the resolution of several CWC compliance concerns with other States Parties, advanced U.S. interests in the destruction of Soviet era Chemical Weapons Production Facilities, and in the amendment of another State Party's declaration under the CWC. In answer to both administration and Congressional concerns, Russia has offered to provide access to documents that may be key to resolving U.S. CWC compliance concerns with that country. U.S. emphasis on BWC compliance has reinvigorated BWC consultations. A highly successful experts meeting took place in August at which state parties exchanged information on bio-security and bio-safety. Sanctions efforts are an important nonproliferation tool. They help deter entities from transferring items of concern and punish those that have them. Increased use of sanctions has created a stigma against proliferant activities. In addition, these sanctions often have a substantial financial impact on proliferators. For example, it is estimated that the import ban sanctions against the Chinese firm China North Industries Corporation (NORINCO) will cost them approximately \$150 million dollars in U.S. business.
OUTCOME INDICATOR		
Indicator #5: Nuclear Verification Information System (NVIS) Enhances Verification of Compliance With Nuclear Testing Treaties and Moratoria		
FY RESULTS HISTORY	2000	Identified need to improve classified and open source information access for verifying compliance with nuclear testing treaties and moratoria.
	2001	Initial contracts concluded for development of Phase I of the NVIS tool on the Secret Internet Protocol Router Network (SIPRNET).
	2002	Received and used information from U.S. National Technical Means (NTM) and open sources to verify compliance with nuclear testing treaties, commitments, and moratoria.
FY 2003 DATA	2003 Results	N/A (See "other issues" below).
	Target	Use NVIS to verify international compliance with nuclear testing treaties, commitments and moratoria and to develop USG compliance positions.
	Rating	■ N/A
	Impact	N/A
	Other Issues	Indicator was dropped. Work pertaining to this indicator was subsumed into indicator four.



I/P #11: ALL SOURCE INTELLIGENCE COLLECTION AND TECHNOLOGY R&D

Promote Intelligence Collection Resources and Technology Research and Development to Support Arms Control and Non-Proliferation Verification Objectives and Secure and Protect Intelligence Information.

INPUT INDICATOR

Performance Indicator #6: Prepared for Rapid Assessment of Allegations of Biological and Chemical Weapons Use

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Requirement for rapid assessment policy identified. Team formed and research begun on methodology and policies to accomplish.
FY 2003 DATA	2003 Results	N/A (See "other issues below")
	Target	Department develops U.S. policy for the rapid assessment of allegations of biological and chemical weapons use.
	Rating	■ N/A
	Impact	N/A
	Other Issues	Indicator was dropped. Work pertaining to this indicator was subsumed into indicator seven.



I/P #11: ALL SOURCE INTELLIGENCE COLLECTION AND TECHNOLOGY R&D <i>Continued</i>		
OUTCOME INDICATOR		
Indicator #7: Intelligence Collection Resources Promoted to Support Arms Control and Nonproliferation Verification Objectives		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	<ol style="list-style-type: none"> 1. Verification Assets Fund (V-Fund) utilized. 2. Verification Technology R&D 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. The Verification and Compliance Bureau (VC) 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 R&D projects. 5. The Department finalized the biennial NPAC TWG Report. As co-chair, VC assisted in sponsoring major symposia on Biological Weapons Detectors, Nuclear Explosion Detection, Chemical Weapons Detectors, and Unattended Radiation Sensors.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 1. USG did not seek funding from Congress for the V Fund, but Department identified projects and funded key intelligence programs using Department funds, important for verification of agreements and for ascertaining WMD-related activities. 2. The annual Nonproliferation and Arms Control Technology Working Group (NPAC TWG) Conference was postponed due to the war in Iraq. 3. Participated in over 20 USG intelligence groups that monitor and assess weapons and proliferation activities. 4. Directed appropriate action related to sensors and other assets in support of arms control and nonproliferation objectives. 5. With the assistance of other USG agencies and departments, the Department began compiling data related to the assessment of allegations of chemical and biological weapons use or accidental release of dangerous pathogens.
	Target	<ol style="list-style-type: none"> 1. Finance the Verification Assets Fund (V Fund) mandated by Congress in 1999 in support of preserving intelligence assets and funding R&D critical for supporting arms control and nonproliferation objectives. 2. Conduct the annual Nonproliferation and Arms Control Technology Working Group (NPAC TWG) Conference. Assist in conducting several major symposia involving NPAC TWG focus groups. 3. Identify and fund V Fund projects which are important for monitoring WMD activities. 4. Urge and obtain redeployment of key intelligence assets against significant threats. 5. Begin work on establishing a task force to assess allegations of chemical and biological weapons use or accidental release of dangerous pathogens.
	Rating	■ On Target
	Impact	<ul style="list-style-type: none"> ● Funding of key intelligence assets is critical to verify agreements and commitments, assess compliance, and respond to WMD-related activities. ● Participation in intelligence groups is essential to preserving and enhancing our ability to verify arms control and nonproliferation agreements and commitments and for assessing and enforcing compliance. ● Establishing a task force on allegations of chemical and biological weapons (CBW) use or an accidental release of dangerous pathogens will enhance the United States' ability to effectively assess and respond to CBW events.



I/P #12: RAPID AND ACCURATE COMMUNICATIONS FOR ARMS CONTROL		
Ensure the rapid transmission of important information regarding compliance with nonproliferation/arms control restrictions.		
OUTPUT INDICATOR		
Indicator #8: Reliable Communications and Timely Upgrades		
FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> U.S.-Russian Nuclear Risk Reduction Centers (NRRC) Agreement Amendment Protocol signed by the Secretary in January 2000. Study of architecture for Government-to-Government Communications Links (GGCL) replacement system began (the current system is operational only until 2005).
	2001	Study of architecture for GGCL replacement system took place.
	2002	<ol style="list-style-type: none"> START partners (former Soviet nuclear states) considered completed U.S. proposal for replacement of current GGCL system. Integrated Notification Application (INA), designed to support the Conventional Armed Forces in Europe (CFE), Open Skies and the Vienna Document (VC) 1999 notification exchange was tested; OSCE Network Phase II Migration was on-track.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> GGCL preliminary modernization authorized by START partners in the summer of 2003. The INA became operational. Network migration completed, with startup of Internet-based Virtual Private Network (VPN). All Network members successfully migrated.
	Target	<ol style="list-style-type: none"> Begin coordination of international testing of accepted GGCL replacement architectural designs. INA fully functional with installation by all Network members. The three former notification-processing applications supporting CFE, the Vienna Document, 1999, and Open Skies to be discontinued. More non-connected OSCE Network states join the Network. The reduced communications costs of the VPN are realized.
	Rating	■ On Target
	Impact	These improvements will result in more rapid and accurate communications among the United States, Russia, and the other START Treaty parties, thereby facilitating implementation and compliance and reducing the likelihood of misunderstandings among governments.

VIII. Program Evaluations and PART Reviews

One program evaluation was conducted in FY 2003 that pertained to this Strategic Goal.

- Review of Department of State’s End-Use Monitoring of Munitions Exports (AUD/PR-03-31), (OIG)

Detailed information on major findings, recommendations and actions to be taken for this program evaluation can be found in the “Completed Program Evaluations for FY 2003” appendix.



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



One of the three boats given to Jamaica by the U.S. government is seen during a demonstration in Kingston, Jamaica. During the ceremony, U.S. Ambassador Sue Cobb handed over the keys and documents for the boats. The boats were given to the Jamaican government to help combat cocaine smuggling from South America.

© AP Photo/Collin Reid

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 health 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. In the President's words, "Illegal drug use threatens everything that is good about our country." International crime groups, although they attract less media attention, rival the threat posed by narcotics traffickers. International trafficking in women and children, smuggling of migrants and contraband, money laundering, cybercrime, 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

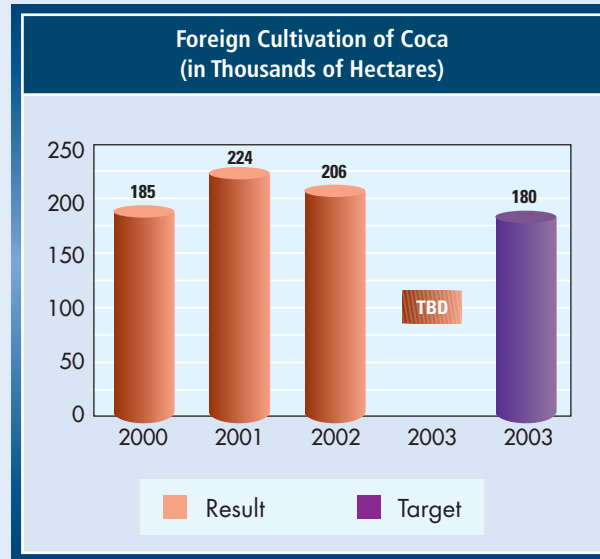
each year. International trafficking in persons violates fundamental human rights of victims. Experts estimate that non-drug crime accounts for half of the estimated \$750 billion of money laundered each year in the United States.

The events of 9/11 and their aftermath highlight 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 United States 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 so they can help stop these threats before they reach U.S. soil. This includes working with other USG 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. To this end, the Department works with foreign governments to set international anti-crime standards, close off safehavens to criminal groups, pool skills and resources, improve cross-border cooperation, and build up their domestic law enforcement skills and capabilities.



II. Selected Performance Trends



III. Strategic Context

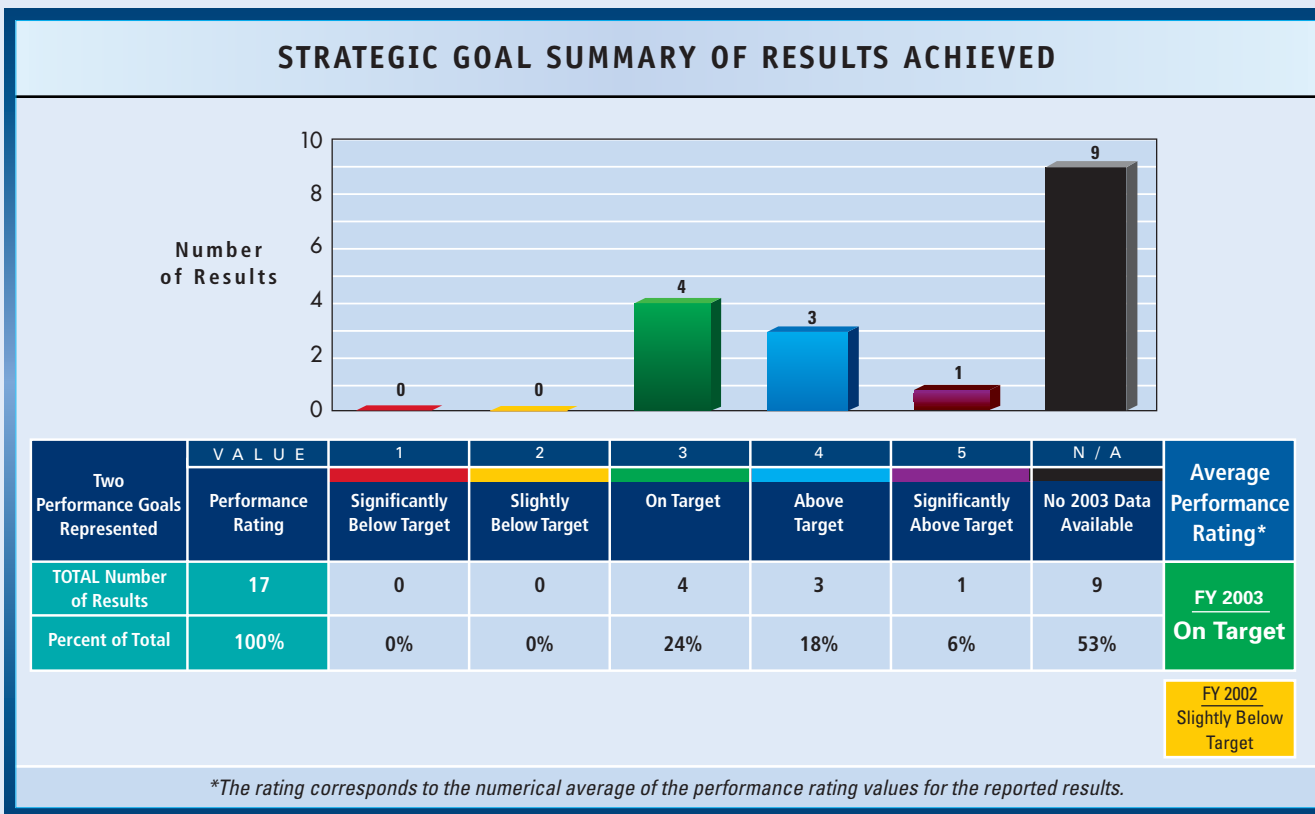
The International Crime and Drugs strategic goal is supported by two performance goals. Shown below are the major initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
International Crime and Drugs	Disruption of Criminal Organizations	Andean Counterdrug Initiative	Office to Monitor and Combat Trafficking in Persons	DOD, USAID, DEA, DOJ, ONDCP, CNC
		Improve Anti-Trafficking in Persons Prosecutorial and Protection Capacities	International Narcotics and Law Enforcement, Western Hemisphere Affairs	DOJ, DOL, USAID, DHS, UN, IOM, ILO, Asia Foundation, OAS, OSCE, Stability Pact, SECI, ASEAN, ECOWAS, SADC
	Standard Settings, Law Enforcement and Judicial Systems	Support Investigations of Major International Criminals	International Narcotics and Law Enforcement, International Organizations	DOJ, DHS, UN
		International Law Enforcement Academies (ILEAs)	International Narcotics and Law Enforcement	DOJ, DHS, Treasury
		Anticorruption	International Narcotics and Law Enforcement	DOJ, UN, USAID, OGC, DOC

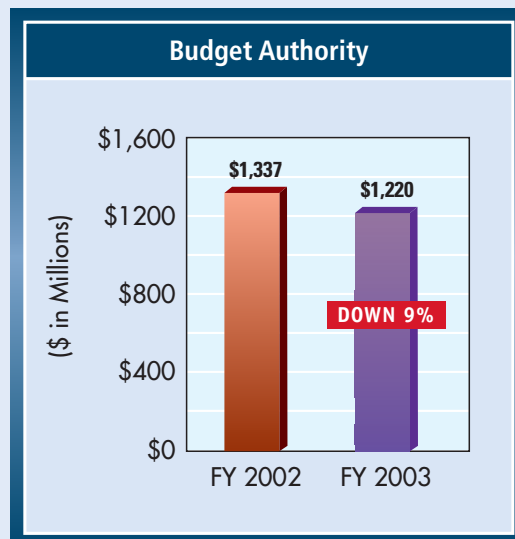
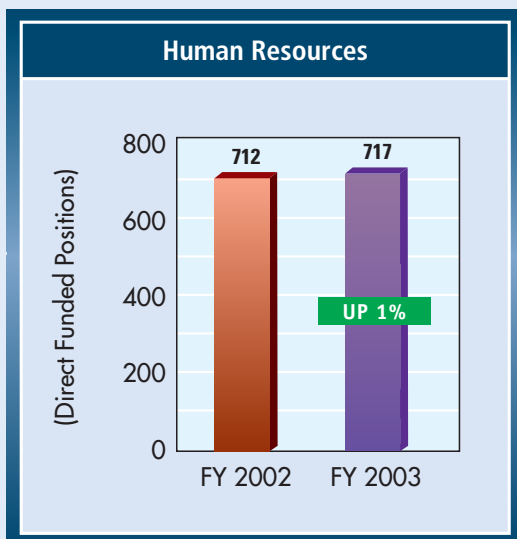


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the International Crime and Drugs strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of “on target”, an improvement from last year’s “slightly below target” rating.



V. Resources Invested



VI. Illustrative Example of a Significant Achievement

Andean Counterdrug Initiative

Building on the record year 2002, when the aggressive U.S. supported aerial eradication program in Colombia reduced coca cultivation by more than 15 percent and opium poppy cultivation by 25 percent, the 2003 aerial eradication program continued at an unprecedented rate by spraying more than 124,000 hectares of coca and 2,500 hectares of opium poppy by the end of November. Since the beginning of the Uribe Administration in August 2002, Columbia has extradited 68 Colombian nationals to the U.S. primarily on narcotics or money-laundering charges.

Completion of a new agreement with Colombia to resume the Air Bridge Denial program added an important weapon to the counterdrug campaign. Negotiations with Peru to establish a similar program there got underway. Meanwhile, coca cultivation in Peru declined 15 percent in 2003. Bolivia continues a strong forced coca eradication program in the Chapare, where it is expected to eradicate around 10,000 hectares in 2003, and has doubled the 2002 rate of interdiction of drugs and precursor chemicals.



U.S. President George W. Bush greets the President of Columbia, Alvaro Uribe, in Washington, DC. The Presidents discussed the war on terrorism and drug trafficking as well as trade and the strengthening of bilateral ties.

© AP Photo/Shawn Thew



VII. Performance Results

PERFORMANCE GOAL 1

International trafficking in drugs, persons, and other illicit goods disrupted and criminal organizations dismantled

I/P #1: ANDEAN COUNTERDRUG INITIATIVE		
Reinforce the unified campaign against drug trafficking and the terrorists who benefit from it.		
OUTCOME INDICATOR		
Indicator #1: Foreign Cultivation of Coca, Opium Poppy, and Marijuana ¹ (in Hectares)		
FY RESULTS HISTORY	2000	1. Coca: 185,000 2. Opium Poppy: 209,465 3. Marijuana: 8,700
	2001	1. Coca: 223,700 2. Opium Poppy: 143,000 3. Marijuana: 8,900
	2002	1. Coca: 205,450 2. Opium Poppy: 141,200 3. Marijuana: Data not yet available
FY 2003 DATA	2003 Results	1. Coca: Data not yet available. 2. Opium Poppy: 127,000 (Afghanistan, Burma, and Laos). 3. Marijuana: Data not yet available (Mexico only).
	Target	1. Coca: 180,000 2. Opium Poppy: 125,000 3. Marijuana: 5,600
	Rating	<ul style="list-style-type: none"> ■ 1.TBD, but projected to be On or Above Target for coca. ■ 2.TBD, but projected to be Below Target for opium poppy. ■ 3.TBD, but projected to be On Target for marijuana.
	Impact	<p>Coca: The reduction in coca cultivation is the core of the U.S. effort to curtail supply and disrupt and undercut the viability of cocaine trafficking operations, as happened in Peru and Bolivia in the 1990s and which should now be starting to take place in Colombia.</p> <p>Opium Poppy: The downward trend in Southeast Asia continues, primarily as a result of a sharp decrease (39 percent) in Burma. However, figures for Afghanistan, once again the world's leading producer, essentially doubled in 2003, to 61,000 hectares. In sum, global cultivation of opium poppy will probably decline very slightly in 2003 but will fall short of the intended target.</p>
	Other Issues	The CIA's Crime and Narcotics Center provides estimates for cultivation of coca and opium poppy based on overhead photography and limited ground verification. Not all 2003 data and estimates are available. Estimates for coca cultivation in Peru and Bolivia this year have been completed but the estimates for Colombia, the world's largest producer, will not be available until late February or early March. The opium poppy cultivation estimates for Columbia and Mexico are not yet available.

¹ Mexico only.



I/P #1: ANDEAN COUNTERDRUG INITIATIVE *Continued*

OUTCOME INDICATOR

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

FY RESULTS HISTORY	2000	1. Cocaine: 840 2. Heroin: 498
	2001	1. Cocaine: 995 2. Heroin: 123
	2002	1. Cocaine: 880 2. Heroin: 235 ¹
FY 2003 DATA	2003 Results	1. Cocaine: TBD 2. Heroin: 337 (est.)
	Target	1. Cocaine: 759 2. Heroin: 240
	Rating	■ TBD, but projected to be On Target for cocaine. ■ TBD, but projected to be Below Target for heroin.
	Impact	The projected decline in coca cultivation should lead to an overall decline in cocaine production and trafficking profit. Although the total hectares of opium poppy under cultivation will likely decline very slightly in 2003, the large increase in the proportion of Afghan opium poppy to world totals (Afghan cultivation essentially doubled in 2003) will likely mean a substantial increase in the potential overall production of heroin because Afghan poppy plants normally have higher yields than plants from Southeast Asia.
	Other Issues	Includes major producers Afghanistan, Burma, and Laos. Estimates for Mexico, Colombia, and others not yet available. While Colombia and Mexico are relatively small producers, they supply approximately 90 percent of the illicit heroin entering the U.S. Most of the opium and heroin from Southeast and Southwest Asia goes to Europe and Russia or remains in the region.

OUTCOME INDICATOR

Indicator #3: Seizures of Cocaine (HCI/base) (Columbia, Peru, Bolivia) *(in Metric Tons)*

FY RESULTS HISTORY	2000	Cocaine: 86
	2001	Cocaine: 93
	2002	Cocaine: 132
FY 2003 DATA	2003 Results	Data not yet available.
	Target	Cocaine: 110
	Rating	■ TBD, but projected to be On Target.
	Impact	Increased seizures normally reflect greater and more effective interdiction activity on the part of counternarcotics forces. Seizures disrupt operations and raise the cost of doing business for traffickers.

¹ Does not include estimate for Colombia, which is not yet available.



I/P #2: IMPROVE ANTI-TRAFFICKING PROSECUTORIAL AND PROTECTION CAPACITIES

Train law enforcement officials and service providers to identify trafficking rings and victims, effectively use existing legislation, weed out corruption, and ensure protections for victims.

OUTCOME INDICATOR

Indicator #4: Progress Toward the Elimination of Trafficking in Persons (TIP)

FY RESULTS HISTORY	2000	Baseline: The Trafficking Victims Protection Act of 2000 (P.L. 106-386) called for the creation of the Office to Monitor and Combat Trafficking in Persons.
	2001	<ol style="list-style-type: none"> The Office to Monitor and Combat Trafficking in Persons was established. First Trafficking in Persons Report was issued.
	2002	<ol style="list-style-type: none"> The President’s Interagency Taskforce and Senior Policy Advisory Group coordinated anti-trafficking policy. Ratification package for UN Trafficking in Persons Protocol was sent to the Senate. Second Trafficking in Persons Report was issued.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Thirty percent of Tier 2 and Tier 3 countries use Department assistance to develop or further anti-trafficking initiatives. Third TIP Report was issued and includes twenty-six additional countries for a total of 116. Promoted “best practices” through five new bilateral and regional initiatives among source, transit, and destination countries. Forty-five countries ratified UN Trafficking in Persons Protocol.
	Target	<ol style="list-style-type: none"> Thirty percent of Tier 2 and 3 countries use Department assistance to develop or further anti-trafficking initiatives.¹ Expand TIP report to include twenty additional countries with significant number of trafficking victims. Promote best practices via five new bilateral and regional initiatives among source, transit, and destination countries. Twenty-five countries ratify UN Trafficking in Persons Protocol.
	Rating	<ul style="list-style-type: none"> 1. On Target 2. Above Target 3. TBD (expect to be On Target) 4. Significantly Above Target
	Impact	Reason for Significantly Exceeding Performance Target: The annual Trafficking in Persons Report has motivated many governments to take action against trafficking and be more forthcoming with information on their efforts. There is increasing collaboration between governments and civil society groups to prosecute traffickers and protect victims. There is also increasing coordination among governments of source, transit, and destination countries.

¹ **Tier 1, 2 and 3 country ratings:** A rating scale used to designate levels of governmental efforts to combat trafficking on the basis of minimum standards. First Tier countries are those that are in full compliance with standards. Second Tier countries are those not in full compliance but which are making good efforts to comply. Third Tier countries neither fully comply with the minimum standards nor make significant efforts to do so.



I/P #2: IMPROVE ANTI-TRAFFICKING PROSECUTORIAL AND PROTECTION CAPACITIES *Continued*

OUTPUT INDICATOR

Indicator #5: Parties to the 1988 UN Drug Convention

FY RESULTS HISTORY	2000	152
	2001	162
	2002	165
FY 2003 DATA	2003 Results	170
	Target	170
	Rating	■ On Target
	Impact	The 1988 Drug Convention is the primary source of international law for setting standards against illicit drugs and facilitating international cooperation in combating them. States Parties to the Convention are legally committed to carry out its provisions.
	Other Issues	Most countries have now ratified the Convention, which means that they are legally obligated to carry out the provisions of the Convention. The remaining states are either not likely to ratify in the foreseeable future or are not important in terms of drug trafficking. Therefore, beginning in FY 2004, this indicator was discontinued.

Some of 40 kilos of opium and other drug trafficking evidence are on display at a news conference announcing the dismantling of an opium trafficking operation headed by Ardash Harytoonian of Glendale, Calif., at DEA headquarters in Los Angeles. A total of 14 arrests were made of members of the group that smuggled opium from Afghanistan and Iran into the U.S.

© AP Photo/Reed Saxon



PERFORMANCE GOAL 2

States cooperate internationally to set and implement anti-drug and anti-crime standards, share financial and political burdens, and close off safehavens through justice systems and related institution building

I/P #3: SUPPORT INVESTIGATION/PROSECUTION OF MAJOR INTERNATIONAL CRIMINALS		
Set standards; share political and financial burdens through international cooperation.		
OUTCOME INDICATOR		
Indicator #1: Status of UN Convention Against Transnational Organized Crime (TOC) and Supplemental Protocols (e.g., Trafficking in Persons Protocol and the Migrant Smuggling Protocol)		
FY RESULTS HISTORY	2000	Negotiations in progress.
	2001	TOC completed; 135 states signed treaty.
	2002	<ol style="list-style-type: none"> 1. A total of 141 states signed the TOC, of which, 24 have ratified it. Of the 107 states that have signed the Trafficking in Persons Protocol, 14 have ratified it. 2. Of the 103 states that have signed the Migrant Smuggling Protocol, 13 have ratified it. 3. Of the 35 states that have signed the firearms protocol, two have ratified it.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> ● Fifty-six states have ratified the TOC; 45 states have ratified the Trafficking in Persons Protocol; 40 states have ratified the Migrant Smuggling Protocol. All have entered into force.
	Target	Forty states ratify TOC treaty, which enters into force.
	Rating	■ Above Target
	Impact	This is the first global convention whereby states agreed to criminalize a range of crime normally committed by transnational organized crime groups and agreed to cooperate in tracking down and bringing to justice their leaders and members. Now that both the TOC Convention and the Trafficking in Persons Migrant Smuggling Protocols have entered into force, they take on the force of international law for States Parties, which are legally committed to implement the provisions of both agreements. States that have signed but not ratified (including the United States) are obligated to take no steps that are contrary to the object and purpose of the treaty.



I/P #4: INTERNATIONAL LAW ENFORCEMENT ACADEMIES (ILEAs)

Upgrade the facilities of existing ILEAs to permit a broader range of operational training, including counterterrorism.

INPUT INDICATOR

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

FY RESULTS HISTORY	2000	1. ILEA: 1,100 2. Other: 11,799
	2001	1. ILEA: 1,412 2. Other: 14,581
	2002	1. ILEA: 2,100 2. Other: 9,500
FY 2003 DATA	2003 Results	1. ILEA: 2,200 2. Other: 4,500
	Target	1. ILEA: 2,100 2. Other: 15,000
	Rating	1. ■ ILEA: Above Target 2. ■ Other: N/A (See "Other Issues" Below)
	Impact	Training is a key ingredient in the development of professional law enforcement officials and the improvement of institutions they work with and lead. ILEA training is particularly important and cost-effective because it combines a focus on regional issues with international training standards. Law enforcement officers from different countries train together on a regional basis, creating an informal network that improves cooperation at the operational level.
	Other Issues	"Other" training is now embassy-determined and project-driven, it no longer useful as a performance indicator. Henceforth, the Department will no longer report on "other training" as currently defined.

INPUT INDICATOR

Indicator #3: Number of Law Enforcement Officials Receiving Counternarcotics Training

FY RESULTS HISTORY	2000	1,200
	2001	1,662
	2002	1,800
FY 2003 DATA	2003 Results	No data collected during FY 2003.
	Target	1,800
	Rating	■ N/A
	Impact	N/A
	Other Issues	After FY 2002, the Department discontinued tracking this information because it was no longer pertinent to performance. Per the Department's planning cycle, the indicator was developed in late FY 2002, but discontinued shortly thereafter.



I/P #5: ANTICORRUPTION		
Target four anticorruption areas: transparency in fiscal affairs, transparency in procurement, enforcement, and empowering civil society.		
OUTCOME INDICATOR		
Indicator #4: Status of UN Convention Against Corruption		
FY RESULTS HISTORY	2000	UN Crime Center received mandate to complete comprehensive study of existing work on corruption.
	2001	Study completed. Experts Group developed Terms of Reference for negotiations.
	2002	Progress made at three negotiating sessions.
FY 2003 DATA	2003 Results	Agreement reached on text of convention. Signing ceremony set for December.
	Target	Consensus reached on text of all major provisions.
	Rating	■ On Target
	Impact	This is the first global treaty against corruption. It provides a comprehensive approach to fighting corruption and requires countries to criminalize corrupt behavior, implement measures to prevent corruption, and facilitate international cooperation in combating corruption. It also provides a channel for governments to recover assets illicitly acquired by corrupt officials and, in certain situations, return assets stolen from state treasuries. States that sign the treaty will be obligated to take no steps contrary to its object and purpose. States that subsequently ratify the treaty will be legally obligated to carry out its provisions.
OUTCOME INDICATOR		
Indicator #5: Status of Regional Anticorruption Frameworks		
FY RESULTS HISTORY	2000	Three existing multilateral anti-corruption and peer review mechanisms (OAS, COE,GCA).
	2001	Number of mechanisms increased to four, by addition of Stability Pact agreement.
	2002	Number of mechanisms increased to five, by addition of ADB/OECD Asia Initiative.
FY 2003 DATA	2003 Results	African Union (AU) Convention on Preventing and Combating Corruption was adopted by the African Union General Assembly at the AU Summit in Maputo in July 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 (NePAD).
	Target	Number of mechanisms increased to six by addition of African Union.
	Rating	■ On Target
	Impact	Regional anti-corruption compacts complement and reinforce international conventions, such as the recently completed UN Convention Against Corruption. Regional agreements involve a more active role for regional participants and a corresponding greater sense of "ownership" of anti-corruption issues and problems. The signing of the AU Convention raises the profile of the issue within the region and provides a multilateral vehicle for cooperation and assistance to those governments that have the political will to combat corruption. Moreover, it is the first step in a process toward a regional monitoring mechanism of peer pressure to ensure that individual governments implement the provisions of both the AU Convention as well as other international anti-corruption instruments, such as the UN Convention.

VIII. Program Evaluations and PART Reviews

One program evaluation was conducted in FY 2003 that pertained to this Strategic Goal.

- Drug Control – Specific Performance Measures and Long-Term Costs for U.S. Programs in Colombia Have Not Been Developed (GAO-03-783)

Detailed information on this program evaluation’s major findings, recommendations, and actions to be taken can be found in the “Completed Program Evaluations for FY 2003” appendix.



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

The Department has no more vital responsibility than the protection of American citizens. Approximately 3.2 million Americans reside abroad, and Americans make about 60 million trips outside the United States each year. The Department issues a passport that gives Americans the freedom to travel internationally and is a symbol of the protection that the USG provides its citizens.

U.S. embassies and consulates provide a range of services that protect U.S. citizens from the cradle to the grave. The Department must plan for the unexpected and be prepared to respond to crises abroad, transportation disasters, and other situations in which U.S. citizens need assistance, including incidents of terrorism and other serious crimes such as hostage taking, homicide, assault, domestic violence, child abuse, and international parental child abduction. The Department ensures that host governments take steps to protect Americans from crime and unrest; develop effective investigative, prosecutorial, and other judicial capabilities to respond to American victims of crime; and expand their cooperation and information sharing with the United States in order to prevent terrorist attacks on U.S. citizens. The Department also works with foreign governments, other USG agencies, and international organizations on transportation security initiatives.

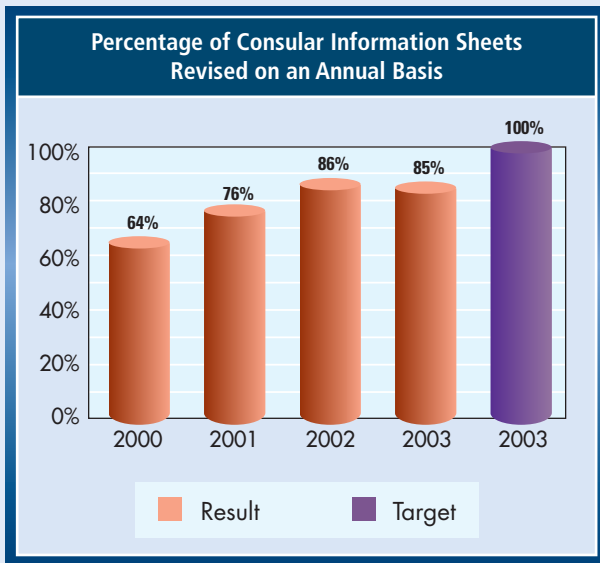
To alert Americans to conditions that may affect safety and travel abroad, the Department disseminates threat assessments to posts abroad and announcements to the public as quickly as possible using all available means. The Department uses its websites and its Consular Information Program to inform U.S. private sector interests of security-related issues. The Department uses threat information and security expertise overseas to protect their personnel, property, proprietary information, and other assets. The Department is making its websites increasingly accessible and interactive and encourages the traveling American public to register with posts abroad.



Department of State Photo



II. Selected Performance Trends



III. Strategic Context

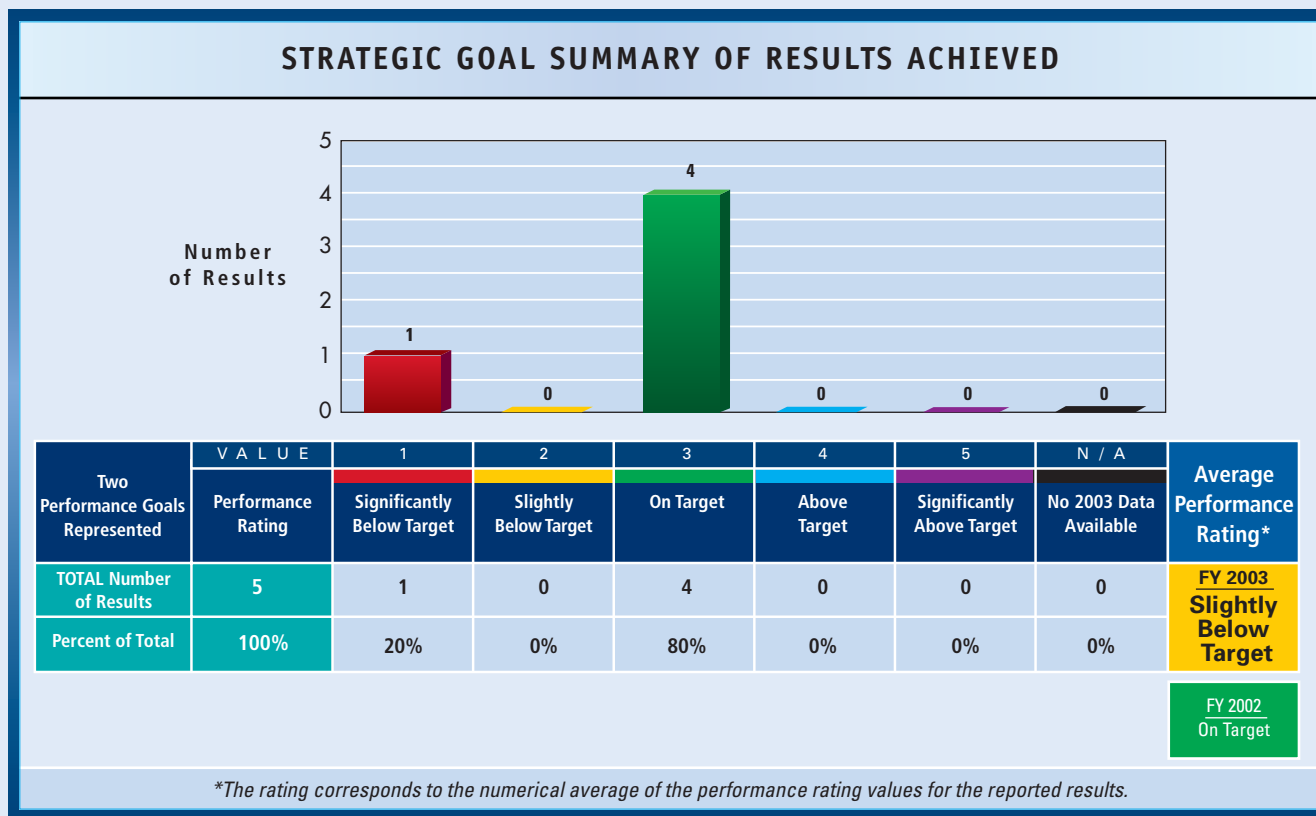
The American Citizens strategic goal is supported by two performance goals. Shown below are the performance goals, initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

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

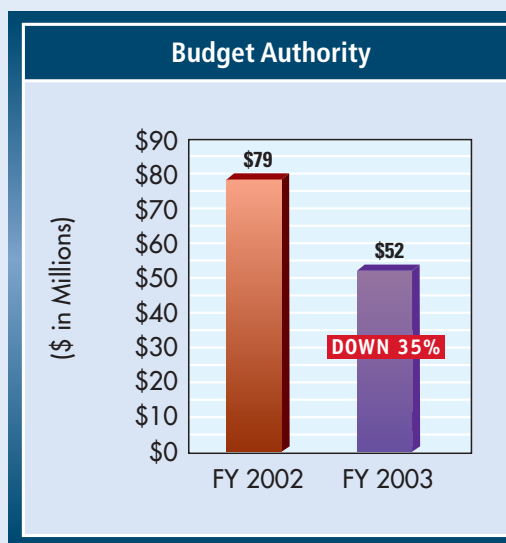
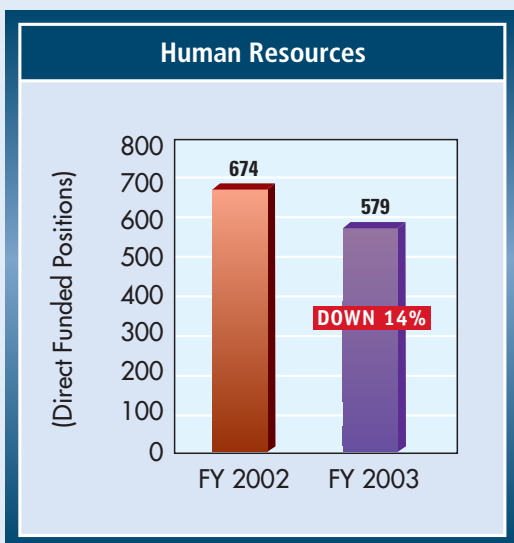


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the American Citizens strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "slightly below target", a decline from last year's "on target" rating.



V. Resources Invested



VI. Illustrative Example of a Significant Achievement

Passport Services



The Department integrated the U.S. Marshals database (Warrants Information Network (WIN)) of individuals subject to outstanding federal warrants of arrest into the passport "name check" system. Over two dozen arrests of federal fugitives have been made as a result of WIN hits.

The U.S. Department of Health and Human Services (HHS) has partnered with the Department's Passport Services on the passport denial program. The HHS/Passport Services partnership was quite successful again this year. Using HHS information on individuals who have fallen behind on child support payments, the Department denies passport issuance when these individuals request passport services until such obligations are met. As a result, the HHS Child Support Assistance program collected over \$7,000,000 in arrearages directly due to the passport denial program. The reported lump sum collections since the program's inception in June 1998 totals approximately \$27,000,000.

The Department's Charleston, South Carolina Center began operations in April 2000, and handles passport applications from all 50 States as well as from American embassies and consulates overseas. With a staff of 175, the Center has issued 3.5 million passports since it opened. The new photodigitized books produced by Passport Services have greatly enhanced U.S. border security.

Department of State Photo



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

I/P #1: AMERICAN CITIZEN SERVICES

Provide citizens with up-to-date information and easy access to consular services.

OUTPUT INDICATOR

Indicator #1: Percentage of Consular Information Sheets (CIS) Revised on an Annual Basis

FY RESULTS HISTORY	2000	64%
	2001	76%
	2002	86%
FY 2003 DATA	2003 Results	85%
	Target	100%
	Rating	■ Significantly Below Target
	Impact	Reason for Significant Performance Shortfall: The goal of annual revision of all CIS could not be reached this year because crisis management duties and other assistance to Americans with problems abroad took precedence. The Department will make a concerted effort to reach 100% in FY 2004.

OUTPUT INDICATOR

Indicator #2: Access to Online Registration System

FY RESULTS HISTORY	2000	Some posts allowed registration on-line.
	2001	1. Assessment of Registration and Warden List Services completed. 2. U.S. embassies worked with the Bureau of Consular Affairs (CA) to formulate a global plan for allowing U.S. citizens to register with posts electronically.
	2002	Pilot software was developed for an Internet-based system that will allow Americans to register overseas travel itineraries at a central website.
FY 2003 DATA	2003 Results	Contract to manage the on-line registration system is on schedule and a 30-Day Notice of Proposed Information Collection was published in the Federal Register in September 2003.
	Target	Publish Notice of Proposed Information Collection for on-line registration that will allow both visitors and residents abroad to register electronically.
	Rating	■ On Target
	Impact	Once it is implemented, a global, electronic registration system will allow Americans to register their presence in a foreign country so that they may be contacted and assisted in the event of an emergency.




I/P #1: AMERICAN CITIZEN SERVICES <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #3: Status of Hague Convention on Intercountry Adoption		
FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. The Senate ratified the Convention. 2. Congress passed the Intercountry Adoption Act of 2000 to implement the Convention.
	2001	<ol style="list-style-type: none"> 1. The President signed the Intercountry Adoption Act of 2000 (PL 106-279) on October 6, 2000. 2. Requirements for a federal accreditation program for adoption agencies and other new programs were established. 3. Adoption regulations were drafted.
	2002	<ol style="list-style-type: none"> 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.
FY 2003 DATA	2003 Results	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.
	Target	Adoption regulations are published in the Federal Register.
	Rating	■ On Target
	Impact	When the Convention enters into force for the United States, these regulations ensure that there will be accredited agencies and approved persons to provide adoption services.

PERFORMANCE GOAL 2
Effective and timely passport issuance, with document integrity assured

I/P #2: SECURE PASSPORT ISSUANCE		
Provide American citizens with a travel document that meets or exceeds international standards for passports and maintain current levels of productivity while meeting enhanced security requirements.		
OUTPUT INDICATOR		
Indicator #1: Development of a Biometrics Collection Program for U.S. Passports		
FY RESULTS HISTORY	2000	Biometrics were not used in U.S. passports.
	2001	Biometrics were not used in U.S. passports.
	2002	Inclusion of biometric indicators in U.S. passports considered.
FY 2003 DATA	2003 Results	<p>The International Civil Aviation Organization (ICAO) established standards for the integration of biometric identification information into passports and other Machine Readable Travel Documents (MRTDs) in May 2003, enabling the Department to begin to implement the standards in U.S. passports.</p> <p>Initial planning and requirements definition are 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.</p>
	Target	Initial planning and requirements definition for biometrics collection.
	Rating	■ On Target
	Impact	<ul style="list-style-type: none"> • This year's result will make possible the issuance of a Request for Proposal (RFP) early in FY 2004, leading to production of the first electronic U.S. passport with contact-less chip technology for storing a full digital facial image biometric by October 26, 2004. • The increased use of biometric-enhanced passports will lead to speedier passage of travelers through airport controls, heightened aviation and border security, and added protection against identity theft and passport fraud.



I/P #2: SECURE PASSPORT ISSUANCE <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #2: Checking of Passport Applications Against Social Security Administration (SSA) Death Records		
FY RESULTS HISTORY	2000	Capability did not exist.
	2001	Capability did not exist.
	2002	Baseline: 1. Capability did not exist. 2. Some initial work done to share data and check information.
FY 2003 DATA	2003 Results	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 MOU to send data.
	Target	Continue to work to establish a data link with SSA systems.
	Rating	 On Target
	Impact	This result lays the groundwork for a data link that will improve verification of identity for each passport applicant and reduce the possibility of passport issuance to fraudulent applicants. Specifically, the connection will provide the ability to verify current active social security numbers as well as those of deceased individuals.

VIII. Program Evaluations and PART Reviews

One program evaluation pertaining to this Strategic Goal was conducted in FY 2003.

- Review of Domestic Passport Operations, Phase II: Fraud Prevention Programs (ISP-CA-03-25), (OIG)

Detailed information on this program evaluation can be found in the “Completed Program Evaluations for FY 2003” appendix.



**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 more healthy, 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

Extending and defending democracy has long been a centerpiece of U.S. foreign policy. The United States recognizes that a world composed of democracies will better protect America’s long-term national security than a world of authoritarian or chaotic regimes. The rule of law, open markets, more prosperous economies, and better-educated citizens are all benefits of a democratic form of government. Democratic governance ensures a more peaceful, predictable world – a great and lasting benefit to the United States.



Protecting human rights and advocating democracy is an integral part of a U.S. foreign policy that seeks to end oppression, combat terrorism, and advocate American ideals and freedoms worldwide. We utilize the full range of diplomatic and programmatic tools to advance democratic reforms in individual countries. Multilaterally, we engage in fora such as the United Nations Commission on Human Rights (UNCHR), the Community of Democracies, and regional organizations, such as the Organization for Security and Cooperation in Europe (OSCE) and the Organization of American States (OAS), to advance these democratic ideals. The Department of State’s annual

Afghan Literacy Class — Many of these are held outdoors without proper books or materials.

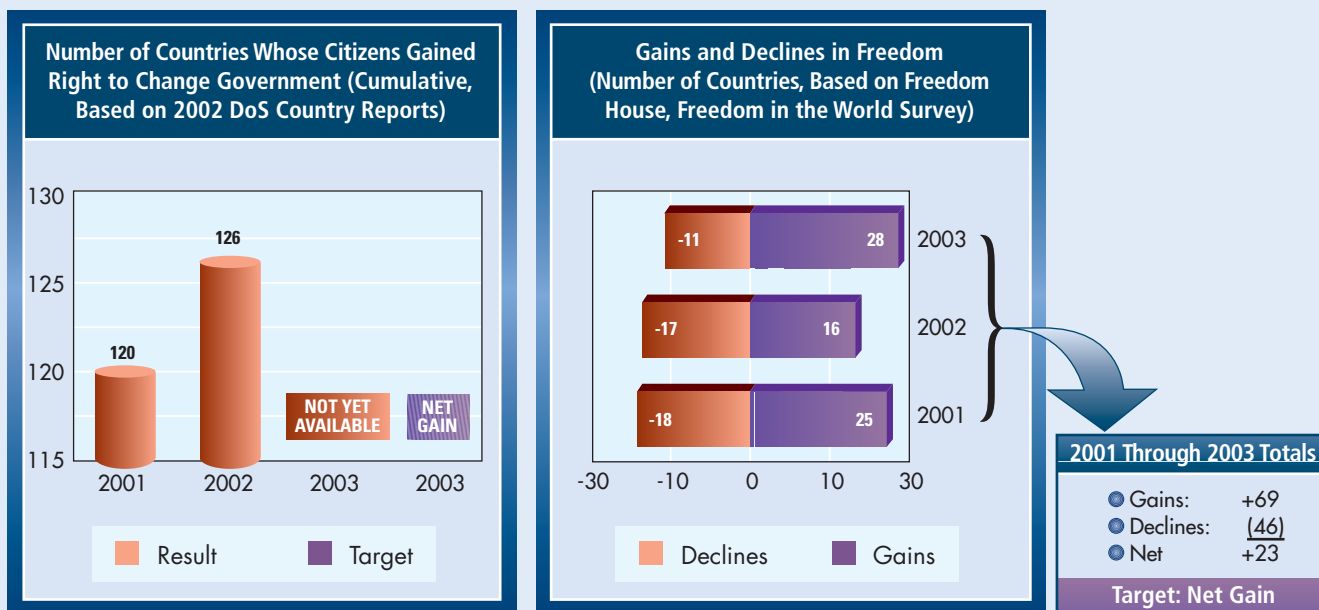
Department of State Photo



Country Reports on Human Rights Practices serves not only to inform Congress, but also to raise awareness on human rights across the globe. While the United States continues to play a leading role in promoting democracy and human rights, we recognize that they are not uniquely American concepts. By advancing these universal values, we build a stronger, safer, more prosperous world.

Over the past two decades, there has been unprecedented expansion of the number of democracies in the world. Nonetheless, we are well aware that many countries remain that routinely ignore international human rights or selectively uphold them, and we seek opportunities to cooperate with human rights advocates and policy makers to engender positive change. Advancing women’s human rights, for example, generates benefits through the role women play in strengthening democracies, building economic security, increasing governments’ respect for human rights and enhancing religious tolerance. As democratization must ultimately be a process driven by a society’s citizenry, we work to make sure reforms reflect a representative political process.

II. Selected Performance Trends



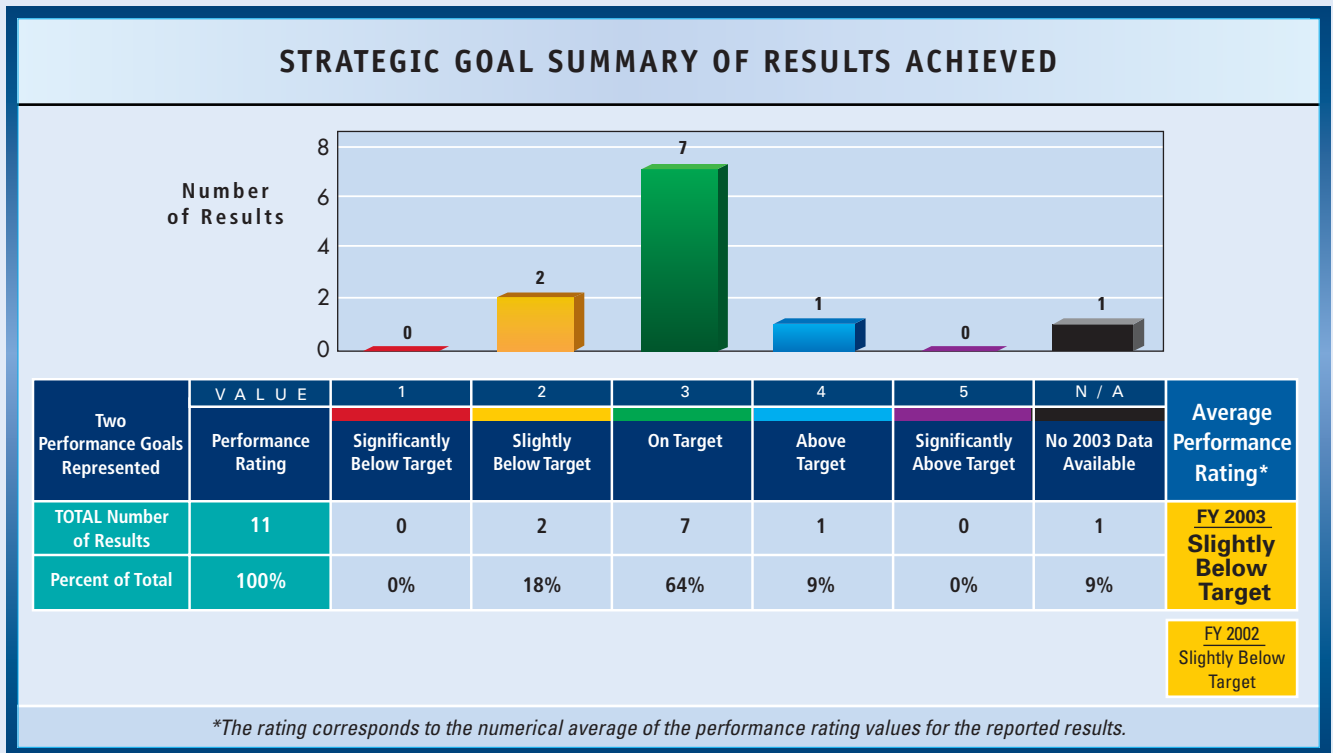
III. Strategic Context

The Democracy and Human Rights 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.

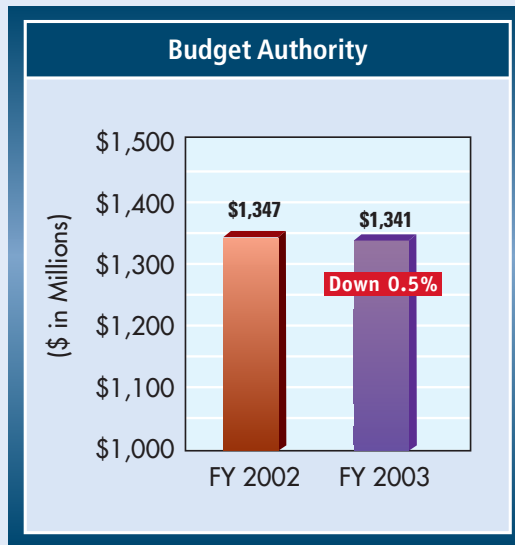
Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Democracy and Human Rights	Democratic System and Practices	Engagement to Advance Democracy	Democracy, Human Rights and Labor	USAID, DOJ NGOs, UN, other int'l orgs.
	Universal Human Rights Standards	Bilateral and Multilateral Diplomacy	Democracy, Human Rights and Labor, International Organizations	UN, other int'l orgs, NGOs
		Apply Human Rights Standards	Democracy, Human Rights and Labor	USAID, DOC, DOJ, IFIs, UN, other int'l orgs.
		Annual Country Reports on Human Rights Practices	Democracy, Human Rights and Labor	USAID, DOL, USCIRF, Congress, NGOs
		Promote International Religious Freedom	Democracy, Human Rights and Labor	DOJ, DOD, DHS, USCIRF, Congress, UN, other int'l orgs.
		Labor, Diplomacy and Advocacy for Worker's Rights	Democracy, Human Rights and Labor, Economic and Business Affairs	DOL, DOC, USTR, OPIC, NGOs, IFIs, ILO, other int'l orgs.

IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Democracy and Human Rights strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "slightly below target", unchanged from last year's "slightly below target" rating.



V. Resources Invested



VI. Illustrative Example of a Significant Event

The Middle East Partnership Initiative (MEPI)

The Middle East Partnership Initiative (MEPI) is a Presidential initiative announced by Secretary Powell on December 12, 2002, which provides a framework and funding for the United States to work together with the private sector, civil society, and governments in the Arab world to expand economic, political, and education reform efforts in the Middle East and champion opportunity for all people of the region, especially women and youth. The initiative strives to link Arab, U.S. and global private sector business, non-governmental organizations, civil society elements, and governments together to develop innovative policies and programs to achieve this mission. The U.S. has adopted a new policy, a forward strategy of freedom in the Middle East. MEPI is the Administration’s primary diplomatic policy and development programmatic tool to support this U.S. policy and is structured in four reform areas: economic, political, education and women’s issues.



Secretary Powell talks about the Middle East Partnership Initiative with Arab women.
Department of State Photo



VII. Performance Results

PERFORMANCE GOAL 1

Measures adopted to develop transparent and accountable democratic institutions, laws, and political processes and practices

I/P #1: ENGAGEMENT TO ADVANCE DEMOCRACY		
Work with countries that are reforming government systems to create more transparent, inclusive, and participatory practices, through bilateral engagement, multilateral mechanisms, and non-governmental (i.e., NGO) channels.		
OUTPUT INDICATOR		
Indicator #1: Number of Countries Eligible for Community of Democracies (CD) and Identified as Democratic in Other Indices		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: Invitations sent to 117 countries to participate in CD Ministerial in Seoul.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 118 countries invited to participate in 2002 Community of Democracies ministerial meeting (held in FY 2003). Freedom House 2003 Report (released 04/03) Free: 89, Partly Free: 55, Not Free: 48 <ul style="list-style-type: none"> Improved countries: 29; Declined countries: 11 Net Progress: +18 2002 Country Reports on Human Rights Practices (published 03/03) Countries w/ Human Rights: 126; Countries w/ Limits: 35; Countries w/o Rights: 34 Net Progress: +6 <ul style="list-style-type: none"> Citizens of 6 countries gained the right to change their government since the 2001 country reports were issued, including Comoros (new elections), Republic of Congo (new elections), Kenya, Fiji (end of coup), Yugoslavia and Afghanistan.
	Target	<ol style="list-style-type: none"> More countries become eligible for inclusion on invitation list for CD ministerial. Freedom House Index: Net Progress: (i.e., + change from previous year). Country ratings in Human Rights Practices: Net Progress, (i.e., + change from previous year).
	Rating	■ Above Target
	Impact	More democracies provide for a safer, more stable world and a basis for enhanced international cooperation. More countries accept the necessity of democracy and human rights protection as a prerequisite for building strong and prosperous societies, a relationship emphasized in U.S. international assistance strategies.



I/P # 1: ENGAGEMENT TO ADVANCE DEMOCRACY <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #2: Activities That Strengthen the Community of Democracies (CDs)		
FY RESULTS HISTORY	2000	CD held its first ministerial in Warsaw.
	2001	CD Caucus established and met.
	2002	Follow-up ministerial CD took place in Seoul.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> Seoul Plan of Action implementation well underway. Regional CD conference for democracy building in Africa and Western Hemisphere, with Organization of African States-African Union (OAS-AU) cooperation, held in June 2003. OSCE meeting to be held in Romania in November 2003; Portugal meeting also planned.
	Target	CD ministerial produces Plan of Action. Implementation begins, including OAS-NEPAD cooperation and other regional follow-up.
	Rating	■ On Target
	Impact	<p>2003 regional conferences allowed participating countries to discuss ways to strengthen and expand democracy. By fulfilling first two items of Seoul Plan of Action directly and other five items indirectly, they maintain momentum between CD ministerials.</p> <p>Growing interaction between the OAS, AU, and NEPAD will better equip the African states to face crises in democracies. U.S. better able to call on and rely on regional action to respond to crises, such as those in Venezuela, Zimbabwe, and Burma.</p>



A disabled woman drops her ballot into the box at the polling station in the International Academy School of Kigali, Rwanda. © AP Photo/Ricky Gare



PERFORMANCE GOAL 2

Universal standards protect human rights, including the rights of women and ethnic minorities, religious freedom, worker rights, and the reduction of child labor

I/P #2: BILATERAL AND MULTILATERAL DIPLOMACY		
Press governments with poor human rights records to move toward full observation of internationally recognized human rights standards and norms.		
OUTPUT INDICATOR		
Indicator #1: Number of UN Commission on Human Rights (UNCHR) Resolutions on Democracy Adopted		
FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. Resolutions on Cuba, Iran, and Iraq passed. 2. Resolution on China defeated. 3. No Belarus or North Korean resolution on table.
	2001	<ol style="list-style-type: none"> 1. UNCHR passed resolution for the third year on Cuba, Iran, and Iraq. 2. Resolution on China defeated. 3. No Belarus or North Korean resolutions on table.
	2002	<p>N/A</p> <ul style="list-style-type: none"> ● This Indicator was not tracked because the United States was not a member of the UNCHR in 2002, but was re-elected as a member for 2003.
FY 2003 DATA	2003 Results	In 2003, UNCHR passed resolutions on Cuba, North Korea, Belarus (U.S.-sponsored), Turkmenistan, Burma and Iraq. Chechnya, Sudan and Zimbabwe resolutions were defeated. U.S. took strong stand against Libyan chairmanship of UNCHR. U.S. succeeded in blocking "special sitting" on Iraq, despite strong anti-U.S. bloc among some Muslim countries and some EU states.
	Target	Commission adopts a majority of country-specific and thematic resolutions of highest interest.
	Rating	■ On Target
	Impact	Belarus responded to resolution by examining its human rights. Cuban rejection of resolution noted worldwide and met international condemnation. Dissidents in all countries noted resolutions.



I/P #2: BILATERAL AND MULTILATERAL DIPLOMACY *Continued*

OUTPUT INDICATOR

Indicator #2: Number of UNCHR States With Negative Human Rights Records

FY RESULTS HISTORY	2000	Of the fifty-three member states, seventeen had negative human rights records.
	2001	Eighteen states had negative human rights records.
	2002	UNCHR election in April 2002 returned the United States as a member; United States began work to change UNCHR membership.
FY 2003 DATA	2003 Results	Sixteen member states with negative records.
	Target	No more than 15 UNCHR member states with negative record.
	Rating	■ Slightly Below Target
	Impact	Decrease in number of countries with negative human rights records assists UNCHR in carrying out its mandate. In turn, UNCHR is more effective when countries with poor human rights records are no longer members of UNCHR thus paving the way for more effective resolutions and interventions by Special Rapporteurs.

A girl holds a placard while riding on an elephant which leads a rally marking 'World day against child Labour' in Kathmandu, Nepal. A report by the International Labour organization (ILO) states that there are 2,600,000 child workers in Nepal.

© AP Photo/Narendra Shrestha



I/P #3: APPLY HUMAN RIGHTS STANDARDS		
Ensure that human rights standards are upheld and advanced.		
INPUT INDICATOR		
Indicator #3: Amount and Quality of Post Reporting on Human Rights Violations Pursuant to Leahy Requirements		
FY RESULTS HISTORY	2000	Leahy procedures established for Foreign Operations and Defense funding, but posts are not required to make systematic reports.
	2001	The Bureau of Intelligence and Research created a database for HR abuses in Colombia and Indonesia.
	2002	<ol style="list-style-type: none"> The Bureau of Democracy, Human Rights and Labor produced case studies and lessons learned from Leahy implementation. DRL reopened dialogue with the Bureau of Political and Military Affairs, and regional bureaus on standardization of vetting procedures and implementation.
FY 2003 DATA	2003 Results	Database to collect information on human rights abuses in countries receiving security assistance is being developed and tested.
	Target	Reporting procedures formulated and put into place.
	Rating	■ On Target
	Impact	Many human rights violations are committed by security forces. Through vetting and withholding of U.S. assistance to human rights violators, military discipline and respect for human rights increase.



Delegates attend a ministerial-level Security Council meeting entitled "Justice and the Rule of Law: The United Nations Role." © AP Photo/Mary Altaffer



I/P #4: ANNUAL COUNTRY REPORTS ON HUMAN RIGHTS PRACTICES

Consolidate the U.S. Government’s assessments on human rights situations around the globe, recognizing that judging a country’s human rights performance based on internationally accepted norms remains a powerful tool.

EFFICIENCY INDICATOR

Indicator #4: Effective Use of the Human Rights Report (HRR) to Promote U.S. Foreign Policy Objectives

FY RESULTS HISTORY	2000	HRR is not linked to policy or activities.
	2001	<ol style="list-style-type: none"> HRR not linked to policy or activities. HRR translated into Vietnamese.
	2002	<ol style="list-style-type: none"> DRL developed strategic plan within the Department to use HRR to promote key policy issues. Strategy developed to increase number of posts using HRR for public diplomacy efforts. Introduction of HRRs translated into French, Spanish, and Russian.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> Though length of total HRR was reduced only 10%; 27 pilot countries were selected for editing of text to produce higher readability and more succinct presentation. Praise for the integrity and quality of the report was received from would-be critics, including Human Rights Watch, which said the reports “pulled no punches.” (See target #1) Full reports or critical portions are translated into Chinese, Russian, Spanish, French, Arabic and Farsi. Over 50 individual posts’ reports translated and posted on websites. (See target #2, #5 and #6) Human Rights Democracy Fund (HRDF) projects were implemented in several countries in Central Asia and the Middle East in response to issues highlighted in corresponding reports. (See target #3) Human Rights Strategy Report was published in June 2003. Portions translated into host-country, regional and world languages. Translations and other spin-off products for public diplomacy used worldwide, particularly in Africa and Middle East. (See target #2 and #7)
	Target	<ol style="list-style-type: none"> 2002 HRR length is cut by 15% to the 2001 base, while maintaining high standard. Strategy developed to increase number of posts using HRR for public diplomacy efforts. Pilot posts chosen for human rights reporting-based HRDF program implementation plan. HRR focus on institutional change is developed. HRR translated into Chinese and Russian. Posts in China, the former Soviet Union, Central Asia, Latin America, and Europe post the appropriate country reports on their websites in the appropriate languages. Human Rights Strategy Report is published and distributed widely to illustrate ways in which U.S. government programs are having an impact worldwide.
	Rating	■ On Target
	Impact	Many human rights violations are committed by security forces. Through vetting and withholding of U.S. assistance to human rights violators, military discipline and respect for human rights increase.



I/P #5: PROMOTE INTERNATIONAL RELIGIOUS FREEDOM

Enhance long-term stability, increase opportunity for democracy, support other human rights, and undermine religiously based terrorism by advancing religious freedom in countries and regions important to U.S. interests.

OUTCOME INDICATOR

Indicator #5: 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)

FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. Some religious prisoners released. 2. Discussions on religion laws.
	2001	<ol style="list-style-type: none"> 1. Minor U.S. successes in forestalling or improving bad religion laws in Eastern Europe and Central Asia. 2. Some religious prisoners released.
	2002	<ol style="list-style-type: none"> 1. Continuing U.S. influence on some religion legislation. 2. Some religious prisoners released; some religious refugees assisted.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> • IRF concerns have been raised by the Department in bilateral and multilateral meetings. • IRF officers have begun engagement on promoting religious freedom in Afghanistan and Iraq. • Posts have shown an increased engagement on IRF issues, producing for the most part excellent country reports for the International Religious Freedom Report to Congress. • The IRF ambassador and officers have been instrumental in facilitating the removal of people persecuted for their faith from harm's way. • The Ambassador-at-Large and staff have visited China, Vietnam, and Saudi Arabia for repeated trips.
	Target	<ul style="list-style-type: none"> • More IRF integration into policy and advocacy by senior U.S. officials abroad and executive and legislative branches, including better coordination with Congress. • Special focus on Afghanistan and Iraq for increased religious freedom, including through the constitution-drafting processes. • Posts provide consistently high-quality reporting on religious freedom. More IRF advocacy is undertaken by the Department in multilateral forums. • Build coalitions through travel to like-minded countries which will strengthen ties and enlist broader-based advocacy in support of international religious freedom goals.
	Rating	■ On Target
	Impact	<p>The Department's advocacy in these areas has resulted in increased attention to religious freedom in target countries around the world. In target countries diplomacy and travel by the Ambassador-at-Large, and advocacy and diplomatic engagement have resulted in the release of prisoners, the relaxing of enforcement of restrictive religious laws, and greater operating space for religious minorities.</p> <p>The Department's ongoing reporting and monitoring of religious freedom conditions allow us to engage in purposeful and targeted religious freedom advocacy. Such monitoring and analysis are essential to the conduct of effective diplomacy and for the identification of targeted benchmarks in our dialogues with countries of concern for religious freedom violations.</p>

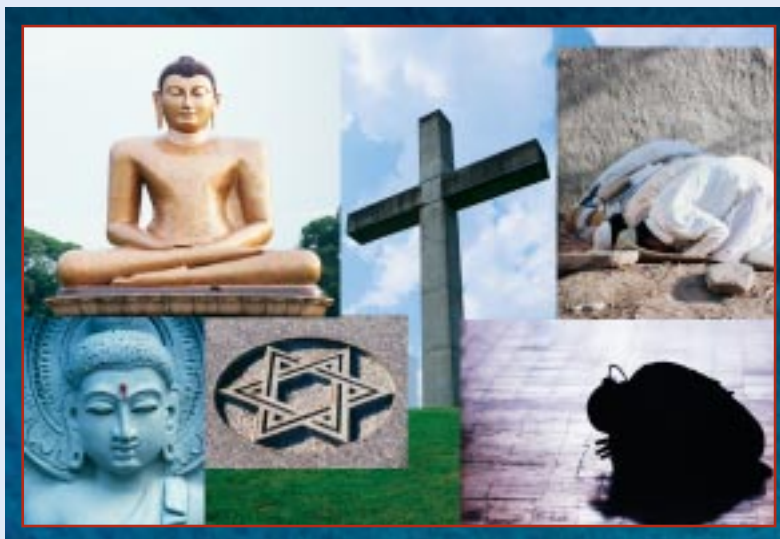


I/P #5: PROMOTE INTERNATIONAL RELIGIOUS FREEDOM *Continued*

INPUT INDICATOR

Indicator #6: Intensity of Monitoring, Reporting, and Analysis on Behalf of Religious Freedom by the USG and Multilateral Institutions in Keeping With Foreign Policy Directives such as the International Religious Freedom Act

FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. IRF Ambassador and IRF office established for one year. 2. Ambassador attended senior staff meetings with Assistant Secretaries. 3. Access to Secretary.
	2001	<ol style="list-style-type: none"> 1. Second IRF Report built credibility among NGOs and in Congress. 2. Improved IRF reporting from U.S. posts abroad. 3. Vietnam and China HR dialogues included subject of IRF.
	2002	<ol style="list-style-type: none"> 1. Third IRF report generally well received. 2. Post reporting remained at improved 2001 levels. 3. Bilateral HR dialogues with China and Vietnam included subject of IRF.
FY 2003 DATA	2003 Results	N/A, see "Other Issues" below.
	Target	<ol style="list-style-type: none"> 1. IRF reports recognized for high-quality reporting. 2. Analysis expanded either in report introduction or in separate op-ed piece for major U.S. newspaper or other widely circulated publication. 3. New resolution or conference reporting on IRF or IRF-related issue agreed to by a multilateral institution due to U.S. intervention.
	Rating	■ N/A
	Impact	N/A
	Other Issues	Work pertaining to this indicator has been subsumed into indicator number five.



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I/P #6: LABOR DIPLOMACY AND ADVOCACY FOR WORKERS' RIGHTS

Promote respect for workers' rights by pressing governments to respect internationally recognized worker rights, voluntary business codes of conduct, and the rule of law.

OUTPUT INDICATOR

Indicator #7: Number of Public-Private Partnerships to Advance Respect for Human Rights

FY RESULTS HISTORY	2000	<ol style="list-style-type: none"> 1. Voluntary Principles for Security and Human Rights (VPs) announced. 2. Partnership to Eliminate Sweatshops (PESP) grants awarded.
	2001	<ol style="list-style-type: none"> 1. Government of the Netherlands and Newmont Mining adhered to the VPs. 2. Public-private partnerships created in Central America and Asia to address labor conditions in factories. 3. Child labor abuses decreased due to programs.
	2002	<ol style="list-style-type: none"> 1. Occidental Petroleum, ExxonMobil, PaxChristi and the Government of Norway joined VPs. 2. First security managers' workshop conducted. 3. In-country briefings in Colombia. 4. Voluntary Principles and Partnership to Eliminate Sweatshops Program (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.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> 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.
	Target	<ol style="list-style-type: none"> 1. Develop program to improve work safety and health conditions in China. 2. Worker rights violations decrease in half the countries in which DRL/IL has anti-sweatshop programs. 3. The number of overseas factories respecting business codes of conduct increases 20 percent.
	Rating	<p>■ Slightly Below Target</p>
	Impact	<p>Public sector actions allowing for freedom of association and providing for workers' right to organize are key components of civil society and representative government. Private sector acceptance of workers' rights and the responsibility to provide adequate working conditions builds confidence in democracy, economic liberty, and free trade. Advances made over the last three years are the result of U.S. success in bringing together all actors in this arena and extending efforts to new regions.</p>



I/P #6: LABOR DIPLOMACY AND ADVOCACY FOR WORKERS' RIGHTS <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #8: Status of Workers' Rights		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: 1. Established national plans for the elimination of child labor in Muslim countries. 2. Increased acceptance of International Labor Organization (ILO) issues in the Muslim world.
FY 2003 DATA	2003 Results	1. Significant HRDF and DOL/ILAB 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, <ul style="list-style-type: none"> ● Nineteen new labor unions were formed in Bahrain after the 2002 adoption of a ground-breaking labor law. ● Labor "committees" authorized in Saudi Arabia. ● Key ILO conventions ratified by Syria, Sudan and Lebanon. 2. Labor clauses in all initial versions of the trade agreements currently under negotiation: the Central American Free Trade Agreement (CAFTA), other free trade agreements (FTAs) with Morocco, Australia, and the South African Customs Union.
	Target	1. Worker organizations established in one country in each of the following regions: Eastern Europe, the Caucasus, Central Asia, the Middle East, China, Central America, and Africa. Increase in implementation of International Labor Organization standards in the Muslim world. Increase in respect for workers' rights in China. 2. Include provisions to protect worker rights in the FTA under negotiation with five Central American nations, and in other FTAs and Trade and Investment Facilitation Agreements (TIFAs).
	Rating	■ 1. On Target ■ 2. On Target
	Impact	For the first time ever, worker rights are being discussed locally and bilaterally in certain Gulf States. As part of U.S. initiatives for democratization, labor organizations have been a key building block for developing civil society and representative movements.

A group of children march as they join a contingent during the celebration of the 105th Independence Day anniversary in Manila which coincides with the World Day Against Child Labor.

© AP Photo/Pat Roque



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

The President's National Security Strategy aims to "help make the world not just safer but better". National security and global economic prosperity are inextricably linked. Americans have a vital interest in a strong international economy that advances prosperity, freedom, and economic opportunity worldwide. Economic growth creates new jobs and higher incomes for Americans and for citizens of other nations. The Department works closely with other agencies, businesses, and NGOs to build a strong and dynamic international economic system based on free trade with new opportunities for American business, workers, and farmers, and to ensure the economic security of the United States. The Department has a direct impact on U.S. economic security through its work to ensure the stability of the international financial system, disrupt terrorist financial networks, support front-line states grappling with difficult economic conditions, develop diversified and reliable sources of energy, and make international transportation of people and goods safe and secure.

The remarkable growth and prosperity of the developed economies have demonstrated the strength of a dynamic, open international trading system based on free trade and free markets, good governance, and the rule of law, a system which is a key element of sustainable development. Conversely, the lack of economic opportunity for many around the world is an underlying factor for a number of the grave challenges we face. Regional instability, international crime and illicit drugs, social and environmental destabilization, and humanitarian crises all feed on, and further marginalize, vulnerable populations. The Department's efforts to promote trade and development have a direct positive effect on these vulnerable populations while also strengthening the U.S. economy. As the world's largest importer and exporter, the U.S. has a significant impact: trade accounts for about one-quarter of the U.S. economy and reached \$2.6 trillion in FY 2003. Export growth produced about 25 percent of U.S. economic growth during the past decade. One of every five U.S. manufacturing workers depends on exports for a job. Imports make competitive, lower cost goods available to American consumers and quality supply components available to American industries. The United States is the largest importer from developing countries, importing goods worth over \$600 billion in 2002, approximately ten times the value of the total of all official development assistance to developing

countries from all donors. Continued growth and the economic opportunity gained from open trading systems, foreign investment, U.S. development assistance, and international cooperation on financial issues promotes political liberty abroad and our national security at home.

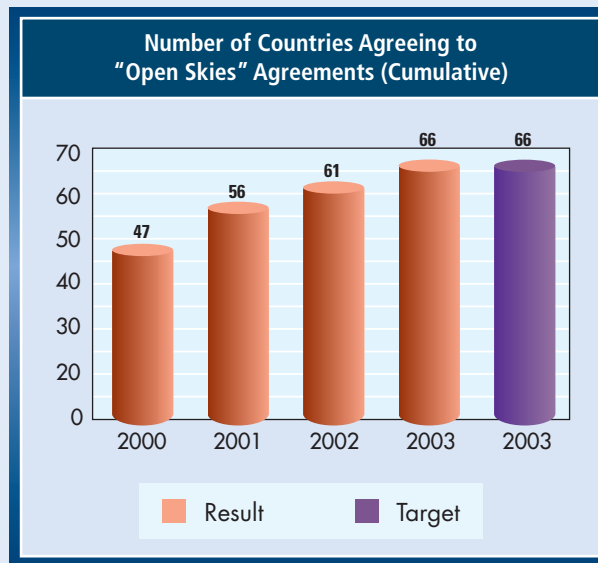


The Department and USAID work to promote global prosperity by expanding trade and investment between nations. The safe transfer of goods to and from port cities, such as Singapore seen in this photo, is vital to ensuring economic security.

Department of State Photo



II. Selected Performance Trends



III. Strategic Context

The Economic Prosperity and Security strategic goal is supported by three performance goals. Shown below are the major initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

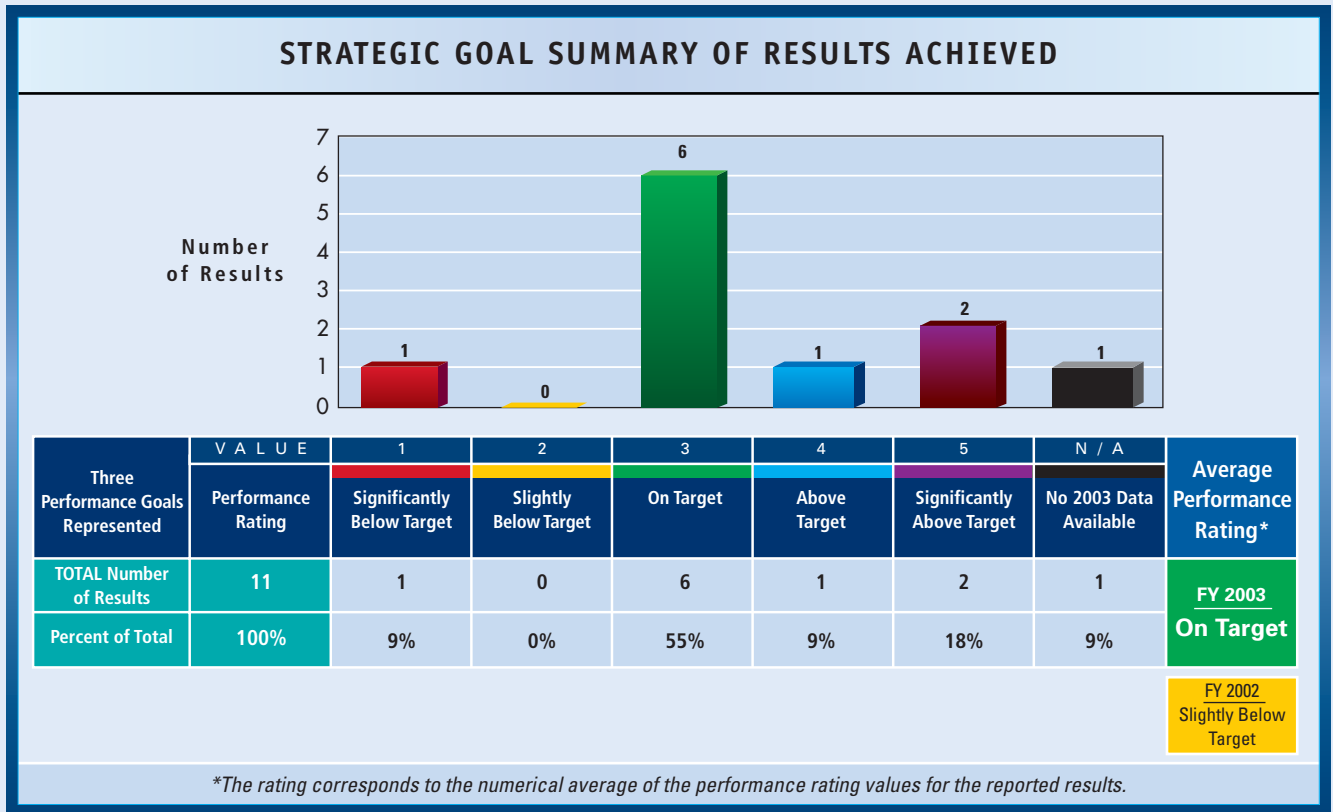
Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Economic Prosperity and Security	Economic Growth and Development	Development Strategies	Economic and Business Affairs, and International Organizations	USAID, Treasury, DOC, USDA, EXIM, OPIC, TDA, USTR, IMF, World Bank, Regional Devl Banks, UNDP, ILO, WTO, OECD, UNCTAD ¹ UNCTAD1, UNICEF, FAO, G-8
	Trade and Investment	Create Open and Dynamic World Markets	Economic and Business Affairs	USTR, Treasury, DOC, DOT, USDA, TDA, USAID, WTO, OECD, international institutions, private sector and NGOs
	Secure and Stable Markets	Secure Energy Supplies	Economic and Business Affairs	DOE, IEA, foreign governments
		Stable Financial Markets	Economic and Business Affairs	Treasury, IMF, World Bank, OECD, Regional Development Banks
	Food Security and Agriculture Development	Accomplishment of this goal is the responsibility of USAID.		

¹ UNCTAD= UN Conference on Trade and Development.

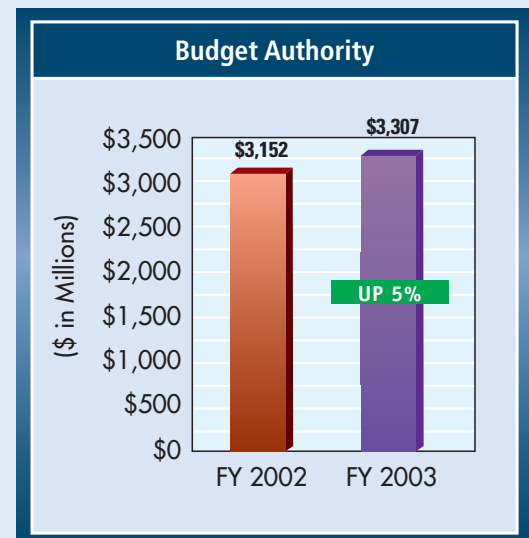
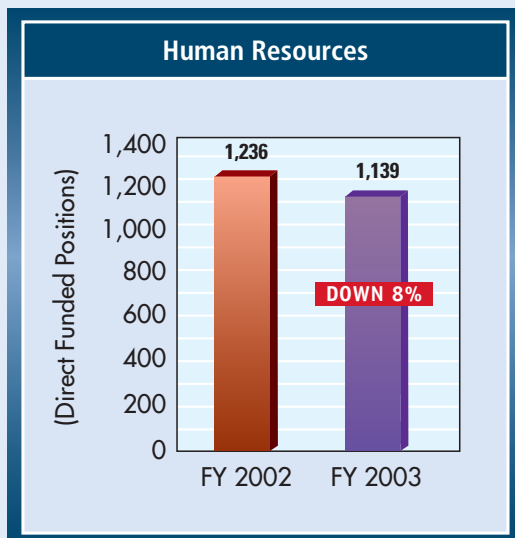


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Economic Prosperity and Security strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target", an improvement from last year's "slightly below target" rating.



V. Resources Invested



VI. Illustrative Example of a Significant Achievement

U.S. Trade and Investment

As a key part of the interagency advocacy and outreach process, the Department assisted over 180 U.S. companies to ensure transparency and fair play in foreign government procurements and other actions; promote market access and reform; and expand business promotion activities. The Department assisted over 75 U.S. companies seeking foreign government procurement, advised over 50 companies involved in

aviation services, and consulted regularly with 30 biotech groups and Intellectual Property Rights (IPR) associations. Advocacy with foreign telecom regulators alone saved \$125 million for U.S. business. Three aviation liberalization agreements were also concluded to expand markets for U.S. firms.



A Boeing 757 in Shanghai Airlines colors is shown. Boeing Commercial Airplanes announced that Shanghai Airlines has ordered five Boeing 757-200s, the first order for 757s since 2001. © AP Photo



VII. Performance Results

PERFORMANCE GOAL 1

Institutions, laws, and policies foster private sector growth, macroeconomic stability, and poverty reduction

I/P #1: DEVELOPMENT STRATEGIES		
Devise coherent country, regional, and global development strategies to ensure bilateral and multilateral development assistance advances economic stability/integration in the global economy.		
IMPACT INDICATOR		
Indicator #1: Average Developing Country Growth Competitiveness Index		
FY RESULTS HISTORY	2000	Baseline: 4.78
	2001	4.81
	2002	Data not yet available; expected in July 2004.
FY 2003 DATA	2003 Results	Data not yet available.
	Target	Increase in average Growth Competitiveness Index.
	Rating	■ N/A
	Impact	N/A
OUTPUT INDICATOR		
Indicator #2: The Millennium Challenge Account (MCA)		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: The President announced the MCA. Agreement on indicators for MCA allocation.
FY 2003 DATA	2003 Results	Onset of program is delayed until Congressional action.
	Target	Obtain Congressional support and legislative authorization for the MCA. Choose countries for initial MCA funding and establish an administrative mechanism.
	Rating	■ Significantly Below Target
	Impact	Congressional delay on passage of authorizing and implementing legislation for the MCA has prevented funding and staffing of the Millennium Challenge Corporation (MCC), the entity tasked with making the MCA operational. However Congress is expected to pass necessary legislation by January 2004 and the Administration has made plans for MCC to be fully functional shortly thereafter. Target should be reached in the first half of FY 2004.
	Other Issues	Reason for Significant Performance Target Shortfall: Congress did not enact authorizing and implementing legislation for MCA in FY 2003, thus delaying initiation of the MCA program. The Department worked closely with congressional members and staff on the MCA concept so as to enable passage by January 2004. The Department has also worked to ensure a quick start-up of the MCC once legislation has passed.



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 #2: CREATE OPEN AND DYNAMIC WORLD MARKETS

Pursue increased market access through multilateral, regional, and bilateral negotiations to conclude agreements to create open investment policies and free trade in goods and services.

OUTCOME INDICATOR

Indicator #1: Status of Negotiations on Open Markets for Services, Trade, and Investment

FY RESULTS HISTORY	2000	Baseline: WTO negotiations on agriculture and services began. Ten Bilateral Investment Treaties (BITs) sent to Senate for ratification. Negotiations on Free Trade Agreements (FTAs) ongoing.
	2001	Preparations for launch of new WTO round underway. Chile and Singapore FTA negotiations began. Congress approved Jordan FTA. Five BITs entered into force. APEC leaders agreed in Shanghai to liberalize trade and investment.
	2002	WTO launched new round in Doha. China and Taiwan joined WTO. Jordan FTA entered into force. Chile and Singapore FTA negotiations continued. Morocco, Central American Free Trade Area (CAFTA), Southern African Customs Union (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.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Two FTAs (Chile, Singapore) concluded. WTO and Free Trade of the Americas (FTAA) negotiations continue. FTA negotiations began with CAFTA, Morocco, SACU, and Australia. Due to the lack of inter-agency agreement on draft BIT language, no new BITs were concluded in FY 2003. <ul style="list-style-type: none"> Also, notified Congress of intent to initiate FTA talks with Dominican Republic and Bahrain.
	Target	<ol style="list-style-type: none"> Conclude Chile and Singapore FTAs. Continue WTO Doha Round negotiations and Free Trade Area of the Americas (FTAA) negotiations. Begin new FTA negotiations with CAFTA, Morocco, SACU and Australia. Conclude two new BITs.
	Rating	■ On Target
	Impact	<p>FTAs open markets for U.S. businesses, serve as model agreements for future FTAs, and provide leverage in other negotiations. Statistics on NAFTA, for example, show that, in the ten years of its existence U.S. exports to Canada and Mexico grew from \$147.7 billion to \$260.2 billion, and foreign direct investment in all three countries went from \$136.9 billion in 1993 to \$299.2 billion in 2000.</p> <p>Spurred by both NAFTA and the WTO Uruguay Round Agreements, expanded trade through exports accounted for about 25 percent of U.S. economic growth over the last decade and supported an estimated 12 million American jobs. According to the World Bank, full trade liberalization in goods and services through the WTO could lift 300 million people out of poverty by 2015.</p> <p>Impasse at September 2003 Cancun WTO Ministerial will slow efforts toward multilateral trade liberalization; lack of agreed model BIT delays negotiation of BITs.</p>



I/P #2: CREATE OPEN AND DYNAMIC WORLD MARKETS <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #2: Number of Market Opening Transportation Agreements in Place		
FY RESULTS HISTORY	2000	Baseline: Open Skies agreements in place with forty-seven countries.
	2001	<ol style="list-style-type: none"> Five additional bilateral Open Skies agreements concluded. Multilateral Open Skies agreements with four countries concluded.
	2002	Five additional bilateral Open Skies agreements plus three other liberalized agreements concluded.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Concluded three bilateral Open Skies agreements: Jamaica, Albania, and Thailand (all cargo Open Skies); and one Multilateral Accession: Samoa. Liberalized two (non-Open Skies) Agreements: Hong Kong and Thailand.
	Target	<ol style="list-style-type: none"> Conclude three full Open Skies agreements: Jamaica, Albania, and Samoa. Conclude two non-Open Skies agreements: Hong Kong and Thailand.
	Rating	<ul style="list-style-type: none"> ■ 1. On Target ■ 2. On Target
	Impact	Hong Kong deal will generate estimated \$1.5 billion in revenue for U.S. carriers in the next three years; others expand global links for U.S. (and foreign) carriers, lowering costs for travelers and shippers, and help open markets for U.S. firms.
OUTPUT INDICATOR		
Indicator #3: Number of Countries Allowing Commercial use of Agricultural Biotechnology and Global Acreage of Biotech Crops Under Cultivation		
FY RESULTS HISTORY	2000	Baseline: Seven countries allowed commercial use of ag-biotech products.
	2001	<ol style="list-style-type: none"> Seven additional countries allowed commercial use of ag-biotech products. Acreage under cultivation increased.
	2002	<ol style="list-style-type: none"> India commercialized transgenic cotton. Philippines and Brazil took initial steps toward commercializing ag-biotech.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> The Philippines and Brazil commercialized ag-biotech. Biotech acreage continued to expand.
	Target	<ol style="list-style-type: none"> The Philippines and Brazil commercialize ag-biotech. Biotech acreage continues to expand.
	Rating	<ul style="list-style-type: none"> ■ 1. On Target ■ 2. On Target
	Impact	<ul style="list-style-type: none"> ● In 2003, the Philippines became the first country in Asia to commercialize a biotech food crop, maize. ● While there was some movement made on the part of the Kenyan Parliament this year, they did not enact legislation that would allow the commercial planting of biotech crops. ● Brazil authorized the commercial planting of biotech soybeans this year. As the second largest exporter of soybeans in the world, this decision will have a significant impact on the global acreage of biotech crops under cultivation.



I/P #2: CREATE OPEN AND DYNAMIC WORLD MARKETS *Continued*

OUTPUT INDICATOR

Indicator #4: Number of New Accessions to the WTO

FY RESULTS HISTORY	2000	Baseline: 135 total members.
	2001	7 new accessions. 142 total members.
	2002	2 new accessions. 144 total members.
FY 2003 DATA	2003 Results	Four new accessions (Armenia, Cambodia, Former Yugoslav Republic of Macedonia, and Nepal) bring total to 148 members.
	Target	2 new accessions for a total of 146 members.
	Rating	■ Significantly Above Target
	Impact	Increasing the number of WTO members broadens acceptance of market-oriented principles.
	Other Issues	Reason for Significantly Exceeding Performance Target: The rate of accession for aspirant countries to the WTO depends on a number of factors, including WTO member concerns and domestic political considerations. It is difficult to predict exactly when a country will have satisfied accession requirements, although a general timeline is possible. In this instance, two countries progressed more rapidly than originally anticipated and were able to join the WTO earlier than expected.

OUTPUT INDICATOR

Indicator #5: International Telecommunication Union (ITU) Recommendations Adopted

FY RESULTS HISTORY	2000	Baseline: 526
	2001	321
	2002	385
FY 2003 DATA	2003 Results	472 U.S. telecom, information technology, radio communication proposals/positions, standards, and recommendations adopted.
	Target	Adoption of 455 U.S. telecom, information technology (IT), radio communication proposals/positions, standards and recommendations favorable to U.S. businesses in International Telecommunications agreements and declarations.
	Rating	■ Significantly Above Target
	Impact	Adoption of ITU recommendations and U.S. telecom, information technology, and radio communication proposals/positions and standards/recommendations gauges the willingness of countries to adhere to principles favorable to market-oriented policies. As such, the ability of the U.S. to persuade other countries to adopt these measures increases business opportunities for U.S. firms. Examples of those that have benefited from recently adopted recommendations/proposals include the wireless local area network systems, the commercial roll-out of broadband services for airline passengers, and the manufacturers of small broadcast satellite service antennas that are widely used in the United States.
	Other Issues	Reason for Significantly Exceeding Performance Target: The number of recommendations adopted at the ITU depends on a number of factors, including countries' perceived negotiating space and whether there are any counter-proposals. U.S. Representatives were able to persuade ITU members to adopt a higher number of recommendations than originally predicted due to a successful negotiating strategy.



PERFORMANCE GOAL 3
Secure and stable financial and energy markets.

I/P #3: SECURE ENERGY SUPPLIES		
Prevent sudden disruptions in the oil market from damaging the world economy by ensuring that the U.S. and other nations maintain their own Strategic Petroleum Reserves.		
OUTPUT INDICATOR		
Indicator #1: World Emergency Oil Stocks		
FY RESULTS HISTORY	2000	Baseline: International Energy Agency (IEA) stock level was 111 days of net oil imports.
	2001	IEA stock level was 112 days of net oil imports.
	2002	<ol style="list-style-type: none"> 1. Higher stock levels in the United States, Japan, and South Korea (a new IEA member). 2. Increased overall IEA stocks to 114 days of net oil imports as of December 21, 2002. 3. China (a non-IEA member) actively engaged with the IEA, APEC, and the United States to create emergency oil stock reserves and has formulated a plan for holding significant stocks.
FY 2003 DATA	2003 Results	As of July 1, 2003, emergency reserves of IEA members stood at 116 days of net import coverage. Final data will not be available until sometime in FY 2004.
	Target	Increase IEA and non-IEA emergency oil stocks above FY 2002 stock levels.
	Rating	■ On Target
	Impact	Higher levels of emergency reserves increase the flexibility of the United States and other petroleum importers to respond to disruptions in supply. Discussions continue with non-IEA members, including India and China -- bilaterally and through APEC and the IEA -- on establishing and filling their own strategic petroleum reserves.



I/P #4: STABLE FINANCIAL MARKETS		
Prevent financial disruptions from undermining the economic stability of global markets.		
OUTCOME INDICATOR		
Indicator #2: Percentage of Debt Crisis Countries on IMF Programs Successfully Reform		
FY RESULTS HISTORY	2000	Baseline: 61%
	2001	57%
	2002	63%
FY 2003 DATA	2003 Results	70%
	Target	60%
	Rating	■ Above Target
	Impact	Successful reforms instituted under IMF programs reduce the risk of future systemic failure in government fiscal and monetary policies, enable debt-burdened countries to return to growth and devote more resources to social needs, and increase likelihood that countries can meet remaining financial obligations. In FY 2003, the Department, <ul style="list-style-type: none"> ● Devised debt strategies on Iraq and Afghanistan; ● Fulfilled the President's commitment to provide \$1B in debt relief to Pakistan; ● Through the Paris Club, provided \$881M (\$40M from U.S.) in debt relief to Benin, Ecuador, Mali, and Nicaragua; ● Helped push IMF and Argentina to agree on a program.

VIII. Program Evaluations and PART Reviews

One program evaluation was conducted in FY 2003 that pertained to this Strategic Goal.

- Free trade area of the Americas: Negotiations Progress, but Successful Ministerial Hinges on Intensified U.S. Preparations. (GAO-03-560)

Detailed information for this program evaluation on major findings, recommendations and actions to be taken can be found in the "Completed Program Evaluations for FY 2003" appendix.



A man looks at the electronic stock market display in Tokyo's Marunouchi financial district.

© AP Photo/Everett Kennedy Brown



**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

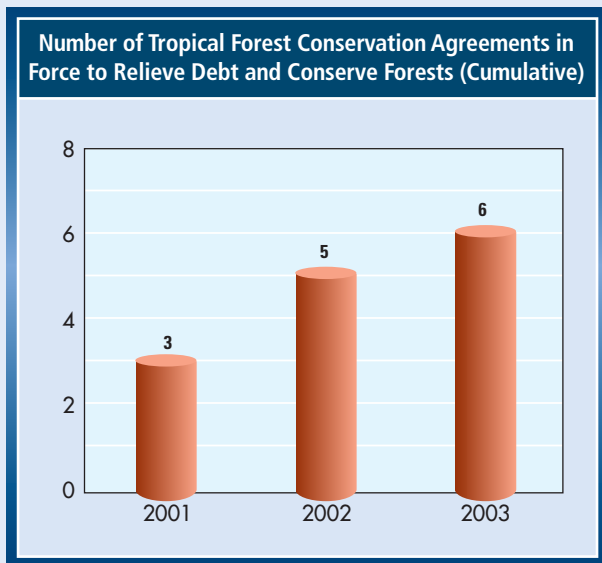
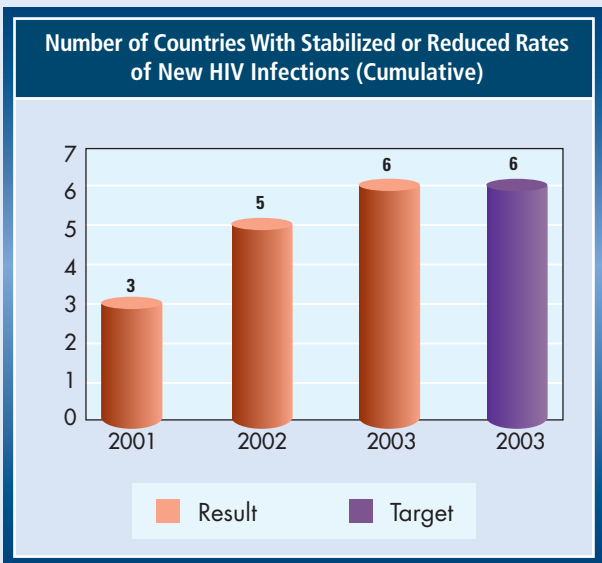
“The strong partnership between American science and American statecraft is more critical than ever in meeting the challenges of the 21st century. Whether the mission is supporting the President’s campaign against terrorism, implementing arms agreements, creating conditions for sustainable development, or stemming the global HIV/AIDS pandemic, the formulation of foreign policy must proceed from a solid scientific foundation.

- Secretary Colin L. Powell

Disease, poverty, environmental degradation, poor health and unchecked migration destroy lives, ravage societies, destabilize regions, and cheat future generations of prosperity. While these social and environmental problems are daunting, ample experience at the international and national level demonstrates that progress is possible through concerted efforts. The United States has both humanitarian and security interests in helping countries tackle social and environmental problems. Left unresolved, these problems will aggravate social and political instability and could reverse the development advances made over the last several decades. By confronting these problems, we can save lives, reduce human suffering, lay the groundwork for sustainable economic development, and prevent adverse conditions from spilling across our borders.

We will build public-private partnerships that leverage resources, strengthen international cooperation, and help other countries build their institutional capacity to manage these problems. We will encourage good governance, necessary for making sustainable gains against social and environmental problems, by bringing problems to light, enabling varied, creative solutions in the context of public debate, and holding governments accountable for results.

II. Selected Performance Trends



III. Strategic Context

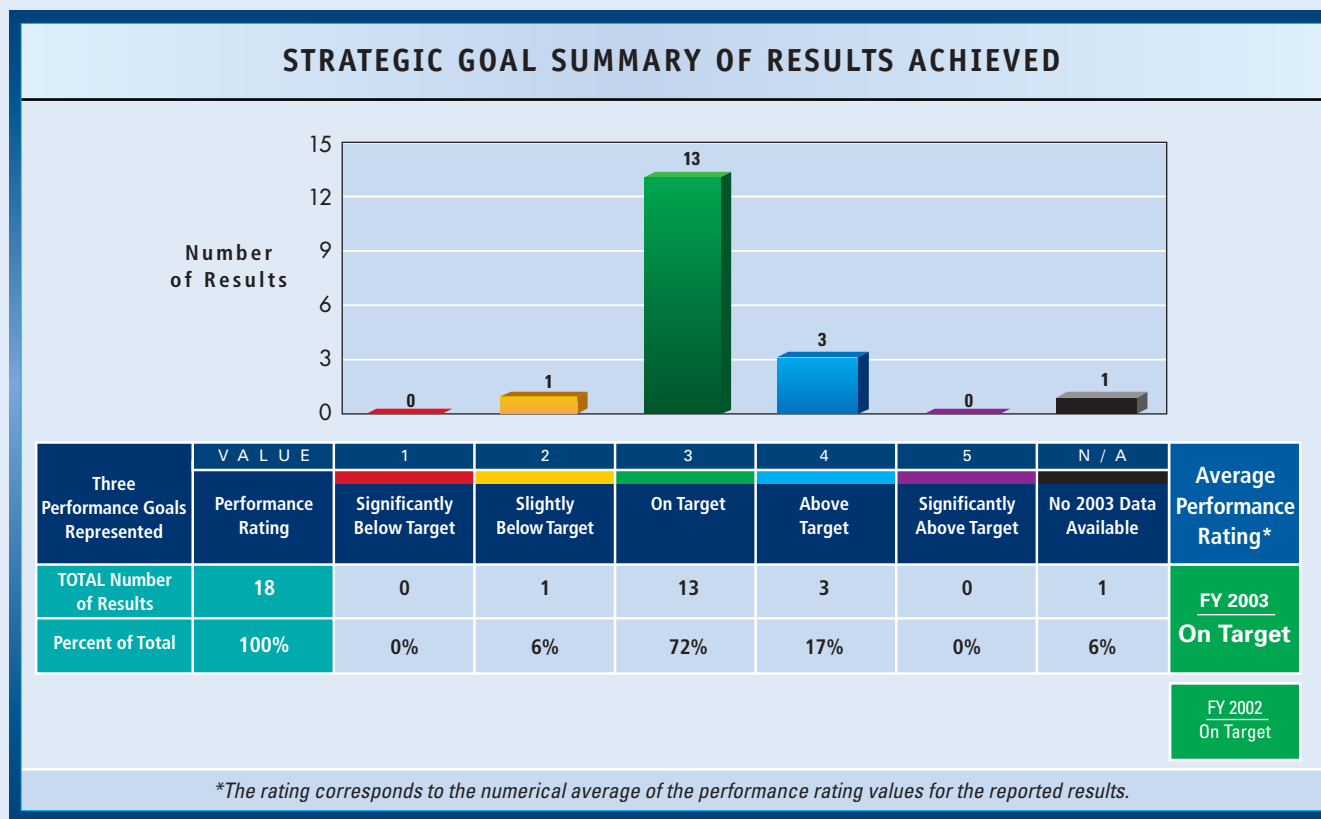
The Social and Environmental Issues strategic goal is supported by four performance goals. Shown below are the major initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Social And Environmental Issues	Global Health	Global Health	Oceans and International Environmental and Scientific Affairs, International Organizations	HHS, USAID, DOD, DOL, EPA, CDC, NSC, CEQ, Commerce, UN, UNAIDS, WHO
	Environmental Protection	Sustainable Development	Oceans and International Environmental and Scientific Affairs, and International Organizations	USAID, EPA, USDA, NOAA, DOE, Smithsonian Institution, civil society and private sector organizations
		Trade and Environment	Oceans and International Environmental and Scientific Affairs	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
		Global Climate Change and Clean Energy	Oceans and International Environmental and Scientific Affairs, and the Office of Science and Technology Advisor	DOE, EPA, CEQ, CEA, NOAA, NASA, USAID, Treasury, USDA, NSF, DOC, DOI, DOT, DOD
		Science and Technology Cooperation	Oceans and International Environmental and Scientific Affairs, and the Office of Science and Technology Advisor	USAID, USDA, DOE, DOC, DOI, EPA, NSF, NRC, NASA, DOD, USPTO, USTR
	Access to Quality Education	Accomplishment of this performance goal is the responsibility of USAID.		
	Migration Policies and Systems	At the time the Department was developing FY 2003 targets, this performance goal did not exist and no targets were developed. Therefore, for FY 2003 performance reporting purposes, no results are being reported. Targets have been developed for FY 2004 and beyond. Results will be reported in future performance reports.		

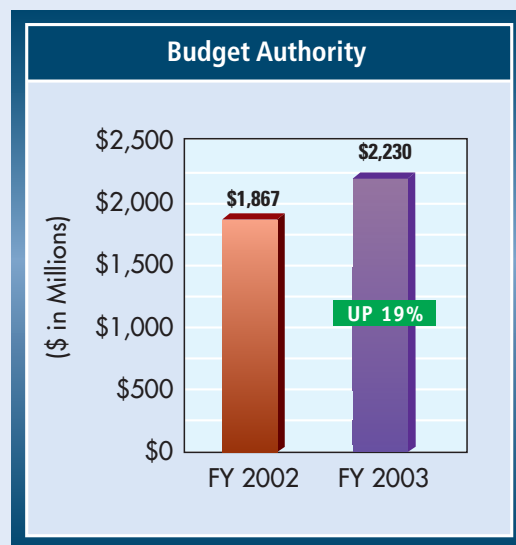
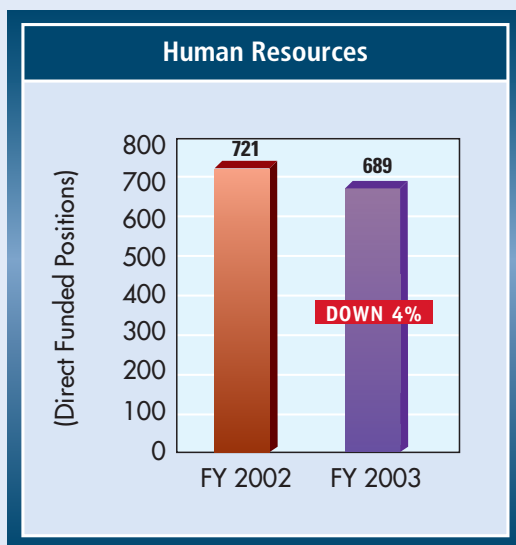


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Social and Environmental Issues strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target", unchanged from last year's "on target" rating.



V. Resources Invested



VI. Illustrative Example of a Significant Achievement

Global Fisheries

Effective multilateral conservation and management of highly migratory and straddling fish stocks requires the participation and commitment of all major distant water fishing nations and coastal states active in the fishery. Multilateral management regimes that prevent or do not include such broad participation will be unable to promote long-term sustainable conservation and management of such fisheries because any measures adopted will not have the support or buy-in of all those that harvest the resource. Furthermore, those nations that are not party to such arrangements have no binding legal obligation to implement adopted conservation and management measures. With respect to highly migratory fisheries in the Pacific, the Department led a successful 3-year international effort to work with certain Asian distant water fishing nations, within the context of an adopted fisheries management agreement, to create the conditions under which these nations could re-engage in the process and ultimately be in a position to join the management arrangement.

Fish on display in a shop in Tokyo. The World Environment Day brings Tokyo's environmental perils into the spotlight. Japan consumes 33 percent of the world's fish catch, but latest figures from the Ministry of Agriculture, Forestry and Fisheries show that the fishing haul from oceans around the country has fallen 46 percent in ten years. © 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

I/P #1: GLOBAL HEALTH		
Improve global health by fighting the global HIV/AIDS pandemic, combating other emerging diseases, and countering bioterrorism.		
INPUT INDICATOR		
Indicator #1: Status of the Global Health Security Action Group (GHSAG)		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: The United States, Canada, France, Germany, Italy, Japan, Mexico, and the United Kingdom agreed to cooperative efforts to counter bioterrorism.
	2002	General terms of reference for the creation of a pharmaceutical and biotech industry anti-terrorism code of conduct were developed.
FY 2003 DATA	2003 Results	GHSAG has formed technical working groups. In December 2002, GHSAG formed a new technical working group (TWG) 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 TWG. GHSAG has tested Incident Scale. GHSAG members are prepared to submit Terms of Reference for GHSAG Ministerial Meeting in November 2003.
	Target	<ol style="list-style-type: none"> 1. The GHSAG clarifies its mission and membership considerations. 2. The GHSAG forms technical working groups on key issues such as risk management, containment/isolation, pandemic influenza and support for a WHO smallpox vaccine reserve. 3. GHSAG develops a formalized network of laboratories to enhance cooperation and collaboration.
	Rating	■ On Target
	Impact	GHSAG's TWGs are operational and contributed significantly to running of international smallpox bioterrorism exercise, "Global Mercury." TWG's also made it possible for implement the following activities: <ul style="list-style-type: none"> • The first ever Train-the-Trainers session on Smallpox Outbreak Containment. Pilot will be adapted for replication. • Conducted international workshop on Isolation Techniques for Patients with Smallpox and Other Highly Contagious Viral Infections. • Conducted workshop on Evaluation of Smallpox Detection Assays. • Conducted workshop on Chemical Events.



I/P #1: GLOBAL HEALTH *Continued*

OUTCOME INDICATOR

Indicator #2: Countries or Regions With Stabilized or Reduced Rates of New HIV Infections

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Uganda, Senegal, and Thailand stabilized or reduced rates of new HIV infections.
	2002	A total of five countries had stabilized or reduced rates of new HIV infections <ul style="list-style-type: none"> Uganda, Senegal, Thailand, Zambia and Cambodia.
FY 2003 DATA	2003 Results	Tanzania added as sixth country to have stabilized or reduced rates of new HIV infections.
	Target	A total of six countries stabilize or reduce rates of new HIV infections.
	Rating	■ On Target
	Impact	Stable or declining infection rates for HIV reduces the economic and social costs now and into the future.

OUTPUT INDICATOR

Indicator #3: Status of International Collaboration, and Partnerships to Support Health, Including the Global Fund to Fight AIDS, Tuberculosis, and Malaria

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: The level of bilateral and multilateral collaboration on global health increased significantly; UN Special General Assembly Session on HIV/AIDS; negotiations completed for the Global Fund.
	2002	The Global Fund began work; negotiations continued to put mechanisms in place that guarantee program and financial accountability, set rules for procurement, etc. The Global Fund had multi-year pledges totaling \$2.1 billion, with approximately \$750 million available for the year; one large contribution was from the private sector.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> All but one of the first round of grant agreements has been signed. Database has not been established but a survey is evaluating country level mechanisms. Pledges have increased, with more-in-kind donations from both foundations and commercial enterprises.
	Target	<ol style="list-style-type: none"> Sign the first grant agreements for the Global Fund, which indicate agreement on the monitoring and evaluation framework. The Global Fund database to track country-level partnerships is in place to ensure that country-level mechanisms are true public-private partnerships. Funding increases, including funds from one additional foundation and one commercial enterprise.
	Rating	■ On Target
	Impact	The Global Fund is a new financing mechanism in the fight against AIDS, tuberculosis and malaria. With grants in over ninety countries, it has vastly increased the availability of funds to countries in need, so they can take appropriate actions to fight the three diseases.



I/P # 1: GLOBAL HEALTH <i>Continued</i>		
INPUT INDICATOR		
Indicator #4: Number of Bilateral and Multilateral Meetings in Which the U.S. Plays a Leadership Role in Dealing with Health Issues		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: As of September, the United States participated in five UN meetings and one bilateral meeting.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> The United States participated in at least nine health-related multilateral meetings in FY 2003, (e.g., World Health Organization, Pan American Health Organization, UNAIDS, International Agency for Research on Cancer, and two meetings to negotiate the WHO Framework Convention on Tobacco Control). Bilateral meetings on health held with India, Singapore, and Vietnam.
	Target	The United States participates in UN meetings dealing with health issues and in two bilateral meetings.
	Rating	■ On Target
	Impact	<ul style="list-style-type: none"> Active U.S. participation in multilateral and bilateral meetings protects and promotes U.S. policies and interests on health issues. Active U.S. participation is critical in UN meetings dealing with the range of public health issues, such as HIV/AIDS, Severe Acute Respiratory Syndrome (SARS), chronic non-communicable diseases, development of the Framework Convention on Tobacco Control, and other issues. Bilateral meetings contributed to a greater awareness of health issues in partner countries, and increased opportunities for partnership to counter threats such as SARS.
	Other Issues	Beginning in FY 2004, the Department will no longer report on this indicator because its validity as a measure of the Department efforts and performance in the area of global health is limited.



Members of the Ugandan Watoto Children's Choir, who are orphans of AIDS victims, perform for President Bush at the AIDS Support Organization Center (TASO) in Entebbe, Uganda. President Bush wants Uganda's journey out of the dark scourge of AIDS to serve as a model for his \$15 billion global initiative to contain the pandemic.

© AP Photo/J. Scott Applewhite



I/P #1: GLOBAL HEALTH *Continued*

INPUT INDICATOR

Indicator #5: Department-Wide Awareness of Global Health Issues and USG Policy

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: Briefings for ambassadors and other USG personnel on health issues and USG policy.
FY 2003 DATA	2003 Results	Four regional U.S. chiefs of mission conferences on HIV/AIDS held in 2003 in Bangkok, Kiev, Moscow, and Port-of-Spain. Meetings included USG personnel from all relevant agencies, both from Washington and field offices. Briefings on health issues at meetings of regional Environment, Science, Technology and Health officers in Europe, Latin America, and Asia.
	Target	Briefings for ambassadors and other USG personnel on health issues and USG policy.
	Rating	■ Above Target
	Impact	The meetings allowed Ambassadors and USAID mission directors, among others, to share lessons learned, and do regional action planning. Concrete results have included opinion editorials in the local press, improved programs for Embassy personnel, and ability to help host governments make grant applications and increase their efforts on AIDS.
	Other Issues	Beginning in FY 2004, the Department will no longer report on this indicator because its validity as a measure of the Department efforts and performance in the area of global health is limited.

OUTCOME INDICATOR

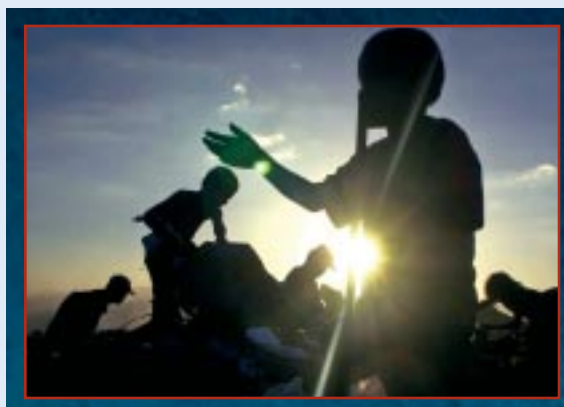
Indicator #6: Status of Maternal Mortality Rate

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	N/A: No result to report, as the Department did no work in relation to this target in FY 2003.
	Target	Five countries decrease maternal mortality rate by at least 2 percent.
	Rating	■ N/A
	Impact	N/A
	Other Issues	This indicator is not an appropriate measure of the Department's international population activities. The Department does not fund programs directly affecting maternal mortality. USAID does support programs directly affecting maternal mortality, and tracks related indicators. Performance planning and reporting on U.S. international population policy will be further coordinated through the joint State-USAID Strategic Plan for FY 2004-2009.



I/P # 1: GLOBAL HEALTH <i>Continued</i>		
INPUT INDICATOR		
Indicator #7: Number of UN Population Fund (UNFPA) Field Monitoring Trips Conducted		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: One independent Department team visited China to assess the UNFPA program there.
FY 2003 DATA	2003 Results	Department special teams conducted two monitoring trips to China, a UNFPA program country, in FY 2003.
	Target	Make three monitoring trips to UNFPA program countries.
	Rating	■ Slightly Below Target
	Impact	Monitoring trips provided USG with first hand information on the implementation of Chinese population policies. Along with concurrent bilateral talks, the trips served to build trust between USG and Chinese population officials. In a year, the Chinese government has eliminated some coercive measures in some areas of the country.
	Other Issues	Beginning in FY 2004, the Department will no longer report on this indicator because it does not effectively measure the Department's efforts and performance in the area of global health.
OUTPUT INDICATOR		
Indicator 8: Status of World Health Organization (WHO) International Health Regulations (IHR)		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: World Health Assembly linked IHR revision process to global health security and bioterrorism.
	2002	WHO continued consultation and elaboration of approach and gaining international consensus.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> WHO strengthened its activities related to global and national-level disease surveillance and undertook major efforts with governments in limiting and controlling SARS. Work continues on revising the WHO International Health Regulations with the target for adoption in 2005 of revised regulations.
	Target	Work also continues to ensure surveillance and reporting on man-made as well as natural disease outbreaks.
	Rating	■ On Target
	Impact	WHO actions contributed to an unprecedented global effort against Severe Acute Respiratory Syndrome (SARS). Countries became more aware of the need to report outbreaks and to request international help, when necessary, in containing infectious disease outbreaks, whether natural or man-made.

Child laborers search for recyclable materials at the La Chureca garbage dump in Managua, Nicaragua. The children earn an average of \$2 a day by selling paper and glass for recycling. Working in this unhealthy environment has caused many health problems such as parasites, lead poisoning, skin diseases, and respiratory problems. © AP Photo/Esteban Felix



I/P # 1: GLOBAL HEALTH <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #9: Countries With Smallpox Vaccine and Drug Stockpiles		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	<p>Baseline: Several countries now reporting development or expansion of national smallpox vaccine stockpiles.</p> <ul style="list-style-type: none"> • In March 2003, Germany reported a build-up of their smallpox vaccine stockpile. As of March 2003, Germany had amassed 64 million doses, with a target of an eventual 100 million doses. This stockpile will also include Vaccinia Immune Globulin (VIG) and antiviral medications. • Italy also reported plans to increase their national stockpile of smallpox vaccine. • Japan has 2.5 million doses stockpiled of an attenuated vaccine (LC16M8), with plans for further procurement.
	Target	Two countries agree to establish stockpiles.
	Rating	■ On Target
	Impact	<ol style="list-style-type: none"> 1. As a result, these countries have greater resources for protection against smallpox outbreak. Increased stockpiles decreases dependence on WHO reserve and provides for potential to assist other nations in case of an outbreak worldwide. 2. In addition, several countries are already moving forward with financial contributions to the WHO existing smallpox reserve.



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 #2: SUSTAINABLE DEVELOPMENT		
Develop, negotiate, and implement initiatives, treaties, and agreements to better protect both living and nonliving marine resources and promote sustainable development.		
OUTPUT INDICATOR		
Indicator #1: Partnerships to Build Capacity and Promote Sustainable Development, Protect Marine Resources and Terrestrial Ecosystems		
FY RESULTS HISTORY	2000	N/A
	2001	<p>Baseline: The UN Food and Agriculture Organization (FAO) activities were often limited to pelagic fisheries. The World Bank Fund for Sustainable Fisheries established with a donation from Japan. The World Bank undertook work on new environmental policy paper for forest sector projects.</p>
	2002	<p>Consultations with other States Parties to the UN Fish Stocks Agreement (UNFSA) to promote its effective implementation, particularly cooperation with developing states. The UN General Assembly and States Parties to the UNFSA agreed in principle to establish a voluntary trust fund to implement the UNFSA.</p> <p>A rebuilding plan of the International Commission for the Conservation of Atlantic Tunas, (ICCAT) contributed to recovery of the North Atlantic swordfish. APEC workshop on shark conservation and management was held to build capacity to implement FAO International Plan of Action (IPOA). A regional fisheries management organization adopted the first limitations on fishing capacity. The Southern Ocean Albatross and Petrel Agreement entered into force. Further progress was made toward establishing a regime to conserve and manage highly migratory fish stocks in the central and western Pacific.</p> <p>The Department raised U.S. concerns with EU fisheries policies at a high level and in multilateral fora, and continued to work with EU counterparts as the Common Fisheries Policy (CFP) was finalized.</p>
FY 2003 DATA	2003 Results	<p>Results Set #1</p> <ul style="list-style-type: none"> ● The UN Fish Stocks Agreement has 36 parties. ● Japan rejoins negotiations on highly migratory fish stocks in the central and western Pacific. ● The Polar Bear Treaty and amendments to the U.S.-Canada Albacore Treaty and the eastern Pacific tuna convention are submitted to Congress for advice and consent to ratification. Senate consents to ratify amended South Pacific Tuna Access Treaty. Protocol Concerning Specially Protected Areas and Wildlife in the Wider Caribbean Marine Environment (SPAW Protocol) is ratified. ● Three new States become Party to the Inter-American Sea Turtle Convention. U.S. tightens domestic fisheries rules relating to sea turtles; pushes for comparable changes by foreign governments. ● Three new marine species are listed under the Convention on International Trade in Endangered Species of Fauna and Flora (CITES). CITES rejected proposals to relax restrictions on whale and other marine species. International Whaling Commission (IWC) renewed bowhead whale quota. ● FAO adopts strategy for improving data collection and reporting in fisheries, and work plan on eco-labeling and other non-tariff trade measures. World Bank initiates projects with targeted sustainable fisheries components in developing countries. <p>Results Set #2</p> <ul style="list-style-type: none"> ● The Global Environment Facility (GEF) adopted strong environmental performance measures and established an independent monitoring unit. Over \$600 million was made available for project funding in FY 2003.



I/P #2: SUSTAINABLE DEVELOPMENT *Continued*

OUTPUT INDICATOR *Continued*

Indicator #1: Partnerships to Build Capacity and Promote Sustainable Development, Protect Marine Resources and Terrestrial Ecosystems *Continued*

FY 2003 DATA

2003 Results

Result Set #3

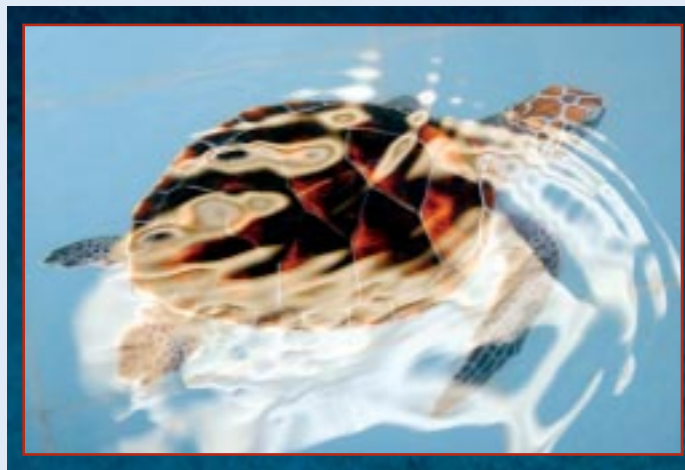
- Department launches the President’s Initiative Against Illegal Logging (PIAIL); and signs Tropical Forest Conservation agreement (TFCA) with Panama. Eleven major landscapes designated for protection pursuant to the Congo Basin Forest Partnership (CBFP). The 12-country Montreal Process report on the State of Forests is released.
- The Western Hemisphere Migratory Bird Conference generated support to develop a hemispheric strategy for conservation of migratory species.
- Senior Officials of the Asia-Pacific Economic Cooperation Forum (APEC) agree to support workshop on invasive species – to be hosted by China in 2004.
- International Coral Reef Initiative (ICRI) workshop supported development of a best practices guide to coral reef assessment and management.

Result Set #4

- UN Commission on Sustainable Development (CSD) adopts reforms to focus on implementation in priority sectors, specifically water, sanitation, and human settlements in 2004-2005 and energy-related issues in 2005-2006.
- The Water for the Poor Initiative, launched at the World Summit on Sustainable Development (WSSD), improved water and/or sanitation services for more than 16 million people. The Global Village Energy Partnership to improve access to energy in developing countries grew from 70 to 246 government, civil society and international organization partners.
- Shenyang, China legislature considers landmark legislation on environmental public participation and information, access, and Thailand launches wildlife enforcement initiative, recovering more than 33,000 animals, after Department-sponsored capacity-building efforts.
- White Water to Blue Water Initiative (announced at the World Summit on Sustainable Development) includes a focus on domestic good governance practices for integrated management of fresh water and marine resources in the wider Caribbean region.

A three-month old green turtle swims through a reflection in a pool at the Royal Thai Navy’s Sea Turtle Conservation Center, where young green and hawksbill turtles are nurtured and then released into the Gulf of Thailand in a navy-run program to increase the endangered marine animal numbers in the wild, at Sattahip, Thailand.

© AP Photo/Barbara Walton



I/P # 2: SUSTAINABLE DEVELOPMENT <i>Continued</i>		
OUTPUT INDICATOR <i>Continued</i>		
Indicator #1: Partnerships to Build Capacity and Promote Sustainable Development, Protect Marine Resources and Terrestrial Ecosystems <i>Continued</i>		
FY 2003 DATA	Target	<p>Target Set #1: Increase contributions to the World Bank Fund for Sustainable Fisheries by \$2 million. Increase contributions to FAO Fisheries Code of Conduct.</p> <p>Target Set #2: GEF institutes environmental performance measures and established an independent monitoring unit. Approximately \$600 million is available for project funding through GEF.</p> <p>Target Set #3: Launch partnerships, agreements, and implementation efforts to protect forests, migratory birds, coral reefs and other ecosystems.</p> <p>Target Set #4: Key institutions and processes highlight energy, water, and domestic good governance issues and adopt approaches that support the implementation of sustainable development projects.</p>
	Rating	<ul style="list-style-type: none"> ■ Results Set #1: On Target ■ Results Set #2: Above Target ■ Results Set #3: On Target ■ Results Set #4: On Target
	Impact	<p>Results Set #1: The U.S. maintained its leadership role in promoting and implementing policies to achieve sustainable fisheries, including addressing the impacts of fishing activities on the marine ecosystem, in multilateral, regional, and bilateral fora.</p> <p>Results Set #2: GEF projects and operations will help achieve U.S. global environmental priorities, in particular promoting sustainable forest management, energy efficiency, and minimization of toxic releases.</p> <p>Results Set #3: CBFP, PIAIL, and TFCA efforts promote conservation of forests, while Montreal Process report serves as model for determining forest conservation progress. Western Hemisphere migratory bird strategy negotiations, ICRI workshop, and APEC actions represent growing international commitment and cooperation to conserve migratory birds, coral reefs, and address the economic and ecological threat of invasive alien species.</p> <p>Results Set #4: Results signify growing international consensus and action to focus on implementation of sustainable development through partnerships and through building domestic good governance in the environmental sector.</p>
	Other Issues	<p>Beginning in FY 2004, the Department will no longer report on Target Set #1 because its validity as an accurate measure of Department efforts and performance in the area of oceans and fisheries is limited. The information contained in this year's report includes information relevant to the Department's efforts and performance in the area of oceans and fisheries which goes beyond the results specific to this Target Set. Likewise, Targets 3 and 4 are added to more fully capture the Department's performance on ecosystem protection and sustainable development.</p>



I/P #3: TRADE AND ENVIRONMENT		
OUTPUT INDICATOR		
Indicator #2: Status of Trade Agreements or Guidelines That Minimize Environmental Harm		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: <ul style="list-style-type: none"> Free Trade Agreement (FTA) negotiations with Singapore and Chile are launched. The WTO agreed to negotiate trade and environment issues within the Doha Round.
	2002	<ul style="list-style-type: none"> Negotiations were ongoing for four bilateral FTAs. The Trade Act of 2002 authorized the President to negotiate trade agreements subject to an up-or-down vote in Congress. Free Trade Agreement of the Americas (FTAA) negotiators agreed at the Quito Ministerial to language in the declaration that included protecting the environmental as an FTAA goal.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Free Trade Agreements (FTAs) with Singapore and Chile are completed that have satisfactory environmental provisions. OECD members agree to undertake formal discussions of environmental standards. Discussions with Jordan expected early in new fiscal year. Substantial progress made on U.S.-Morocco workplan for environmental cooperation.
	Target	<ol style="list-style-type: none"> FTAs with Singapore and Chile are completed that have satisfactory environmental provisions. OECD members agree to undertake formal discussions of environmental standards. U.S.-Jordan Environmental Forum agrees on workplan for environmental cooperation.
	Rating	<ol style="list-style-type: none"> ■ On Target ■ On Target ■ On Target
	Impact	<p>The U.S. has established a strong precedent for developing free trade regimes and promoting financial practices that are supportive of high levels of environmental protection. For example,</p> <ul style="list-style-type: none"> Following negotiation of the FTA the government of Singapore has shown an increased interest in controlling illegal trade in endangered species, a major environmental priority. Seizures of illegal goods have been made, and for the first time a Singaporean official attended a regional seminar on the subject offered by the United States. In Chile, as called for in the Environment Chapter of the FTA, implementation has begun on the Pollutant Release and Transfer Register (PRTR).



I/P #4: GLOBAL CLIMATE CHANGE AND CLEAN ENERGY		
Implement the President's new approach to climate change and energy technologies.		
OUTPUT INDICATOR		
Indicator #3: Status of Bilateral, Regional, and Global Climate Change Partnerships and Initiatives ¹		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: New partnerships announced with Japan, EU, Central American countries, and Italy to initiate the President's directive to engage internationally toward more effective global effort to address climate change.
	2002	<ol style="list-style-type: none"> 1. New partnerships announced or initiated with Australia, Canada, the EU, India, South Korea, and China. 2. Implementation of partnerships with Japan, Central American countries, Italy, and Australia. 3. Key working groups were established and specific projects and project-related activities agreed to and begun.
FY 2003 DATA	2003 Results	Initiated partnerships with New Zealand, Russia, Mexico, and South Africa, and continued exploratory discussions with Kazakhstan and Brazil. Advanced a range of cooperative activities with Australia, Canada, Central American countries, China, the EU, India, Italy and Japan. Results were consistent with 2002 timelines, and existing partnerships were reviewed.
	Target	<ol style="list-style-type: none"> 1. Establish and begin implementing new partnerships with additional countries including Russia, Kazakhstan, South Korea, Brazil, Mexico, and the United Kingdom. Identify key outcomes and deliverables, with associated timelines. Begin detailed implementation of partnerships with Australia, Canada, the EU, India, and China. 2. For existing partnerships, the Department will meet timelines for deliverables established in 2002. Complete reviews of existing partnerships will take place.
	Rating	■ On Target
	Impact	Specific project-based activities in the areas of climate science and clean energy technologies have identified lower-carbon technologies and are charting means for their cost-effective dissemination. These activities demonstrate to the world, especially developing countries, a better way to develop economically while protecting the environment.
		¹ Climate change partnerships defined as officially established bilateral relationships on climate change.



I/P #5: SCIENCE AND TECHNOLOGY COOPERATION

Negotiation and implementation of bilateral/ multilateral science and technology agreements and partnerships promoting sound science and technological advance as a foundation of sustainable development and environmental stewardship.

INPUT INDICATOR

Indicator #4: Status of Science and Technology (S&T) Agreements

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Policy review was concluded of the S&T activities under the U.S.-Russia S&T agreement.
	2002	Policy review was conducted of the S&T activities under the U.S.-China S&T agreement.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> Established new S&T agreements in Bangladesh, Pakistan, and the Philippines. Renewed Ukraine S&T Agreement for one year to allow time to negotiate a new five-year agreement. Conducted S&T assessments of Maghreb (Morocco, Algeria, and Tunisia). Initiated S&T dialogue with Baltic States (Estonia, Latvia, and Lithuania), Kazakhstan, Norway, and Switzerland. Expanded S&T relationships under existing agreements with Italy, Japan, South Korea, and Vietnam by adding new topics and partnerships. Achieved record levels for Embassy Science Fellows Program. Agreements with several additional states stalled due to lengthy negotiation over intellectual property rights (IPR) negotiations, liability, and taxation issues.
	Target	Establish, renegotiate, as necessary, and implement S&T agreements that forge partnerships between USG agencies, foreign counterparts, public and private research institutions, and industry.
	Rating	■ Above Target
	Impact	New agreement with Pakistan included an expanded relationship with USAID in science cooperation, and set the stage for a re-engagement with India on science. Maghreb S&T assessment set stage for establishing long-term relationship and regional cooperation. S&T relationship with South Korea moved into new advanced technology areas, befitting of that country's economic and scientific transition. S&T program with Vietnam incorporated important NGO components. Renewed S&T relationship with Italy included new focus on use of Geographic Information Systems in Ethiopia. Over 50 Embassy Science Fellows placed overseas, which brought science diplomacy to record levels.

PERFORMANCE GOAL 3

Broader access to quality education with emphasis on primary school completion (USAID Goal)

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

PERFORMANCE GOAL 4

Effective and humane migration policies and systems

At the time the Department was developing FY 2003 targets, this performance goal did not exist and therefore no targets were developed. For FY 2003 performance reporting purposes, no results are being reported. Targets have been developed for FY 2004 and beyond, and results will be reported in future performance reports.



**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 U.S. commitment to humanitarian response demonstrates America's compassion for victims of armed conflict, forced migration, human rights violations, widespread health and food insecurity, and other threats. The strength of this commitment derives from both our common humanity and our responsibility as a global leader. When responding to natural and human-made disasters, the United States complements 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.

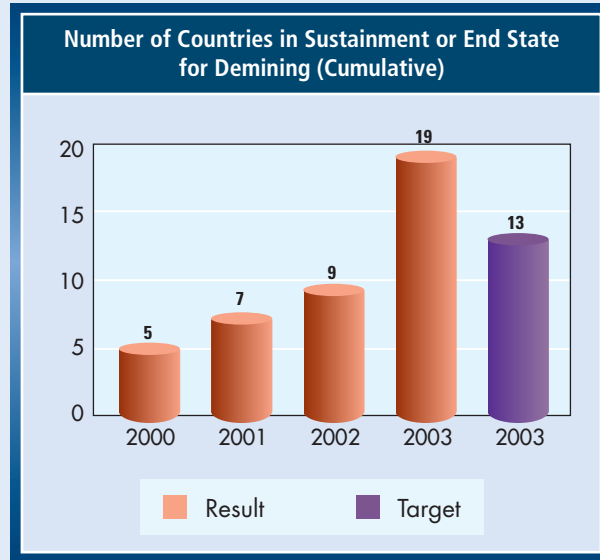
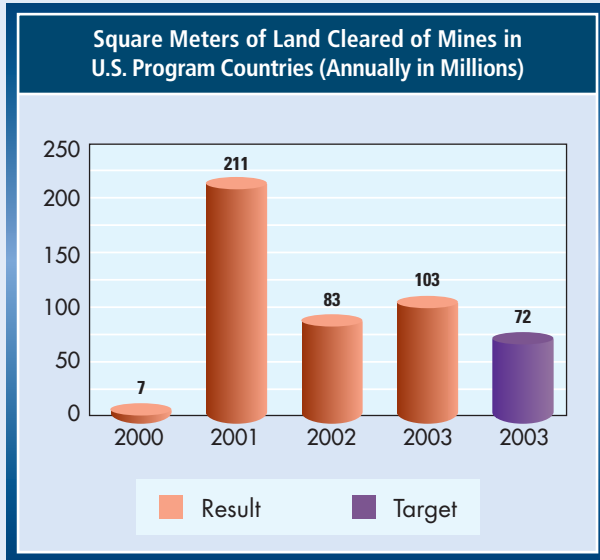
The Department is a leader in international efforts to prevent and respond to humanitarian crises. It provides substantial resources and guidance through international and nongovernmental organizations (NGOs) for worldwide humanitarian programs, with the objective of increasing access to protection, promoting burden-sharing, and coordinating funding and implementation strategies. The Department urges and participates in multilateral responses to humanitarian crises, and regularly monitors and evaluates humanitarian programs to ensure that the needs of refugees, internally displaced persons (IDPs), and other conflict victims are met. The Department's financial support for demining activities makes areas safe for the return of refugees and IDPs. Its management and support of overseas refugee admissions programs provides an important durable solution for refugees, and serves as a leading model for other resettlement countries.

People clear the debris of the April 2, 2003 landslide that killed 14 people in the gold mining town of Chima, Bolivia. The Department contributed emergency relief supplies including clean drinking water and temporary shelters.

© AP Photo



II. Selected Performance Trends



III. Strategic Context

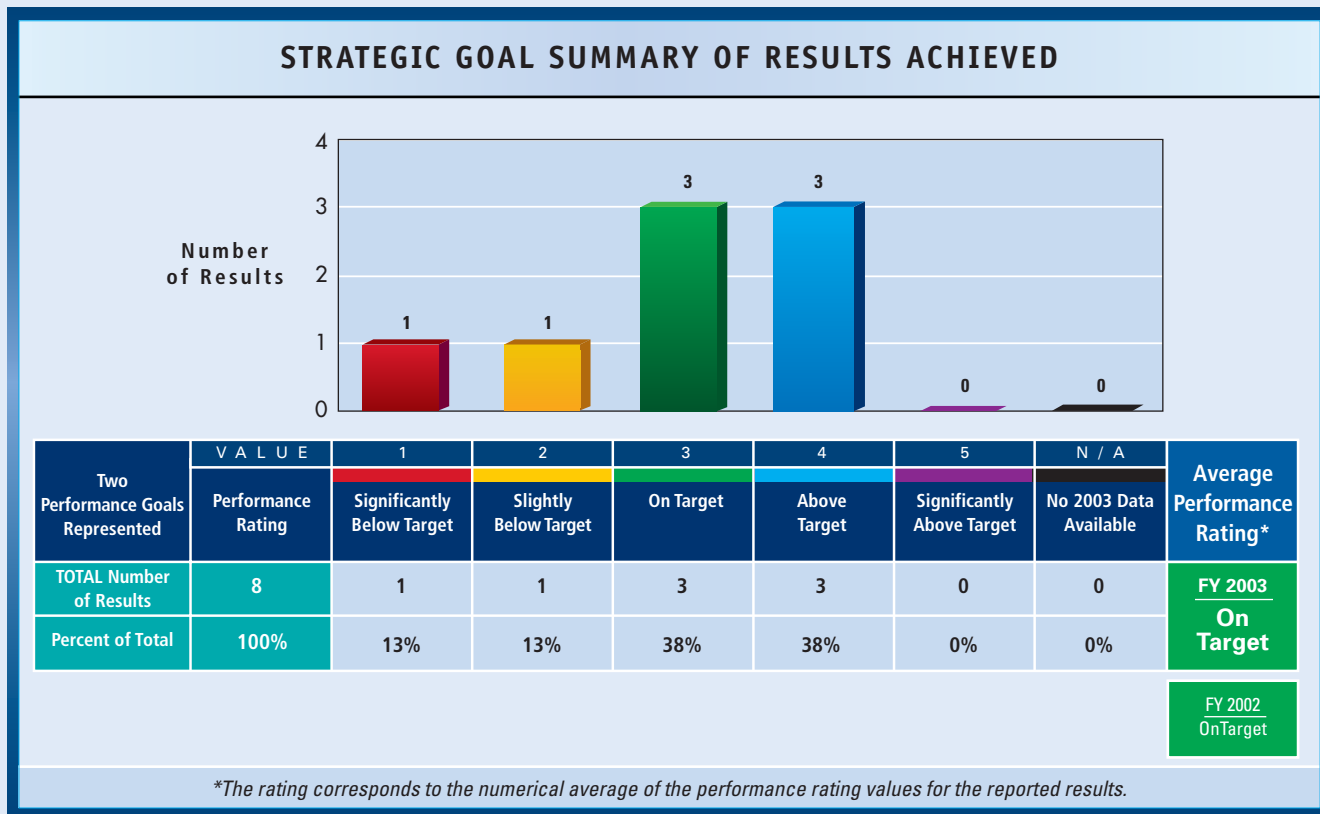
The Humanitarian Response strategic goal is supported by two performance goals. Shown below are the major initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Humanitarian Response	Assistance for Refugees and Other Victims	Refugee Assistance	Population, Refugees and Migration	UNHCR, UNRWA, ICRC, IOM, other international and nongovernmental organizations, USAID
		Refugee Admissions to the United States	Population, Refugees and Migration	DHS, HHS, UNHCR, IOM, NGOs
		Humanitarian Demining	Political-Military Affairs	USAID, DoD, NGOs
		World Food Program Donor Base	International Organizations, Population, Refugees and Migration	USAID, WFP, other WFP donors
	Disaster Prevention and Response	Global Disaster Information Network	International Organizations	USAID, NOAA, FEMA, other USG agencies, United Nations organizations, NGOs, media, universities, local governments, private industry

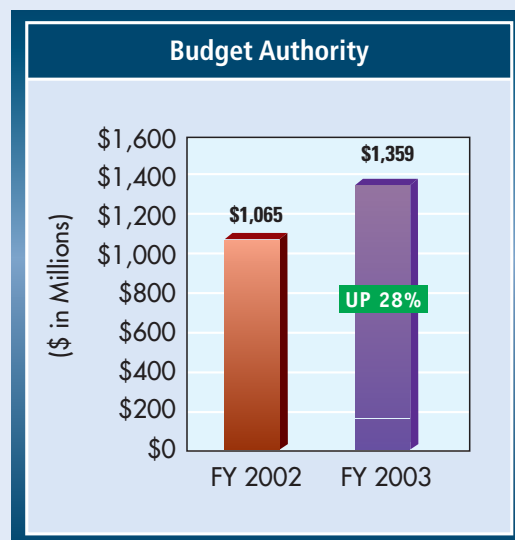
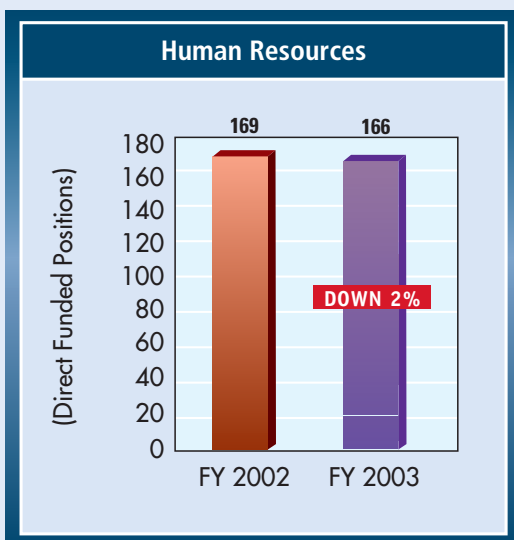


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Humanitarian Response strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target", unchanged from last year's "on target" rating.



V. Resources Invested



VI. Illustrative Example of a Significant Achievement

Humanitarian Demining

In FY 2003, more than 30 mine-affected countries in the U.S. Humanitarian Demining Program benefited from the clearance of land suitable for agriculture, pastoral use, and as potential for restoring economic infrastructure. These countries also witnessed the safe return of tens of thousands of refugees and internally displaced persons, who were able to travel on formerly mine-affected roads. Finally, several countries achieved Sustainment status – the ability to implement and manage their own humanitarian demining program – while others were able to declare themselves mine-safe.



Tamil deminers work to secure clearing mines in the Tamil Tiger stronghold of Kllinochi, Sri Lanka. After years of war, Tiger country has little except bombed-out towns, poverty and hidden land mines.

© AP Photo/Elizabeth Dalziel



VII. Performance Results

PERFORMANCE GOAL 1

Effective protection, assistance, and durable solutions for refugees, internally displaced persons, and conflict victims

I/P #1: REFUGEE ASSISTANCE		
Address the humanitarian needs of refugees, victims of conflict, and internally displaced persons.		
OUTCOME INDICATOR		
Indicator #1: Crude Mortality Rates (CMR)		
FY RESULTS HISTORY	2000	No reports of excessive mortality rates based on set criteria.
	2001	Refugee crises did not exceed a CMR of 1/10,000 people/day. Links established between the Bureau of Population, Refugees and Migration (PRM) and USAID to strengthen data collection.
	2002	Where data were available, refugee crises did not exceed a CMR of 1/10,000 people/day for an extended period. PRM and USAID developed tools to measure and track CMR and the nutritional status of children under 5 years of age. A training workshop for practitioners was held in July.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> Where data was available, crude mortality rates did not exceed 1/10,000 people per day in refugee crises. Efforts to expand pilot data collection have been delayed; PRM implementing partner was behind schedule and did not reach the pilot stage of the project, but finalized guidelines and methodology for CMR surveys.
	Target	<ol style="list-style-type: none"> Refugee crises do not exceed a CMR of 1/10,000 people per day. Expand pilot data collection to other countries.
	Rating	■ On Target
	Impact	<p>Lives of refugees were saved; humanitarian interventions prevented excess mortality.</p> <p>Guidelines and methodology were finalized to provide tools for improved data collection and reporting on CMR and child nutritional status.</p>

An official at the International Organization of Migration (IOM) offices in Nairobi gives lessons to some Sudanese refugees after they arrived from Kakuma refugee camp, Kenya. The first group of 74 Somali Bantus and 20 Sudanese will leave for the United States after a 10-day cultural orientation course for all those approved for resettlement. The lessons include U.S. laws, employment, housing, cultural adjustment and day to day modern life. Between 8,000 and 12,000 Somali Bantu have been approved by the U.S. State Department to resettle in about 50 U.S. cities. © AP Photo/Khalil Senosi



I/P # 1: REFUGEE ASSISTANCE <i>Continued</i>		
OUTCOME INDICATOR		
Indicator #2: Nutritional Status of Refugee Children Under 5 Years of Age		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	<p>Baseline: In humanitarian crises where Department funds were provided, at least 90% of children under 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.</p> <p>Kakuma refugee camp in Kenya is one exception where slightly less than 90% of children under 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 five suffered from acute malnutrition.</p> <p>PRM and USAID continued to support the development of tools and measures to improve data collection and reporting on nutritional status.</p>
	Target	<ul style="list-style-type: none"> In humanitarian crises, 90% of children under five have weight-for-height ratios that are 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. Improve and expand data collection and reporting.
	Rating	■ On Target
	Impact	Children caught up in humanitarian crises did not experience acute malnutrition (wasting) and were therefore at lower risk of death.



A nomadic boy waits for his turn to receive the ration of vegetable oil at a site of the project called "Emergency Food Assistance for Nomadic Families" funded by the World Food Program (WFP) in Kandahar, Afghanistan. About 1,224 nomadic families from Southern Afghanistan migrated to Kandahar due to seven years of drought. Each family collects 100 kilograms (about 22 pounds) of wheat, 25 kilograms (about 5.5 pounds) of lentils and 9 kilograms (about 20 pounds) of vegetable oil every two months.

© AP Photo/Eugene Hoshiko



I/P #2: REFUGEE ADMISSIONS TO THE U.S.		
Resettled refugees are received and initially assisted in appropriate ways, so that they can begin the process of becoming self-sufficient, fully integrated members of U.S. society.		
OUTCOME INDICATOR		
Indicator #3: Refugees Resettled in the U.S. as a Percentage of the Allocated Ceiling <i>(The ceiling is established by Presidential determination each year through consultations with voluntary agencies, Congress, the Immigration and Naturalization Service, and the Department of Health and Human Services.)</i>		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: As a percentage of the established ceiling, 87 percent of refugees were resettled.
	2002	Out of a ceiling of 70,000 refugees, 27,113 (or 39 percent) were resettled. This number was significantly affected by developments following the events of 9/11.
FY 2003 DATA	2003 Results	Out of an allocated ceiling of 70,000 refugees, 28,421 (or 41 percent) were resettled.
	Target	100%
	Rating	■ Significantly Below Target
	Impact	Many refugees not resettled in the U.S. continue to seek durable solutions to their plight. The U.S. Refugee Program encourages other countries to develop or expand programs to enhance resettlement as a durable solution for refugees.
	Other Issues	<p>Refugee admissions to the U.S. continue to be affected by developments related to the events of September 11, 2001. Performance was contingent upon a number of external factors, such as unanticipated refugee approval rates, security constraints on processing overseas, and the capacity to expeditiously process security checks in coordination with other agencies.</p> <p>The Department is making significant efforts to improve performance, by:</p> <ul style="list-style-type: none"> ● Identifying new populations in need of resettlement; ● Providing appropriate resources to UNHCR to develop resettlement referrals; ● Training Non Governmental Organizations (NGOs) to identify refugees for resettlement; and ● Expediting the transmission of Security Advisory Opinions for resettlement applicants.



I/P #3: HUMANITARIAN DEMINING

Humanitarian Mine Action (HMA) reduces casualties, allows refugees and IDPs to return in safety, and allows for the delivery of humanitarian assistance, food, and medical services.

OUTCOME INDICATOR

Indicator #4: Percentage Point Change in Reported Landmine Casualties in U.S. Program Countries¹

FY RESULTS HISTORY	2000	5%
	2001	10%
	2002	6%
FY 2003 DATA	2003 Results	6%
	Target	5%
	Rating	■ Above Target
	Impact	The lives saved and injuries prevented aid families to be economically self-sufficient, able to work, tend crops, and care for children, contributing in general to well-being of society.

OUTPUT INDICATOR

Indicator #5: Square meters of Land Cleared of Mines in U.S. Program Countries

FY RESULTS HISTORY	2000	7,000,000 m ²
	2001	211,000,000 m ²
	2002	82,500,000 m ²
FY 2003 DATA	2003 Results	103,319,920 m ²
	Target	72,000,000 m ²
	Rating	■ Above Target
	Impact	Thousands of refugees and internally displaced persons were able to return to their homes. Farmland and other areas needed for infrastructure were reclaimed for post-conflict economic recovery.

¹ Results are calculated on an annual, not fiscal, year basis.

Southern Missouri State University students observe demining demonstration at Ft. Leonard Wood, Missouri. © AP Photo



I/P #3: HUMANITARIAN DEMINING <i>Continued</i>		
OUTCOME INDICATOR		
Indicator #6: Number of U.S. Program Countries in Sustainment or End State (Cumulative)		
FY RESULTS HISTORY	2000	5
	2001	7
	2002	9
FY 2003 DATA	2003 Results	19
	Target	13
	Rating	■ Above Target
	Impact	New country programs were added at significant funding levels for FY 2004 and funding for existing programs in severely impacted countries was increased, speeding progress to end-state.

I/P #4: WORLD FOOD PROGRAM DONOR BASE		
Coordinate humanitarian assistance and head off actions contrary to U.S. foreign policy objectives.		
OUTPUT INDICATOR		
Indicator #7: Percentage of Non-U.S. Donors to the World Food Program (WFP)		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: Of a total of \$1.8 billion, U.S. contributions were 52 percent and non-U.S. contributions were 48 percent.
FY 2003 DATA	2003 Results	<ol style="list-style-type: none"> As of September 22, 2003, WFP had nine new donors. "New donors" are defined as those that did not contribute in either 2002 or 2001. They are: Cameroon, El Salvador, Greece, Kuwait, Malta, Marshall Islands, Qatar, Russia, and Vietnam. As of September 22, 2003, non-USG contributions to WFP totaled \$877 million, compared to \$871 million as of December 31, 2002, an increase of 0.7 percent (short of the 4 percent target). By December 31, 2003, the percentage increase will likely be greater.
	Target	<ol style="list-style-type: none"> Increase the number of donors to WFP by four. Increase non-U.S. contributions by 4 percent over CY 2002.
	Rating	■ On Target ● Although the number of new donors was more than double the targeted number (see target/result #1), the percentage of non-USG dollar value contributions was lower than expected. (see Target/Result #2)
	Impact	It is important to attract new donors to WFP to increase worldwide interest in and commitment to international humanitarian assistance. For example, Russia, a new donor, provided \$10 million worth of food aid to WFP for North Korea, and \$1 million for Angola.



PERFORMANCE GOAL 2

Improved capacity of host countries and the international community to reduce vulnerabilities to disasters and anticipate and respond to humanitarian emergencies

I/P #5: Global Disaster Information Network		
OUTPUT INDICATOR		
Indicator #1: Status of Global Disaster Information Network (GDIN)		
FY RESULTS HISTORY	2000	Partners reported that GDIN products and services were timely and valuable tools worth further investment.
	2001	Attempts were made to obtain information-sharing agreements among data-sharing partners.
	2002	The GDIN community agreed on a new approach to set up five specific services in the 2002-2004 time frame. GDIN membership agreed to establish a 501(c)(3) funding mechanism and to retain the rest of the project as an unincorporated partnership until 2004.
FY 2003 DATA	2003 Results	GDIN operations center not established, but a blueprint for an operations center has been created.
	Target	Establish a GDIN operations center.
	Rating	■ Slightly Below Target
	Impact	<ul style="list-style-type: none"> The establishment of the GDIN operations center will be delayed by at least a year. An Operations Center facilitates the expeditious flow of disaster-related information to regions with poor disaster infrastructure. The delay in establishing the operations center results in the target regions not having an efficient method of sharing such information, a basic public safety issue.
	Other Issues	<ul style="list-style-type: none"> The performance shortfall is primarily due to the delay in the GDIN 2003 conference, where this issue was to be discussed. The Conference was delayed due to security concerns. Establishment of the GDIN operations center will be discussed at the GDIN 2004 Conference scheduled for March 2004. Planning for that conference is on track. Beginning in FY 2004, the Department will no longer report on this indicator. Its validity as a measure of the Department's efforts and performance in this area is limited. USAID, as the primary agency responsible for this performance goal, has developed specific FY 2004 goals and targets.

VIII. Program Evaluations and PART Reviews

Two program evaluations and two OMB PART reviews for the FY 2004 budget process were conducted in FY 2003 that pertained to this Strategic Goal.

- 1) Humanitarian Assistance: Protecting Refugee Women and Girls Remains a Significant Challenge, (GAO-03-663)
- 2) Integrated Mine Action Services (IMAS) Contract (AUD/PPA-03), (OIG)
- 3) Refugee Admissions to the U.S., (OMB PART)
- 4) Humanitarian Migrants to Israel, OMB PART)

Detailed information on major findings, recommendations, actions to be taken on the program evaluations, and the PART reviews can be found in the "OMB PART Summaries" and the "Completed Program Evaluations for FY 2003" appendices.



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 dialog, mindful of regional context and cultural traditions, on the substance of U.S. ideals and their relationship to specific policies. Through this dialog, 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

“As we work to end the scourge of terrorism, let us also work to increase peace, prosperity and democracy. We can do this through international programs that promote the exchange of ideas and the sharing of experiences. These programs give us insight into other languages and cultures and in the process build long lasting relationships among peoples based on mutual understanding, respect and trust.”

Secretary of State Colin L. Powell

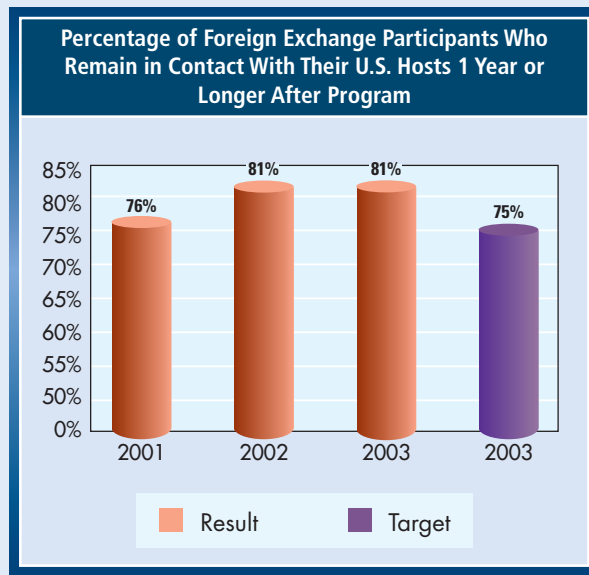
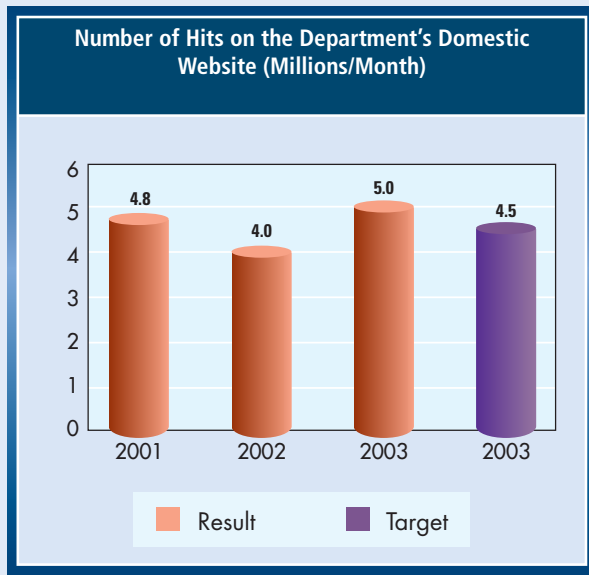
The exchange of information, persons, and ideas is fundamental to the security of the United States. Public Diplomacy and public affairs functions are premised on the knowledge that public opinion affects official decision-making almost everywhere in the world today.

Public diplomacy activities promote better appreciation of the United States abroad and greater receptivity for U.S. policies among foreign publics. Anti-American sentiment must be countered to win the War on Terrorism, achieve greater international stability, and dispel worldwide uncertainty. In the struggle of ideas, public diplomacy is a critical component. It provides a rapid and flexible capability for U.S. diplomacy abroad directed at improving understanding of and support for U.S. policy, encouraging and empowering moderates, and discouraging indoctrination in extremism. Used over the long term, public diplomacy programs build and maintain a foundation of positive public opinion that 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. In our democratic society, it is imperative that the public understands the basis of Department policies carried out on their behalf.



Domestic public affairs and international public diplomacy necessarily overlap. In the words of the Administration’s National Security Strategy, “Today, the distinction between domestic and foreign affairs is diminishing. In a globalized world, events beyond America’s borders have a greater impact inside them. Our society must be open to people, ideas, and goods from across the globe.” In the words of the 1961 Fulbright-Hayes Act, educational and cultural exchanges promote “the improvement and strengthening of the international relations of the United States by promoting mutual understanding among the peoples of the world” – including the American people.

II. Selected Performance Trends



III. Strategic Context

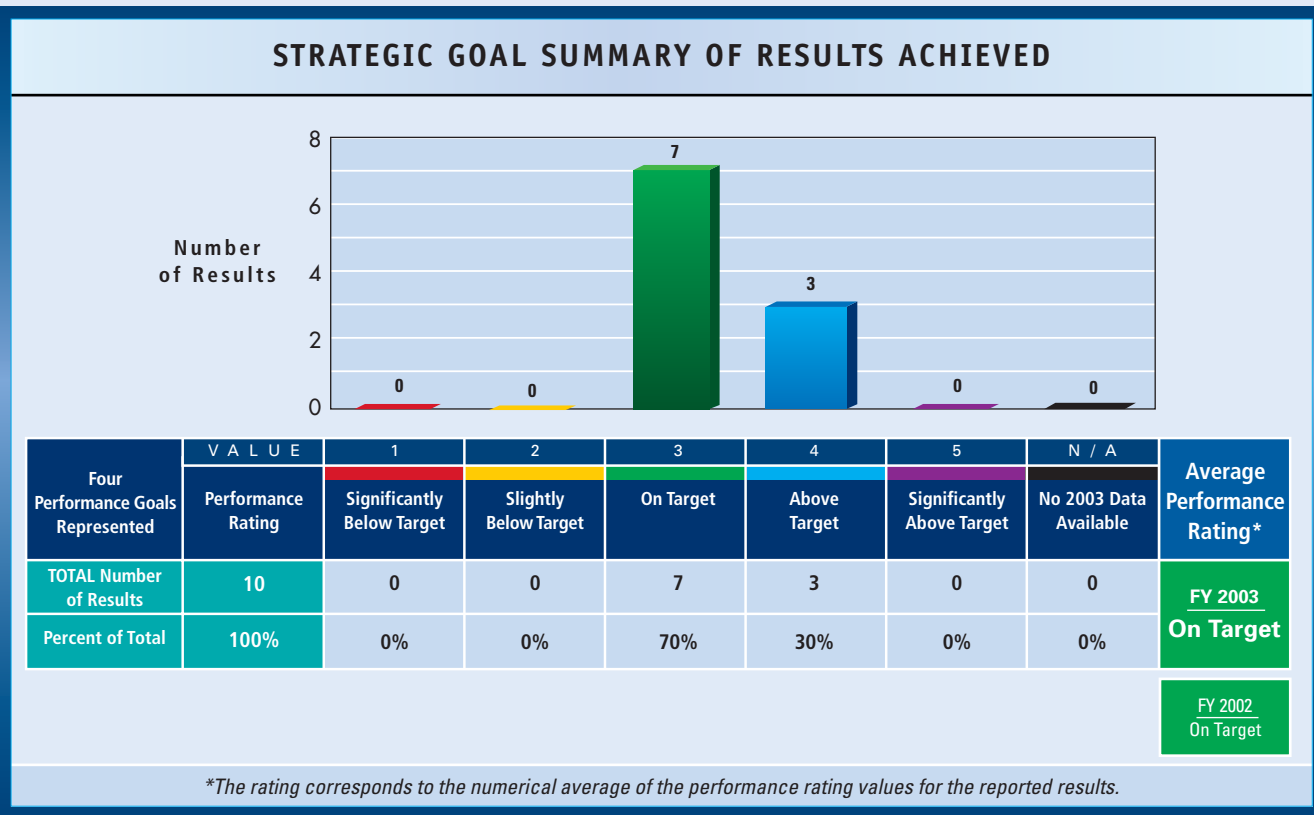
The Public Diplomacy and Public Affairs strategic goal is supported by four performance goals. Shown below are the major initiatives/programs, bureaus and partners that contribute to accomplishment of the strategic goal.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Public Diplomacy and Public Affairs	International Public Opinion	Reaching Out to Allies and Regional Powers	IIP/PA, Regional Bureaus	DoD, Board of Broadcasting Governors, International media organizations, think tanks and polling organizations
	Mutual Understanding	Educational and Cultural Affairs, Regional Bureaus	Educational and Cultural Affairs, Regional Bureaus	U.S. NGOs, Academia, Private Sector
	American Values Respected Abroad	Communicate More Effectively With Global Publics	Educational and Cultural Affairs, Public Affairs, International Information Programs	NED, Private Sector, NGOs, think tanks and polling organizations, academia
	Domestic Understanding of Foreign Policy	Outreach to Expanded U.S. Audience		Public Affairs
Historical Research and Publications			Public Affairs	CIA

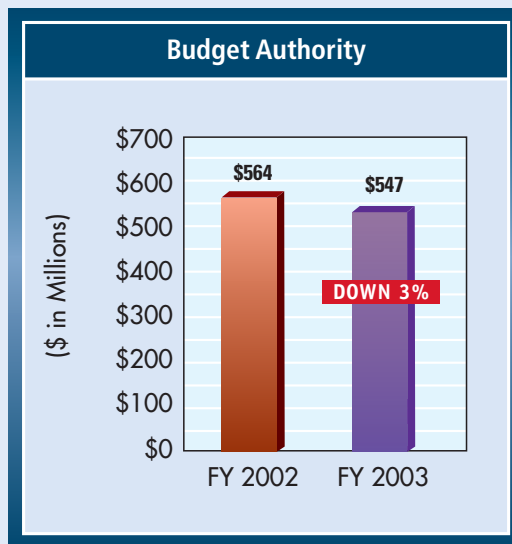
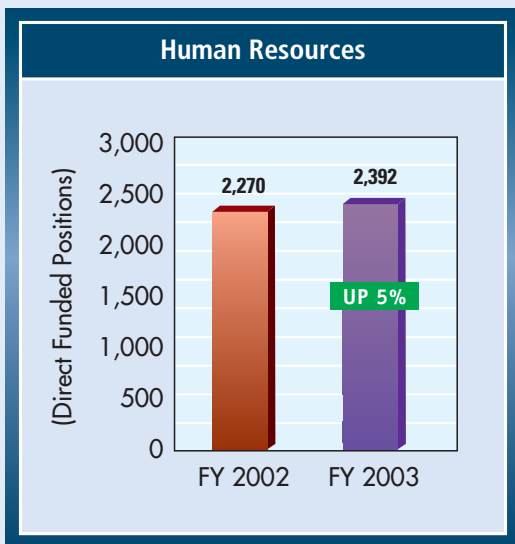


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Public Diplomacy and Public Affairs strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target", unchanged from last year's "on target" rating.



V. Resources Invested



VI. Illustrative Example of a Significant Achievement

Persian Website

Within a week after the Department’s Persian website: Pol-e-Ettela’ati (Information Bridge) went live on May 12, 2003, it initially recorded an average of 30,000 hits per day. News of the site spread quickly by e-mail and by word of mouth: one Iranian-American telephoned his father in Iran to tell him about the site; the father’s response was “I know, I’ve already seen it!” Other samplings from the many e-mails we have received: “(I) hope this to be the start of a process that ends up in restoration of bilateral relations with the U.S. “I thank you for building many bridges for communication.” – signed: “Hoping for Iran’s freedom.” “Please force this Islamic government to stop this scandal and give us back our freedom, which was granted by his majesty Cyrus the Great 2500 years ago.” “I sent your site address to most of my friends... we hope we can communicate with the U.S. Government and U.S. people as soon as possible.”



The Department launched a Persian language website to provide Iranians with information about the United States and U.S. policy towards Iran.

VII. Performance Results

PERFORMANCE GOAL 1

Public diplomacy influences global public opinion and decision-making consistent with U.S. national interests

I/P #1: REACHING OUT TO ALLIES AND REGIONAL POWERS		
Emphasize U.S. interests in global security by reaching out publicly to friends, allies, and regional powers.		
INPUT INDICATOR		
Indicator #1: Level of International Public Understanding of U.S. Policies		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	Baseline: <ul style="list-style-type: none"> Speakers: Sent 846 speakers abroad, of which 168 traveled to the Middle East and South Asia. Digital Video Conferences: The Speakers program was supplemented by 480 digital video and telephone conferences. Publications: Through Embassies worldwide, distributed over 500,000 copies of 16 new publications, approximately half of which dealt with counterterrorism or Iraq.
	Target	Baseline: Evidence shows that information provided has reached intended users.
	Rating	■ On Target
	Impact	An FY 2000 survey of American Ambassadors rated the Speakers/Specialist program as one of the four most useful Public Diplomacy programs/products. For instance, as part of the Speakers Program, two examples are notable: <ul style="list-style-type: none"> Ken Pollack, author of <i>The Threatening Storm: The Case for Invading Iraq</i>, spoke in South Africa. According to Embassy staff, the audience remained anti-war, but acknowledged, after listening to Pollack, that the U.S. had a strong case for going to war. In Kuala Lumpur, during an Iftaar dinner through which invited Malaysian religious leaders and other local dignitaries heard Dr. Osman Bakar, of Georgetown University, assert that America is for Muslims “a second Mecca” – one of only two places in the world where every Muslim sect can live and worship in harmony.



I/P #1: REACHING OUT TO ALLIES AND REGIONAL POWERS <i>Continued</i>		
OUTCOME INDICATOR		
Indicator #2: Number of Page Views to Department's International Website, Mission Websites and Listservs		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	<p>Baseline:</p> <ul style="list-style-type: none"> ● Daily average of 155,000 USINFO pages read, an increase of approximately 20% over FY 2002. ● Approximately 10% of users come for reference material on U.S. history, government. ● The USINFO website was rated by users as "above average" in customer satisfaction, slightly higher than what users give commercial websites. ● 10,153 subscribers to listservs targeting all of the geographic regions of the world in six languages.
	Target	A total of 120,000 average daily pages read; 8,000 subscribers to listservs.
	Rating	■ Above Target
	Impact	Approximately 30% of our listserv subscribers are Chinese speaking, half of whom reside in China. This means that through the Internet, we are reaching a large audience with information about the U.S. and our policies, unfiltered by Chinese government censors.
OUTPUT INDICATOR		
Indicator #3: The Level of Media Placement in Foreign Markets in Broadcast and Print		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	<p>Baseline:</p> <ul style="list-style-type: none"> ● Placement of Broadcast Media: Two short documentary films aired in 25 countries (Rebuilding Afghanistan & 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 FPC briefings, and 87 interviews. ● Actual op-ed/by-liner placement, by region: Africa-53, East Asia/Pacific-60, Europe-434, Near East-43, South Asia-78, Western Hemisphere-238.
	Target	Evidence shows that information has reached intended user.
	Rating	■ On Target
	Impact	<p>Overall, the Department has difficulty placing a critical mass of material in Muslim majority media. While the Department does not have systematic evaluations of the impact of its placements, (such as large scale media trends analysis or targeted opinion polling), anecdotal evidence of effectiveness is present. For instance,</p> <ul style="list-style-type: none"> ● President Bush's Ramadan greeting, transmitted via the USINFO website on November 5, 2003, was placed widely throughout the Muslim world: Embassy Kuala Lumpur succeeded in placing the message (in English and Malaysian) on Bernama, the national news service, ensuring wide dissemination to all Malaysian media. It enjoyed prominent placement in Malaysia's two celestial papers, the <i>Sun</i> and the <i>Star</i>, with a total readership of over 1.5 million.



PERFORMANCE GOAL 2

International exchanges increase mutual understanding and build trust between Americans, people, and institutions around the world

I/P #2: ENGAGING AUDIENCES MORE DEEPLY

Further improve the exchange of U.S. objectives and ideals by involving program participants at more profound levels.

OUTPUT INDICATOR

Indicator #1: Percentage of Participants Who Increased Their Understanding of the Host Country Immediately After Their Program

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 92%
	2002	91%
FY 2003 DATA	2003 Results	89%
	Target	92%
	Rating	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> On Target <ul style="list-style-type: none"> ● Results are based on survey responses with a plus or minus 3 percentage points margin of error. Within this range of the target, the FY 2003 result is considered "On Target." </div>
	Impact	These developments lead to better appreciation of the U.S. and its interests, and more effective U.S. promotion of fruitful international relations.

OUTPUT INDICATOR

Indicator #2: Percentage of Participants who Remain in Contact with Host Country People Met on Their Program one Year or Longer After Their Program

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 76%
	2002	81%
FY 2003 DATA	2003 Results	81%
	Target	75%
	Rating	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: blue; margin-right: 5px;"></div> Above Target </div>
	Impact	<p>Greater mutual understanding results in strengthened ties and sustainable relationships between Americans and citizens of other countries. Examples of results included:</p> <ul style="list-style-type: none"> ● Foreign parliamentarians who use their contacts in the United States to help foster democratic practices in their countries. ● Foreign young professionals who seek out and utilize American businesses and U.S. based information sources more than their fellow countrymen who did not participate in an exchange program.



PERFORMANCE GOAL 3

Basic human values embraced by Americans are respected and understood by global publics and institutions

I/P #3: COMMUNICATE MORE EFFECTIVELY WITH GLOBAL PUBLICS		
Enhance and build on current communications outreach strategies; educate global publics on American human values, policies, and leadership in order to promote a positive image of the U.S. abroad.		
OUTPUT INDICATOR		
Indicator #1: Targeted Publics Receive Intended Message		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	<p>Baseline:</p> <ul style="list-style-type: none"> ● hi Magazine: The first three editions (totaling 150,000 copies) of "hi" magazine, in Arabic, were issued and distributed throughout the Middle East. Production deadlines met. ● American Corners: Established 23 new American Corners. There are now 79 American Corners distributed as follows: EUR: 56; AF: 18; EAP: 4; SA - 1. ● Persian Website: The U.S. has no official presence in Iran, so the USINFO Persian website serves as a virtual Embassy and cultural center for thousands of Iranians who have access to the Internet but do not read English.
	Target	Evidence shows that information provided has reached intended user.
	Rating	■ On Target
	Impact	<p>hi Magazine:</p> <ul style="list-style-type: none"> ● Initial Arab media reviews of the new magazine are on balance positive. A columnist for Al Hayat – a leading pan-Arabian paper says the following about <i>hi</i>: "Its publication reflects an American determination to reach the Arab man in the street. No doubt, this is an American investment in the future. The results will not be felt for years to come, when the young generation that is the target of this American message assumes responsibilities in their own countries". <p>American Corners:</p> <ul style="list-style-type: none"> ● In Russia, An American Corner hosted by the Russian Parliamentary Library, was recruited to help Duma staff members find accurate information about the United States. In Indonesia, where there are a few public libraries and materials about the U.S. are hard to find, Indonesian universities are asking for American Corners to help tell Indonesian young people America's story. <p>Persian Website:</p> <ul style="list-style-type: none"> ● In the few months since the Department's website in Persian was launched in May 2003, the site has 2,000 viewers daily. Iranian journalists monitor the site and several articles published in Iranian media have been based on material only available on the site.



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 #4: OUTREACH TO EXPANDED U.S. AUDIENCE

Reach beyond traditional audiences to a younger, broader, and deeper audience.

OUTPUT INDICATOR

Indicator #1: Number of Interviews and Contacts With U.S. Media

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	<p>Baseline:</p> <ul style="list-style-type: none"> 120 daily press briefings; 15,000 calls from the press; 1,000 print, radio, and TV interviews, Opinion Editorials (Op Eds) and major press conferences with Department principals.
	Target	16,000 contacts/year.
	Rating	■ On Target
	Impact	Daily press briefings and responses to calls provide journalists with accurate, authoritative statements of U.S. policy. Op-Eds, press conferences and interviews with Department officials help explain Administration views to the broadest possible audience.

Secretary Powell's remarks at the Foreign Press Center on U.S. Foreign Policy after the U.N. General Assembly.

© AP Photo by Ron Edmonds.



I/P #4: OUTREACH TO EXPANDED U.S. AUDIENCE <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #2: Increase in the Number of Outreach Activities to Targeted U.S. Audiences		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	<p>Baseline:</p> <ul style="list-style-type: none"> • Distributed 14,000 curriculum video packages to U.S. educators; • Conducted over 1500 outreach activities; • Reached over 12,000 students through in-house briefings and other programs; • Conducted 23 student town meetings at high schools and colleges; • Conducted over 600 Washington and regional events for Department's speakers program; and • Delivered over 70 presentations at State and National Governmental conferences.
	Target	Evidence shows that information provided has reached intended user.
	Rating	■ On Target
	Impact	Public outreach programs raised awareness and public understanding of current foreign policy issues, increased public engagement in the policy process, and provided U.S. citizens opportunities to exchange views with Department of State officials who formulate and implement policy. Conducted throughout the U.S., these programs encourage ongoing interest, involvement and dialogue.
OUTPUT INDICATOR		
Indicator #3: Increase in hits on the Department's Domestic Website		
FY RESULTS HISTORY	2000	N/A
	2001	4.8 million hits per month.
	2002	4 million hits per month.
FY 2003 DATA	2003 Results	5 million hits per month.
	Target	4.5 million hits per month.
	Rating	■ On Target
	Impact	Information dissemination by electronic means continues to be successful, evidenced by gradually increasing "hits" counts. The audience for the www.state.gov site is the American public. U.S. hits continue to be in the wide majority (70% vs. about 30% for international hits), so we are successfully reaching our target, while making a notable impact on foreign audiences as well.



I/P #5: HISTORICAL RESEARCH AND PUBLICATIONS		
Increase efforts to publish Foreign Relations volumes within the 30-year time period required by law, support the policy process with adequate research studies, and bring a historical context to "broader, deeper, and younger" outreach activities.		
OUTPUT INDICATOR		
Indicator #4: Number of Historical, Research, and Educational Publications		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	Baseline: Published six (6) Foreign Relations of the United States (FRUS) volumes.
	Target	Publish four (4) FRUS volumes.
	Rating	■ Above Target
	Impact	The six volumes published in FY 2003 included two that were unique and had a significant public impact. One, a path-breaking volume on the intellectual foundations of the Nixon administration's foreign policy, received high praise from the Department's congressionally mandated Advisory Committee on Historical Diplomatic Documentation. The other, an unprecedented retrospective volume on the 1954 coup in Guatemala, even had an impact beyond our borders. It led to considerable public discussion and praise for the Department and the USG, within both the United States and Guatemala, and had a positive impact on both bilateral relations and the public perception of the USG overseas. In addition, over a dozen policy-related research studies were prepared for Department principals, which provided essential historical background for their use in dealing with current foreign policy issues, such as the Iraq war and terrorism.

VIII. Program Evaluations and PART Reviews

Nine program evaluations and one PART review for the FY 2004 budget process were conducted in FY 2003 that pertained to this Strategic Goal.

- 1) American Corners, (DOS)
- 2) "hi" Magazine, (DOS)
- 3) INFOCENTRAL, (Computer Technologies Consultants, Inc.)
- 4) Persian Website, (DOS)
- 5) Content Management System for Public Diplomacy Websites (DOS)
- 6) Outcome Assessment of the Institute for Representative Government (IRG), (AIR)
- 7) Evaluation of the Freedom Support Act (FSA) Undergraduate Program, (Aguirre International, Inc.)
- 8) Evaluation of the Russia-U.S. Young Leadership Fellows for Public Service Program, (Aguirre International, Inc.)
- 9) Outcome Assessment of International Professional Exchange Programs in a U.S. Community, (T.E. Systems, Inc.)
- 10) Educational Exchanges in Near East Asia and South Asia, (OMB PART)

Detailed information on major findings, recommendations, actions to be taken, program evaluations, and PART reviews, can be found in the "OMB PART Summaries" and the "Completed Program Evaluations for FY 2003" appendices.



One page fact sheet on rebuilding Iraq - Department of State, Bureau of Public Affairs.

Department of State Photo



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 (PMA). 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

Human Resources: The 28,000 Foreign Service, Civil Service, and Foreign Service National employees posted in over 300 locations throughout the world are the Department's most significant resource. To maintain the U.S. role as a world leader in the twenty-first century, America's foreign policy representatives must be the best the nation has to offer. The Department must have sufficient resources to attract, train, promote, and retain the very best employees.

The Department continues to pursue human resource initiatives aimed at building, deploying and sustaining a knowledgeable, diverse and high-performing workforce. The goal is to have a workforce whose composition, size and skills can adapt quickly to changes in mission, technology and worldwide requirements of the foreign affairs environment. The Department has implemented a comprehensive leadership and management training initiative to ensure that the competencies of its current and rising generation of leaders are commensurate with the importance of their mission.

Information Technology: The Department's ability to fulfill its mission successfully depends heavily on the collection, analysis, communication, and presentation of information in forms useful to its stakeholders - the public, businesses, other USG agencies, foreign governments, and its employees. A secure, modern, information technology infrastructure is a vital tool that enables the Department to serve these stakeholders effectively. The Department is making a concerted effort to use commercial best practices to deploy modern automation platforms, secure global networks (unclassified, classified and the Internet), maintain a centrally managed IT infrastructure, deploy a modern messaging/archiving/information sharing system, streamline administrative systems, and introduce a customer-focused portal.

The Department continues to implement a comprehensive risk management program for IT systems, enhancements to user access information and services, and virtual collaboration in such areas as passport and visa services, crisis management, grants management, acquisition functions and streamlining of internal administrative processes.



Diplomatic Security: Secure working and living environments are essential in ensuring that the Department can effectively implement its foreign policy goals. The Bureau of Diplomatic Security (DS) provides such environments through a broad scope of global responsibilities 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 Office of Foreign Missions prevents abuses of diplomatic privileges and immunities, and improves conditions for U.S. personnel serving abroad. DS coordinates requests from U.S. law enforcement agencies for overseas investigations, including fugitive apprehensions, child abuse, counterfeit currency, and money laundering. A special unit conducts investigations of passport and visa fraud. DS also serves as the operational manager for the USG Rewards for Justice Program for information that prevents or resolves terrorism. Through the Anti-terrorism Assistance Program, DS builds the capacity of foreign governments to engage in the war on terrorism. Finally, the Department funds the Overseas Security Advisory Council (OSAC), a public-private sector partnership that fosters the exchange of ideas on global security.



The new American Embassy in Dar-es-Salaam, Tanzania, was completed in January 2003, and replaces the former embassy that was destroyed in the 1998 terrorist bombing. The design and construction of this new embassy incorporate the newest safety technology to ensure the security of embassy personnel.

Department of State Photo

diplomacy in Washington and provide a more secure and efficient workspace. Likewise, the completion of a modern office building for the U.S. Mission to the United Nations (USUN) in New York will provide a safe, secure and functional facility for our diplomatic mission.

Facilities: The Department's worldwide network of facilities is a critical component of its diplomatic readiness. The provision of secure, safe, and functional domestic and overseas facilities enables USG employees to pursue the vital interests of the American public more effectively.

At the end of the fiscal year, the Department had seventeen capital projects under construction, nine capital construction projects awarded and sixty-eight major rehabilitation projects underway overseas. The Capital Security Cost Sharing (CSCS) program will accelerate construction and encourage rightsizing. Domestically, the consolidation and renovation of the Department's office space in Foggy Bottom will serve the conduct of

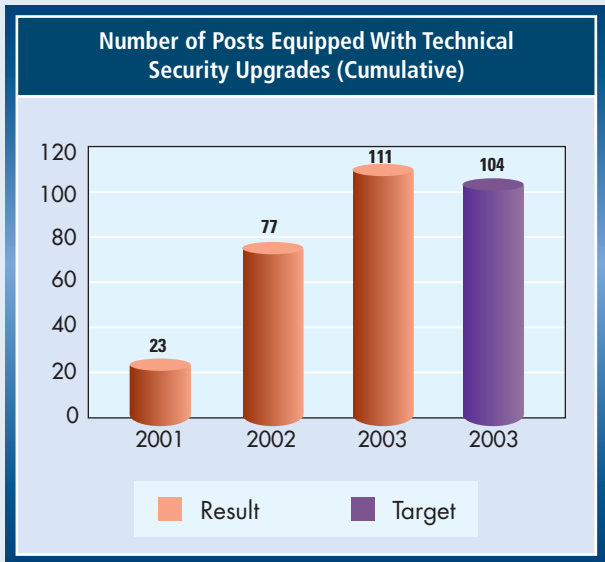


Planning, Budgeting and Financial Management: Integrated budgeting, planning and performance measurement processes, together with effective financial management and demonstrated financial accountability, will improve the management and performance of the Department. It will ensure that the resources entrusted to the Department are well managed and judiciously used. The American people will be able to see how well programs perform, and the costs they incur for that performance. This improved accountability for performance, together with unquestionable fiscal integrity, will deliver meaningful results to the American people.

Administrative Services: The Bureau of Administration provides support to diplomatic activities by ensuring timely delivery of products and services to U.S. embassies and consulates around the world. E-logistics processes enhance services by eliminating redundancies, increasing efficiencies, and providing secure real-time query tools. Electronic commerce offers American businesses expanded opportunities to compete for Department contracts. Performance-based contracting ensures more efficient and effective use of program dollars. The 80 percent reduction in the backlog of Freedom of Information Act (FOIA) requests by FY 2005 will contribute significantly to the public’s timely knowledge of foreign policy issues. A new information system being implemented by the Office of Allowances will provide overseas posts with a faster, more accurate and reliable system for submitting allowances data electronically. U.S. accreditation of overseas schools ensures the availability of an appropriate, high quality American-style education for USG dependents overseas, and facilitates their transfer between overseas and U.S. schools.

Public-private competitions will generate taxpayer savings and noticeable performance improvements. Recent competitions under OMB Circular A-76 across federal agencies have resulted in savings between 20 and 30 percent regardless of who wins a competition. Public-private competitions will also promote innovation, efficiency, and greater effectiveness within the Department.

II. Selected Performance Trends



III. Strategic Context

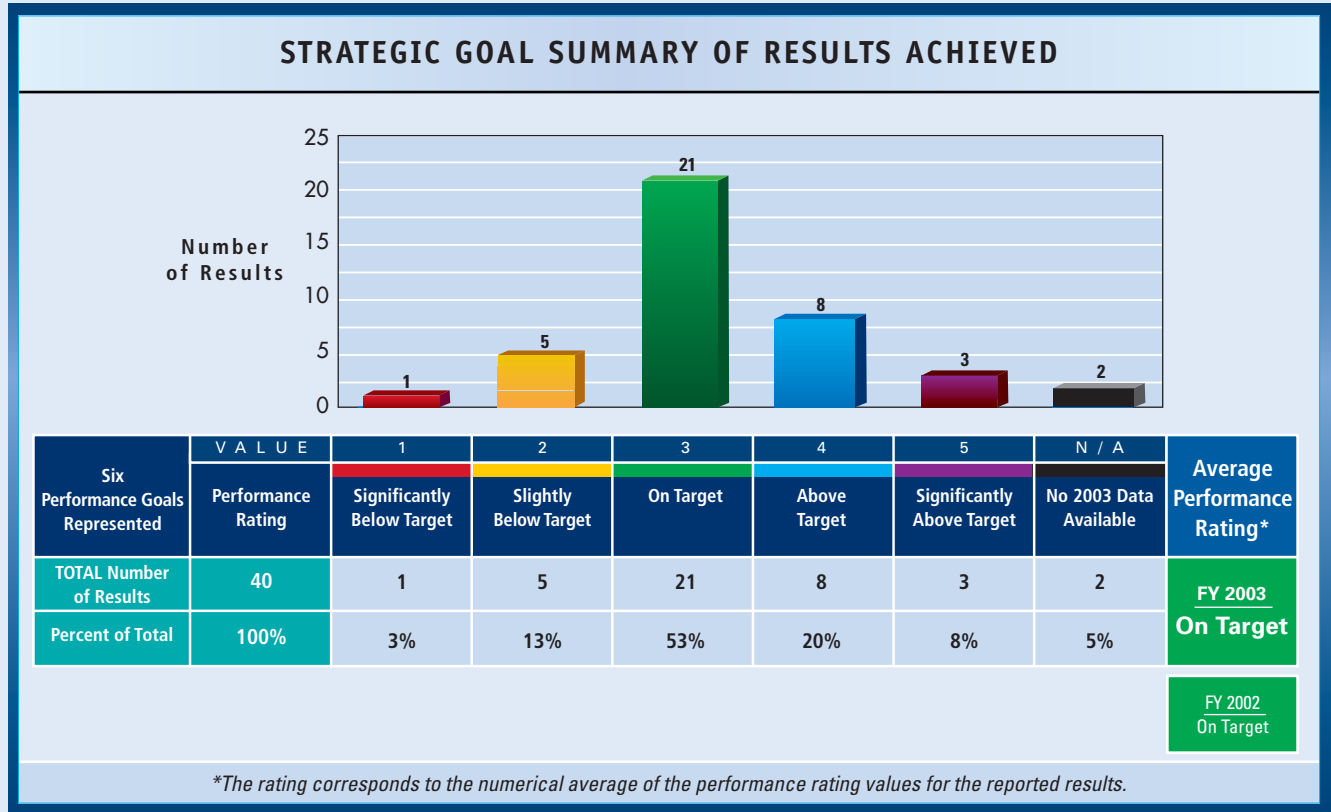
The Management and Organizational Excellence strategic goal is supported by six performance goals. Shown below are the performance goals, initiatives/programs, bureaus and partners that contribute to accomplishment of the Management and Organizational Excellence strategic goal.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Lead Bureau(s)	External Partners
Management and Organizational Excellence	Human Resources and Training	Recruit and Hire Talented & Diverse Employees	Human Resources	HBCU, HACU, OPM, Partnership for Public Service
		Diplomatic Readiness and Other Priority Training	Human Resources	HBCU, HACU, OPM, Partnership for Public Service, USAID, FCS, FAS, and other foreign affairs agencies
		Core Training Programs	Foreign Service Institute	USAID, FCS, FAS, USDA and other foreign affairs agencies
		Quality of Life	Human Resources, Foreign Service Institute	N/A
		Americans Employed by UN Organizations	International Organizations	International organizations, other USG agencies
		Locally Employed Staff	Human Resources	USAID, FCS, FAS and other participating agencies
	Information Technology	Ready Access to International Affairs Applications and Information	Information Resource Management, International Information Programs, Consular Affairs, Political-Military Affairs	USAID and 30 other USG Agencies at overseas posts
		Secure Global Network & Infrastructure	Information Resource Management	USAID and 30 other USG Agencies at overseas posts
		Modern, Worldwide Integrated Messaging (State Messaging and Archive Retrieval Toolset)	Information Resource Management	USAID and 30 other USG Agencies at overseas posts
	Diplomatic Security	Secure Employees	Diplomatic Security	N/A
		Protect Critical Infrastructure	Resource Management	FEMA and Homeland Security
	Overseas and Domestic Facilities	Capital Security Construction	Overseas Building Operations	Other USG Agencies
		Foggy Bottom Renovation/Consolidation	Administration	GSA
		New Office Building for USUN	Administration	GSA, USUN
	Resource Management	Integrate Budget & Performance	Resource Management	OMB, Congressional committees & subcommittees, foreign affairs agencies, GAO
		Improve Financial Performance	Resource Management	OMB, GAO, Treasury
	Administrative Services	Worldwide Logistics	Administration	Various USG agencies
		Overseas Schools Accreditation	Administration	USG agencies, international schools, diplomatic community, educational associations
		Records and Publishing Services	Administration	National Archives and Records Administration, GAO, GPO, OMB, various foreign affairs agencies
		Allowances	Administration	USG agencies

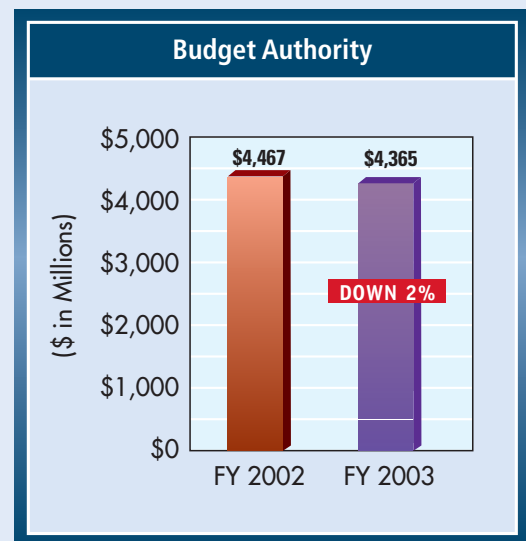
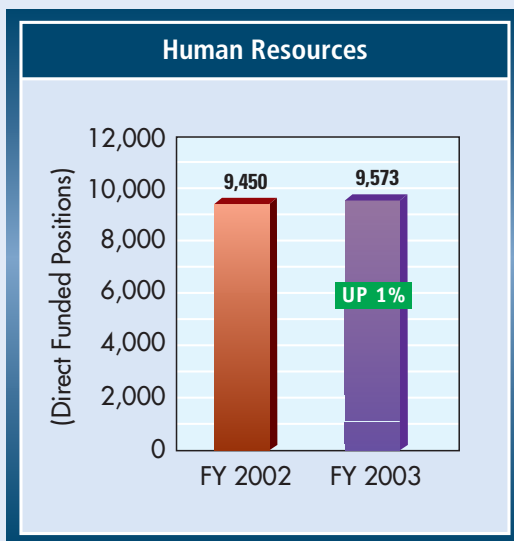


IV. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Management and Organizational Excellence strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target", unchanged from last year's "on target" rating.



V. Resources Invested



VI. Illustrative Example of a Significant Achievement

Foreign Language Training

As of mid-year FY 2003, FSI's School of Language Studies has conducted 49,065 hours of training for 136 enrollments in national security-critical languages of Dari, Kurdish, Pashto, Persian/Farsi, Tajiki, Urdu and Uzbek. A pilot Iraqi Familiarization course was piloted in 3rd Quarter FY 2003. Curriculum development began in Kurdish and Iraqi Variety Arabic, with curricula being updated in Dari, Pashto, and Persian/Farsi. Preparation has begun towards expanding "Beyond 3" training opportunities, designed to increase the Department's cadre of speakers of the most difficult languages (especially Arabic), as well as the development of a Language Learning Continuum to promote and guide the building and replenishment of cadres of personnel with advanced skills in other priority languages needed by the Department.



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VII. Performance Results

PERFORMANCE GOAL 1

A high performing, well-trained, and diverse workforce aligned with mission requirements

I/P #1: RECRUIT AND HIRE TALENTED, DIVERSE EMPLOYEES		
Maintain a talented and diverse workforce in the Department.		
INPUT INDICATOR		
Indicator #1: Number of Individuals Taking the Foreign Service Written Exam (FSWE)		
FY RESULTS HISTORY	2000	8,000
	2001	13,000
	2002	31,400
FY 2003 DATA	2003 Results	20,342
	Target	20,000
	Rating	■ Above Target
	Impact	A greater pool of individuals taking the FSWE provides the Department with a broader and deeper talent pool for hiring purposes.
INPUT INDICATOR		
Indicator #2: Number of Applicants to Foreign Service Specialist Positions		
FY RESULTS HISTORY	2000	3,028
	2001	3,695
	2002	4,000
FY 2003 DATA	2003 Results	4,800
	Target	3,300
	Rating	■ Significantly Above Target
	Impact	The Department has closed hiring deficits in key specialist fields and developed strong human resource "skill banks" available for future hiring purposes.



I/P #1: RECRUIT AND HIRE TALENTED, DIVERSE EMPLOYEES *Continued*

INPUT INDICATOR

Indicator #3: Applicants to the Student Programs

FY RESULTS HISTORY	2000	1,450
	2001	1,787
	2002	2,000
FY 2003 DATA	2003 Results	6,000
	Target	1,530
	Rating	■ Significantly Above Target
	Impact	The FY 2003 result has potential to significantly increase the Department's pool of future candidates by introducing the next generation of young people to the Department and its functions.

INPUT INDICATOR

Indicator #4: Number of Minority Individuals Taking the Foreign Service Written Exam (FSWE)

FY RESULTS HISTORY	2000	2,100
	2001	4,000 – 27% of total exam takers.
	2002	10,700 - 34 % of total exam takers.
FY 2003 DATA	2003 Results	6,238 or 31% of total exam takers.
	Target	10,700 or 34% of total exam takers
	Rating	■ On Target
	Impact	This result increases likelihood that the Department will be able to attract and hire minorities. It builds a critical mass of interest among minority communities which can be a foundation for future outreach and hiring.

INPUT INDICATOR

Indicator #5: Level of Overall Hiring

FY RESULTS HISTORY	2000	Hired to attrition (Approx. 800).
	2001	Hired to attrition (Approx 800).
	2002	Hired 900 above attrition, thus beginning process of closing mission-critical overseas staffing gaps. Total hires including attrition included 470 junior Foreign Service officers, more than 700 FS specialists, over 300 security personnel, and about 150 IT professionals.
FY 2003 DATA	2003 Results	Hired 399 above attrition plus 51 border security and 134 diplomatic security employees.
	Target	Hire 400 above attrition.
	Rating	■ On Target
	Impact	By hiring above attrition, the Department is better able to meet quickly emerging or unplanned priorities without a decline in its ability to meet day to day responsibilities.



I/P #1: RECRUIT AND HIRE TALENTED, DIVERSE EMPLOYEES <i>Continued</i>		
INPUT INDICATOR		
Indicator #6: Level of Civil Service (CS) Hiring		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Hired to attrition.
	2002	Over 600 CS employees hired.
FY 2003 DATA	2003 Results	Reduced CS vacancies by half.
	Target	Reduce CS vacancies by half.
	Rating	■ On Target
	Impact	The availability of civil servants both in terms of quantity and needed skills enables this component of the Department's workforce to better support its overall operations.

I/P #2: DIPLOMATIC READINESS AND OTHER PRIORITY TRAINING		
Training to Support the Diplomatic Readiness Initiative (DRI) and the Department's Hiring Plan.		
OUTPUT INDICATOR		
Indicator #7: Mandatory Leadership Training Participation		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 3,118 course offerings. Mandatory Leadership/Management courses did not exist.
	2002	<ul style="list-style-type: none"> ● 3,329 course offerings. ● Mandatory Leadership/Management requirements approved. ● About 700 employees received mandatory Leadership/ Management training.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> ● 3,752 course offerings provided. ● Mandatory Leadership/Management training provided for 1,754 employees. ● Senior Executive Training Seminar course initiated.
	Target	<ul style="list-style-type: none"> ● Correct number of offerings support Department's hiring plan. ● Mandatory Leadership/ Management training provided for 1,725 employees.
	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.



I/P #2: DIPLOMATIC READINESS AND OTHER PRIORITY TRAINING *Continued*

INPUT INDICATOR

Indicator #8: Enrollment in Foreign Language/Area Studies Relating to “Enduring Freedom,” “Iraqi Freedom” and Post-9/11 Initiatives

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 57,320 hours of training; 106 enrollments.
	2002	109,921 hours of training; 231 enrollments.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> ● 81,864 hours of training. ● 228 enrollments in Arabic, Dari/Persian/Afghan, Pashtu, Persian/Farsi/Iranian, Tajiki, Urdu, and Uzbek. ● In Dari, Farsi and Pashtu, FSI developed a range of updated course materials including short-term survival/familiarization modules, and consular and/or military professional modules in addition to basic course materials. ● Developed a capacity to deliver Kurdish training, including development of materials, in the expectation of future State assignments.
	Target	<ul style="list-style-type: none"> ● Meet increased demand resulting from assignments to language designated positions (LDPs) in target languages. ● Rebuild dormant language training programs in Dari, Kurdish, Pashtu, and Farsi.
	Rating	■ On Target
	Impact	More staff with proficiency in critical languages will improve the Department’s ability to conduct diplomatic relations through improved communications, negotiations, screening documents such as visa applications, and promoting U.S. interests with host country nationals.



I/P #3: CORE TRAINING PROGRAMS		
Provide base level training in tradecraft, foreign languages, leadership/management, and information technology.		
OUTPUT INDICATOR		
Indicator #9: Percentage of Employees Assigned to Language Designated Positions (LDPs) who Meet the Requirement of the Position		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: In CY 2001, 80 percent fully met and 13 percent partially met LDP requirement.
	2002	In CY 2002, 88 percent fully met LDP requirement.
FY 2003 DATA	2003 Results	N/A; statistic is computed on a calendar year basis; not yet available for CY 2003.
	Target	Maintain or improve CY 2002 percentage.
	Rating	■ TBD
	Impact	Having more staff proficient in foreign languages improves the Department's ability to conduct diplomatic relations.
OUTPUT INDICATOR		
Indicator #10: Percent of Language Students Attaining Skill Objectives when Enrolled for at least the Recommended Amount of Training		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 74%
	2002	75%
FY 2003 DATA	2003 Results	78%
	Target	Maintain or improve CY 2002 percentage.
	Rating	■ On Target
	Impact	Having more staff proficient in languages improves the Department's ability to conduct diplomatic relations.



The Department's Foreign Service Institute provides more than 400 courses including approximately 60 foreign language courses to more than 40,000 enrollees a year and more than 40 other government agencies and the military service branches.
Department of State Photo



I/P #4: QUALITY OF LIFE		
Provide work/life and family programs that meet the changing needs and expectations of a diverse workforce and their families, while furthering Department interests and objectives.		
OUTPUT INDICATOR		
Indicator #11: Results of Employee Satisfaction Survey		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	<p>Baseline:</p> <ul style="list-style-type: none"> 4,000 American direct-hire employees responded to survey. Department morale is high, with a significant majority of employees categorizing morale as either outstanding (12.8%) or good (47.6%). Seven out of ten surveyed employees plan to stay with the Department for the long term, at least until eligible to retire.
FY 2003 DATA	2003 Results	Survey was not performed in FY 2003.
	Target	Use employee survey results to evaluate and develop programs.
	Rating	■ N/A
	Impact	N/A



I/P #5: AMERICANS EMPLOYED BY UN SYSTEM ORGANIZATIONS

Increase the percentage of Americans working in UN System organizations, especially where they are currently not employed in equitable numbers.

OUTPUT INDICATOR

Indicator #12: Percentage of UN System Organizations' Workforce (Positions Subject to Geographical Distribution) Filled by American Citizens¹

FY RESULTS HISTORY	2000	N/A
	2001	12.0% (CY 2000)
	2002	11.8% (CY 2001)
FY 2003 DATA	2003 Results	11.6% (CY 2002)
	Target	12.2% (CY 2002)
	Rating	■ Slightly Below Target
	Impact	Americans bring knowledge and skills to organizations which translates into increased efficiency and effectiveness and better value for our contributions to these organizations.
	Other Issues	<p>Reason for Significant Performance Shortfall: Performance was slightly below target because employment of American citizens did not increase as fast as did total employment in posts subject to geographical distribution in the targeted organizations. To rectify this, the Department will,</p> <ul style="list-style-type: none"> ● Increase staffing dedicated to this initiative. ● Expand outreach by contacting more professional associations/groups to identify candidates. ● Use a newly established interagency taskforce to identify candidates from outside the USG and facilitate transfers of government staff to UN agencies.

¹ UN System organizations gather their information on a Calendar Year basis. Because of the delay in gathering and reporting the performance data, each fiscal year's targets report on the previous calendar year.

The annual targets and results shown are averages among those international organizations where the U.S. is most inequitably employed or which attract a high level of interest. For CY 2001 and CY 2002, these organizations were as follows: UN, ILO, ITU, ICAO, FAO, UNHCR, and WHO.

I/P #6: LOCALLY EMPLOYED STAFF

Overseas employment: outreach and training.

OUTPUT INDICATOR

Indicator #13: Percent of Eligible Family Members Employed in Local Economies Overseas Through Spouse Networking Assistance Program (SNAP)

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: 2%
FY 2003 DATA	2003 Results	4%
	Target	4%
	Rating	■ On Target
	Impact	The SNAP program increases morale at overseas posts by providing family members with meaningful employment and income. Furthermore, the program helps maintain high retention rates because data show that the lack of spousal employment is among top reasons for Foreign Service officer attrition.



PERFORMANCE GOAL 2

Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements

I/P #7: READY ACCESS TO INTERNATIONAL AFFAIRS APPLICATIONS AND INFORMATION		
Ensure effective means of electronic communication and connectivity.		
OUTCOME INDICATOR		
Indicator #1: Status of Commercial Networking Facilities Available for Unclassified and Classified Processing Completed		
FY RESULTS HISTORY	2000	Custom-leased telecommunications lines. Limited bandwidth and availability.
	2001	OpenNetPlus (ON+) Internet pilot completed. Twelve Virtual Private Networks (VPNs) installed.
	2002	OpenNetPlus pilot period completed; lessons learned documented. Substantial progress made on deployment to domestic and overseas posts. A cumulative total of fifty-four VPNs installed.
FY 2003 DATA	2003 Results	ON+: Department employees worldwide now have desktop Internet access and a consolidated program office has been established to modernize the Department's entire infrastructure (classified and unclassified) on a four-year cycle. VPN: A cumulative total of 125 VPNs installed, thus providing a reliable and efficient backup for 48% of the Department's posts should primary network connections fail. The remaining 135 posts are scheduled for VPN installation in FY 2004 and FY 2005 under this multi-year project.
	Target	ON+: Extended to all existing global OpenNet sites. A cumulative total of 125 VPNs installed.
	Rating	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> ON+: On Target <div style="width: 15px; height: 15px; background-color: green; margin-left: 20px; margin-right: 5px;"></div> VPN: On Target </div>
	Impact	ON+: Facilitates communication and collaboration internally as well as with the public, business, other USG agencies, and foreign governments. VPN: Increases the likelihood that information from overseas posts will reach intended recipients rapidly and reliably.
	Other Issues	VPN: Provides the backup infrastructure for an integrated network system used by State and forty other USG agencies represented at various overseas posts.



I/P #7: READY ACCESS TO INTERNATIONAL AFFAIRS APPLICATIONS AND INFORMATION <i>Continued</i>		
EFFICIENCY INDICATOR		
Indicator #2: Progress Toward Replacing Classified and Unclassified Desktop Computers More Than Four Years Old		
FY RESULTS HISTORY	2000	<ul style="list-style-type: none"> ● Unclassified- 10% ● Classified- 90%
	2001	<ul style="list-style-type: none"> ● Classified Connectivity Program (CCP) installed at seventy-four posts. ● Began replacing 1,875 desktops and 90 servers.
	2002	<ul style="list-style-type: none"> ● CCP installed at 135 posts. ● Six percent of overseas classified desktop computers are slower than the 450MHz standard. ● Thirty-five percent of unclassified desktop computers are over four years old.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> ● CCP installed at 224 scheduled posts. With this accomplishment and the completion of OpenNet Plus, no significant number of Department desktops are more than four years old. (Targets #1 and #3) ● A consolidated program office was established to modernize the Department's entire infrastructure (classified and unclassified) on a four-year cycle. (Target #2)
	Target	<ol style="list-style-type: none"> 1. Expand CCP to all 224 eligible overseas posts. 2. Establish consolidated program office to modernize Department's classified and unclassified infrastructure on a four-year cycle. 3. Establish and maintain an equipment refresh program to ensure no equipment is older than four years.
	Rating	■ Above Target
	Impact	Department employees worldwide who require it now have desktop access to the Internet and classified systems.



I/P #8: SECURE GLOBAL NETWORK AND INFRASTRUCTURE

Establish a reliable and secure global telecommunications and processing infrastructure.

EFFICIENCY INDICATOR

Indicator #3: Global Network Availability


FY RESULTS HISTORY	2000	Enterprise Network Management program initiated to consolidate global network and systems management.
	2001	Baseline: Network availability was 85 percent.
	2002	Network availability was 97 percent.
FY 2003 DATA	2003 Results	Network availability was 98 percent.
	Target	98 percent.
	Rating	■ On Target
	Impact	Information from overseas posts reaches recipients rapidly and reliably.

OUTPUT INDICATOR

Indicator #4: Certification and Accreditation (C&A) of Major Applications

FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: Four percent of Department systems and networks certified and accredited in accordance with standards promulgated by the National Institutes of Standards and Technology.
FY 2003 DATA	2003 Results	33% of the identified major applications and general support systems received C & A.
	Target	33% of the identified major applications in the Department receive C & A..
	Rating	■ On Target
	Impact	Ensures integrity, confidentiality, and availability of the Department's information systems.



I/P #9: MODERN, WORLDWIDE, INTEGRATED MESSAGING		
Provide the Department with a simple, secure, and user-driven system to support the conduct of diplomacy through modern messaging, dynamic archiving, and information sharing.		
OUTPUT INDICATOR		
Indicator #5: Elimination of the Legacy Cable System and Status of SMART Deployment		
FY RESULTS HISTORY	2000	N/A
	2001	Significant progress made in preparing groundwork for upgrade. No actual work completed.
	2002	Comprehensive requirements analysis completed, steering committee formed, users consulted to determine requirements, business process review completed, and prototype developed.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> ● Prototype evaluated. ● Acquisition strategy changed by Steering Committee from time and material contract to design demonstration competition. ● Request for Quotation for design demonstration deployment and operations drafted and released. ● Evaluation of vendor proposals begun and project on target under revised acquisition strategy.
	Target	<ul style="list-style-type: none"> ● Test prototype. ● Determine final requirements, and complete system design.
	Rating	 Slightly Below Target
	Impact	When fully deployed, SMART will reengineer, consolidate, centralize, and modernize the Department's formal and informal messaging processes and systems. SMART will have the ability to search and manage the information contained in the more than 72 million messages that are sent each year through diplomatic channels.



Official logo of the Department of State's Messaging and Archive Retrieval Toolset. SMART will replace the Department's antiquated global cable system and revolutionize messaging systems and processes.
 Department of State Photo



PERFORMANCE GOAL 3

Personnel are safe from physical harm and national security information is safe from compromise

I/P #10: SECURE EMPLOYEES

Ensure global security provided to the Department of State and foreign affairs agencies is adequate and appropriate for protection of personnel under Chief of Mission authority.

OUTPUT INDICATOR

Indicator #1: Installation of Technical Security Upgrades (100% = 133 posts)

FY RESULTS HISTORY

2000	N/A
2001	Baseline: Technical Security Upgrades (TSUs) completed at 23 posts.
2002	TSUs completed at 77 posts.

FY 2003 DATA

2003 Results	TSUs completed at 111 posts.
Target	TSUs completed at 104 posts.
Rating	■ Above Target
Impact	The replacement of outdated technical security equipment at our diplomatic facilities has contributed to the greater protection of our employees who are on the frontlines of our nation’s diplomatic effort. TSUs have lessened our vulnerability and provided the capability to take a proactive stance against global terrorist threats.



Ribbon-Cutting Ceremony for Opening of New U.S. Embassy Office Building in Dar es Salaam. From left to right, Ambassador Robert V. Royall, former Assistant Secretary for African Affairs Walter H. Kansteiner III, Under Secretary for Management Grant S. Green, Jr., and Tanzanian Vice President Ali Mohammed Shein share the honors of cutting the ceremonial ribbon and officially opening the new U.S. Embassy office building in Dar es Salaam, Tanzania, on March 4, 2003. The former Embassy building was destroyed in a terrorist attack on August 7, 1998, killing 11 Tanzanians, including eight Embassy employees, and injuring 72 Americans and Tanzanians.

Department of State Photo




I/P # 10: SECURE EMPLOYEES <i>Continued</i>		
OUTPUT INDICATOR		
Indicator #2: Deployment of Chemical Warfare/Biological Warfare (CW/BW) Countermeasure Masks to Posts Abroad		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: First Responder masks and equipment deployed to all posts.
	2002	Two of 240 posts provided employee countermeasure masks.
FY 2003 DATA	2003 Results	Seventy-five of 240 posts provided with and trained in the use of countermeasure equipment; this includes <ul style="list-style-type: none"> • 25,528 overseas personnel trained. • 95 courses provided for security professionals being trained overseas.
	Target	Eighty of 240 posts provided with CW/BW Countermeasure masks.
	Rating	■ On Target
	Impact	CW/BW training and equipment serve to minimize casualties resulting from a Chem/Bio attack among our overseas personnel. By equipping and training all personnel in the use of personal escape masks and self-administration of appropriate medications, the Department's employees will be better protected against these types of attacks.
	Other Issues	The Department will add four additional training teams and will streamline logistics to provide training to all overseas posts every two years.
OUTPUT INDICATOR		
Indicator #3: Replacement of Armored Vehicles (AVs)		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	Baseline: Forty-eight armored vehicles replaced.
	Target	Forty-eight armored vehicles replaced.
	Rating	■ On Target
	Impact	AVs provide protection of personnel from terrorist attack thereby providing more protection for Department employees while they carry out the Department's mission.



I/P #10: SECURE EMPLOYEES *Continued*


OUTPUT INDICATOR

Indicator #4: Installation of Access Control Systems (ACS)

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Phase 1 completed for the Harry S Truman Building (HST) and 150 new Smart Card badges issued.
	2002	Phase 2 was 85 percent complete: <ul style="list-style-type: none"> 75 percent of personnel data was gathered and entered into the computer database. Phase 2 completed for HST; half of personnel in the Washington National Capital area received new badges.
FY 2003 DATA	2003 Results	Completed, <ul style="list-style-type: none"> 100% of HST Perimeter ACS. 100% of HST Visitor ACS. 95% of HST Network required to support ACS. 25% of HST Infrastructure required to support ACS. 20% of HST ACS readers installation.
	Target	Complete ACS installation at HST by 12/21/2003.
	Rating	 Slightly Below Target
	Impact	The Department's ACS program replaces 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.
	Other Issues	The results were slightly below target primarily because the Department was unable to leverage contract performance through the existing contract vehicle (i.e., a time & materials contract). To improve performance the Department will, <ul style="list-style-type: none"> Implement recommendations identified from a comprehensive program review, Implement a new contracting strategy, and Strengthen the project management team.

OUTPUT INDICATOR

Indicator #5: Periodic Security Reinvestigations of State Employees Every Five Years at a Rate of 300 per Month

FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 100 reinvestigations per month.
	2002	189 reinvestigations per month.
FY 2003 DATA	2003 Results	364 reinvestigations per month.
	Target	300 reinvestigations per month.
	Rating	 Above Target
	Impact	This work helps ensure that the Department's employees do not pose security risks that could compromise the safety and security of the United States.



I/P #11: CRITICAL INFRASTRUCTURE PROTECTION		
Develop a CIP program plan to identify our worldwide critical infrastructure assets and protect them.		
OUTPUT INDICATOR		
Indicator #6: Remediation of Identified Critical Infrastructure Protection (CIP) Vulnerabilities		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Beltsville Information Management Center (BIMC) information assurance vulnerability review conducted.
	2002	Status of remediation for all Tier 1 vulnerabilities progressed to yellow. All other tiers remained at red (CIP scoring system).
FY 2003 DATA	2003 Results	Alternate Communications Site reaches Initial Operating Capability (IOC) with 50% of BIMC redundant circuits installed and operational. Tier 1 vulnerabilities progress to green. All Tier 2 and 50% of tier 3 vulnerabilities progress to yellow.
	Target	<ul style="list-style-type: none"> • Alternate Communications Site reaches IOC with 50% of BIMC redundant circuits installed and operational. • All Tier 1 vulnerabilities progress to green. • All Tier 2 and half of Tier 3 vulnerabilities progress to yellow.
	Rating	■ On Target
	Impact	The Department now has a functioning redundant communications capability.



PERFORMANCE GOAL 4

Secure, safe, and functional facilities serving domestic and overseas staff

I/P #12: CAPITAL SECURITY CONSTRUCTION		
Award capital security construction projects as scheduled in the Long-Range Overseas Buildings Plan (LROBP).		
OUTPUT INDICATOR		
Indicator #1: Number of New Sites Acquired for Capital Security Construction Projects		
FY RESULTS HISTORY	2000	N/A
	2001	6
	2002	10
FY 2003 DATA	2003 Results	5
	Target	4
	Rating	■ Above Target
	Impact	Sufficient new secure sites have been obtained by the Department on which to construct secure, safe, and functional capital security construction projects in accordance with the schedule set by the Long-Range Overseas Buildings Plan (LROBP).
OUTPUT INDICATOR		
Indicator #2: Number of Capital Projects Awarded In Accordance With LROBP		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	13
FY 2003 DATA	2003 Results	9
	Target	7
	Rating	■ Above Target
	Impact	The capital security construction projects awarded in FY 2003 will produce new embassy and consulate compounds that provide secure, safe, and functional facilities to enable overseas employees to carry out the vital interests of the United States.



I/P #13: FOGGY BOTTOM RENOVATION/CONSOLIDATION		
Consolidate essential staff in Foggy Bottom.		
OUTPUT INDICATOR		
Indicator #3: Renovation of the Harry S Truman Building (HST)		
FY RESULTS HISTORY	2000	Phase 1A on schedule.
	2001	Phase 1A of Old State demolition begun.
	2002	<ul style="list-style-type: none"> Phase 1A of Old State demolition completed. Infrastructure construction started.
FY 2003 DATA	2003 Results	<p>Old State Renovations – Key Achievements</p> <ul style="list-style-type: none"> Old State 8th floor vacated and demolition 100% complete. Infra-structure 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.
	Target	Begin Phase 1A of Old State renovations.
	Rating	■ On Target
	Impact	These renovations provide secure, safe, and functional facilities for the Department’s employees.
OUTPUT INDICATOR		
Indicator #4: Foreign Affairs Consolidation		
FY RESULTS HISTORY	2000	N/A
	2001	<ul style="list-style-type: none"> Initial ACDA and USIA office moves to Foggy Bottom completed. General requirements provided to architect for American Pharmaceutical Association (APhA) building addition.
	2002	<ul style="list-style-type: none"> 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. Consolidation 85 percent complete.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> Owner/developer secured approval of most of the reviewing agencies for APhA building addition.
	Target	Owner/developer secured approval of reviewing agencies for APhA building addition.
	Rating	■ On Target
	Impact	The prospectus gives the Department of State the authority to proceed with the consolidation.



I/P #14: NEW OFFICE BUILDING FOR U.S. MISSION TO UNITED NATIONS

A new office building for the U.S. Mission to the United Nations will provide secure, safe, and functional workspace for the USUN staff as well as other Department of State activities located in New York City.

OUTPUT INDICATOR

Indicator #5: USUN New Construction

FY RESULTS HISTORY	2000	50% design level.
	2001	NOB (New Office Building) design is 90 percent completed; interim office building space sought.
	2002	<ul style="list-style-type: none"> • NOB design is 98 percent completed. • Interim Office Building (IOB) space sought.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> • \$14 million IOB funding obtained. • GSA not able to finalize IOB lease in FY 2003. As a result, lease signing and IOB build-out are delayed to FY 2004.
	Target	<ul style="list-style-type: none"> • Obtain IOB funding. • Award IOB lease. • Complete IOB build-out.
	Rating	■ Significantly Below Target
	Impact	The lack of an IOB lease and build-out in FY 2003 has delayed the overall USUN construction schedule such that the occupancy of the new USUN building may slip to FY 2008 from FY 2007.



PERFORMANCE GOAL 5

Personnel are safe from physical harm and national security information is safe from compromise

I/P #15: INTEGRATE BUDGET AND PERFORMANCE		
Use sound planning to integrate the Department’s policy formulation, execution, and resource management functions.		
OUTCOME INDICATOR		
Indicator #1: Budget and Performance Integration		
The “Status/”Progress” Results utilize OMB’s President’s Management Agenda Scoring		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Status: Red. Progress: Red.
	2002	Status: Red. Progress: Green.
FY 2003 DATA	2003 Results	Status: Red. (Yellow status achieved after fiscal year 2003 ended.) Progress: Green.
	Target	Status: Yellow. Progress: Green.
	Rating	■ Slightly Below Target
	Impact	New OMB criteria (“Proud to Be”) resulted in a revised schedule to achieve “yellow” and “green” status. Better integration of budgeting and performance will improve the Department’s overall ability to leverage resources and achieve its mission.
OUTPUT INDICATOR		
Indicator #2: Implementation of Central Financial Planning System (CFPS) Modules		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: The initial design, funding, and preparations with pilot bureau completed.
FY 2003 DATA	2003 Results	Mission Performance Plan, Bureau Performance Plan and Statement of Net Costs modules completed and implemented.
	Target	Complete development and phased deployment of the Mission Performance Plan Module, the Bureau Performance Plan Module, and the Statement of Net Cost module.
	Rating	■ On Target
	Impact	This system’s development will allow the Department to better plan, budget and manage resources, and track performance against goals and objectives.



I/P #15: INTEGRATE BUDGET AND PERFORMANCE *Continued*

OUTPUT INDICATOR

Indicator #3: Status of Annual Accountability and Performance Reports

FY RESULTS HISTORY	2000	<ul style="list-style-type: none"> ● FY 1999 Accountability Report issued late. ● FY 1999 Performance Report issued on time.
	2001	<ul style="list-style-type: none"> ● FY 2000 Accountability Report issued on time. ● FY 2000 Performance Report issued on time.
	2002	<ul style="list-style-type: none"> ● FY 2001 Accountability Report issued on time. ● Report received the Association of Government Accountants (AGA) "Certificate of Excellence in Accountability Reporting" (CEAR) award. ● FY 2001 Performance Report issued on time.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> ● FY 2002 Performance and Accountability Report issued on time. ● Report received the CEAR award.
	Target	<ul style="list-style-type: none"> ● Issue the FY 2002 Performance and Accountability Report on time. ● Report receives the CEAR award.
	Rating	■ On Target
	Impact	<p>Report communicates performance results and financial information in a clear and direct manner thereby increasing the public's confidence in the Department's ability to execute its mission. A measure of the Report's clarity/transparency was improvement in its ranking by the Mercatus Center—from 20th to 11th place out of 24 CFO Agencies.</p>



I/P # 16: IMPROVE FINANCIAL PERFORMANCE		
Provide world-class financial services that support strategic decision-making, mission performance, the President’s Management Agenda, and improved accountability to the American people.		
OUTPUT INDICATOR		
Indicator #4: Improved Financial Performance (President’s Management Agenda, OMB Scoring) The “Status/”Progress” Results utilize OMB’s President’s Management Agenda Scoring		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: Status: Red. Progress: Red.
	2002	Status: Red. Progress: Green.
FY 2003 DATA	2003 Results	Status: Red. (Yellow status achieved after fiscal year 2003 ended.) Progress: Green.
	Target	Status: Yellow. Progress: Green.
	Rating	■ Slightly Below Target
	Impact	Meeting all requirements to progress to “yellow” and then “green” status will insure high quality financial management in accordance with USG-wide standards.
OUTCOME INDICATOR		
Indicator #5: Financial Services Consolidation		
FY RESULTS HISTORY	2000	USIA and ACDA financial services integrated into Department. Foreign currency purchasing from FSC Paris and FSC Bangkok consolidated to FSC Charleston.
	2001	The Department approved the transfer of certain financial management functions to FSC Charleston. The Department approved the transfer of posts serviced by FSC Paris to FSC Charleston and FSC Bangkok, and the closure of FSC Paris.
	2002	Implementation plan submitted to OMB. Initial implementation of Regional Financial Management System (RFMS) in FSC Charleston. The Department took occupancy of the second building in Charleston complex in April 2002.
FY 2003 DATA	2003 Results	1. Domestic processing for American payroll and Foreign Service Pension is now operating in FSC Charleston. 2. All overseas posts serviced by former FSC Paris are now serviced by FSC Charleston and FSC Bangkok.
	Target	1. Relocate domestic processing for American payroll and Foreign Service Pension to FSC Charleston. 2. Fully convert all posts serviced by FSC Paris to FSC Charleston and FSC Bangkok.
	Rating	■ On Target
	Impact	The Department’s financial processing is being consolidated to the Charleston, South Carolina Financial Service Center. Consolidation efforts result in better and more standardized procedures and a reduction of the number of systems and related operational costs. Consolidation will better position the Resource Management bureau to support the Department’s foreign policy agenda and decision-making, and meet the increasing reporting, security and regulatory requirements established by OMB, Treasury, and a variety of legislation.





PERFORMANCE GOAL 6

Customer-oriented, innovative delivery of administrative and information services and assistance


I/P # 17: WORLDWIDE LOGISTICS		
<p>Improve customer support and increase the efficiency of the Department’s worldwide logistics support system. Implement Quality Sourcing to provide the necessary technical support for competitive sourcing and performance-based service contracting.</p>		
EFFICIENCY INDICATOR		
Indicator #1: Percentage of Service Contract Dollars That are Performance-Based		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: Plan for implementing a performance-based contract program approved.
FY 2003 DATA	2003 Results	Program implemented; through the third quarter of FY 2003, 8% of Department’s service contract dollars are performance-based.
	Target	Implementation underway.
	Rating	■ On Target
	Impact	The Department has begun to take advantage of performance-based contracting which enables it to structure contracts so that vendors work towards a stated result, thereby giving the Department better control over the work and better value for its dollar.




I/P # 17: WORLDWIDE LOGISTICS <i>Continued</i>		
INPUT INDICATOR		
Indicator #2: Logistics in the Areas of Acquisition, Distribution, Transportation, Travel and Diplomatic Pouch and Mail		
FY RESULTS HISTORY	2000	N/A
	2001	<ul style="list-style-type: none"> Detailed implementation plan and requirements analysis complete. Design of the Integrated Logistics Management System (ILMS) 25% complete.
	2002	<ul style="list-style-type: none"> Design/development 50% complete. Deployment strategy complete. Initial implementation of Diplomatic Pouch and Mail bar-code tracking system.
FY 2003 DATA	2003 Results	<p>ILMS</p> <ul style="list-style-type: none"> Procurement module operational in four domestic bureaus and one overseas regional procurement facility. Asset Management module piloted at one overseas post. Diplomatic Pouch and Mail module fully deployed and operational in both the unclassified and classified pouch facilities. <p>Logistics Management (A/LM) Balanced Score Card (BSC)</p> <ul style="list-style-type: none"> Conducting a "bottom up" review and developing scorecard initiatives and performance indicators within each Directorate, Division and Branch. These scorecards and initiatives will then be incorporated into the A/LM BSC.
	Target	<ul style="list-style-type: none"> Deploy Perfect Order Performance for Secure Logistics (i.e., ILMS). Implement the Balanced Score Card (BSC) system in all business units.
	Rating	 On Target
	Impact	<p>ILMS</p> <ul style="list-style-type: none"> Increased Efficiency: Bureaus can now electronically enter, route and approve requisitions as well as commit funds in ILMS; Acquisitions Office no longer re-enters requisitions; Contracting Officers can obligate funds via ILMS in real-time. Enhanced Visibility: ILMS users have greatly enhanced visibility into status of their request. The London pilot identified enhancements necessary to improve usability by overseas posts. Increased Output: Diplomatic Pouch and Mail has increased their average daily output by 60% from 500 to 800 pouches per day. <p>BSC</p> <ul style="list-style-type: none"> Increased Customer Service: Incorporating results into A/LM scorecard will provide goals and indicators that measure accomplishments.

I/P # 18: OVERSEAS SCHOOLS ACCREDITATION		
Support posts abroad by ensuring to the fullest extent possible the availability of elementary and secondary educational opportunities to prepare USG dependents for reentry into the U.S. educational system.		
OUTPUT INDICATOR		
Indicator #3: Accreditation of Overseas Schools		
FY RESULTS HISTORY	2000	N/A
	2001	Baseline: 148 accredited schools.
	2002	155 accredited schools.
FY 2003 DATA	2003 Results	165 accredited schools.
	Target	162 accredited schools out of approximately 187.
	Rating	 Above Target
	Impact	Accreditation is a major factor in determining school quality. More U.S. accredited overseas schools means that USG dependents abroad have access to education comparable to education in the United States. This is a key factor in the Department's ability to retain a qualified workforce.



I/P #19: RECORDS AND PUBLISHING SERVICES		
Leverage information resources and institutional knowledge in support of goals for information availability and objectives regarding protection of and access to critical information.		
EFFICIENCY INDICATOR		
Indicator #4: Freedom of Information Act Request Backlog		
FY RESULTS HISTORY	2000	Zero percent reduction.
	2001	Zero percent reduction.
	2002	Baseline: Achieved a twenty percent reduction in the FY 2001 backlog of 6,214 FOIA requests.
FY 2003 DATA	2003 Results	Fifty percent reduction as of the end of FY 2003.
	Target	Achieve a forty Percent Reduction in the FY 2001 backlog.
	Rating	 Significantly Above Target
	Impact	As the Office of Records and Publishing Services works to reduce the FOIA backlog, it is also improving business processes. Better use of and investments in technology have significantly improved responses to requesters.

I/P #20: ALLOWANCES		
Maintain timely review and processing of overseas submissions for allowance and differential rates in order to compensate employees properly for current costs and conditions, and to ensure that the U.S. Government is paying appropriate rates.		
OUTPUT INDICATOR		
Indicator #5: Status of eAllowances System		
FY RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	Baseline: User requirements identified.
FY 2003 DATA	2003 Results	<ul style="list-style-type: none"> • Customer Focus Team Meeting held and Alternative Analysis completed. • Systems Requirements Specifications and Per Diem Business Processing Re-engineering (BPR) completed; User requirements completed. • OMB Business Case developed. • Statement of Work in draft.
	Target	Complete preliminary work and development on eAllowances System.
	Rating	 On Target
	Impact	Study period for eAllowances has been completed as described in Managing State Projects (MSP); developed communications and change management strategies; ready to move to Acquisition phase.

VIII. Program Evaluations and PART Reviews

Two program evaluations and one OMB PART review for the FY 2004 budget process were conducted in FY 2003 pertaining to this Strategic Goal.

- 1) Domestic Travel Card Program (AUD/FM-03-022), (OIG)
- 2) Audit of the U.S. Department of State 2002 and 2001 Principal Financial Statements (AUD/FM-03-18), (OIG)
- 3) Capital Security Construction, (OMB PART)

Detailed information on major findings, recommendations, and actions to be taken, for the PART review and program evaluations can be found in the "OMB PART Summaries" and the "Completed Program Evaluations for FY 2003" appendices.

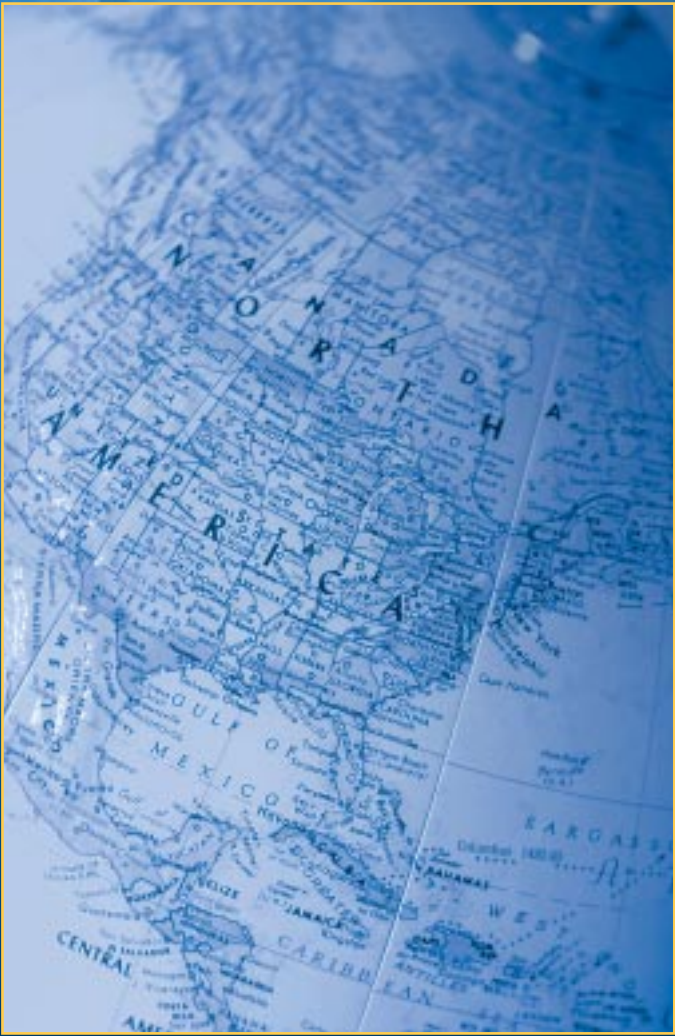


MILESTONES OF AMERICAN DIPLOMACY

- 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.
- 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.
- 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.
- 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:** Non-Proliferation 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.
- 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.



RESOURCE
SUMMARY BY
STRATEGIC GOAL



RESOURCE SUMMARY
**U.S. DEPARTMENT OF STATE
 APPROPRIATIONS ACT RESOURCES**

(\$ in thousands)

STRATEGIC OBJECTIVE Strategic Goal		FY 2002 Actual		FY 2003 Actual	
		Positions ⁽¹⁾	Funds	Positions	Funds
ACHIEVE PEACE AND SECURITY					
RS	Regional Stability	1,215	\$ 1,037,372	1,247	\$ 899,936
CT	Counterterrorism	671	120,698	905	120,790
HS	Homeland Security	615	89,990 ⁽²⁾	638	86,500 ⁽²⁾
WD	Weapons of Mass Destruction	504	138,436	485	150,489
IC	International Crime and Drugs	712	91,135	717	87,437
AC	American Citizens	674	79,420 ⁽²⁾	579	51,910 ⁽²⁾
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS					
DE	Democracy & Human Rights	815	577,669	783	571,006
EP	Economic Prosperity and Security	1,236	427,348	1,139	496,444
SE	Social & Environmental Issues	721	303,228	689	273,405
HR	Humanitarian Response	169	25,655	166	68,461
PROMOTE INTERNATIONAL UNDERSTANDING					
PD	Public Diplomacy and Public Affairs	2,270	428,201	2,392	423,748
STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES					
MG	Management and Organizational Excellence	9,450	4,465,357	9,573	4,364,506
Strategic Goal Sub Total		19,052	7,784,509	19,313	7,594,632
Office of the Inspector General		314	29,000	314	29,074
GRAND TOTAL		19,366	\$ 7,813,509	19,627	\$ 7,623,706

¹ The "Positions" column denotes the number of direct funded American positions.

² Additional funds collected from visa, passport and other fees are used to support this strategic goal.



RESOURCE SUMMARY

**U.S. DEPARTMENT OF STATE AND OTHER
FOREIGN AFFAIRS AGENCIES
FOREIGN OPERATIONS AND FOOD AID RESOURCES**

(\$ in thousands)

STRATEGIC OBJECTIVE Strategic Goal	FY 2002 Actual Funds	FY 2003 Actual Funds
ACHIEVE PEACE AND SECURITY		
RS Regional Stability	\$ 5,151,953	\$ 7,242,880
CT Countering Terrorism	581,735	1,187,645
HS Homeland Security	352	338
WD Weapons of Mass Destruction	345,074	211,260
IC International Crime and Drugs	1,245,586	1,132,316
AC American Citizens	-	-
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS		
DE Democracy & Human Rights	769,783	769,664
EP Economic Prosperity and Security	2,724,449	2,810,357
SE Social & Environmental Issues	1,564,119	1,956,541
HR Humanitarian Response	1,039,022	1,290,207
PROMOTE INTERNATIONAL UNDERSTANDING		
PD Public Diplomacy and Public Affairs	136,040	123,264
STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES		
MG Management and Organizational Excellence	1,297	481
Strategic Goal Sub Total¹	13,559,410	16,724,952
OTHER FOREIGN OPERATIONS²	4,406,982	6,948,410
Total - Foreign Operations	17,966,392	23,673,362
Agriculture - P.L. 480 Title II (Food Aid)	958,820	1,441,000
GRAND TOTAL	\$ 18,925,212	\$ 25,114,362

¹ Department administered accounts total \$2,933,200 in FY 2002 and \$2,578,429 in FY 2003, and include the INCLE, ACI, IO&P, MRA, ERMA, NADR and PKO accounts. The balance of funds are implemented by other foreign affairs agencies.

² Includes international affairs resources (Function 150) for other USG 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 that is under the direction of the Coalition Provisional Authority (CPA).



INTERESTING HISTORICAL NOTES

SEWARD'S ABORTIVE INITIATIVE

At the beginning of President Lincoln's Administration in April 1861, the new Secretary of State, William H. Seward of New York, proposed to end domestic political strife over the all-consuming question of slavery by pursuing an active foreign policy, one that might lead to declarations of war against France or Spain, thus uniting domestic factions against a foreign threat. Seward even volunteered himself as the principal prosecutor of such a policy. The President tactfully rebuffed this extraordinary proposal. Thereafter, Seward, subordinated himself to the President and served him loyally and effectively.

THE HULSEMANN-WEBSTER EXCHANGE

In 1850 the Austrian charge in Washington, the Chevalier Hulsemann, who strenuously objected to supposed American interference in the domestic affairs of Hungary, communicated an insulting message to the Department of State. His Government, he stated, had "deemed it proper to preserve a conciliatory deportment making ample allowance for the ignorance of the Cabinet of Washington on the subject of Hungarian affairs and its disposition to give credence to the mendacious rumors which are propagated by the American press."

To this statement Secretary of State Daniel Webster replied in kind: "Nothing will deter either the Government or the people of the United States from . . . forming and expressing their own opinions freely and at all times upon the great political events which may transpire among the civilized nations of the earth. Their own institutions stand upon the broadest principles of civil liberty; and believing those principles . . . to be . . . in fact the only principles of government which meet the demands of the present enlightened age, the President has perceived with great satisfaction that in the constitution recently introduced into the Austrian Empire many of these great principles are recognized and applied."

DIPLMACY'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.

DIPLMACY 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.





FINANCIAL SECTION

FISCAL YEAR 2003 PERFORMANCE AND ACCOUNTABILITY REPORT

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 Bulletin 01-09, *Form and Content of Agency Financial Statements*. 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.

For 2003, the Consolidated Statement of Net Cost is significantly different than last year's Statements. Specifically, the Department is reporting net costs by strategic goal, which is consistent with OMB Bulletin 01-09, and explained more fully in Note 18 to the financial statements. The 2002 amounts have been recast consistent with the 2003 presentation.

Comparative financial statements are required for 2003 and beyond. 2003 is the first year for which comparative Statements of Changes in Net Position, Budgetary Resources, and Financing are presented.

The **Consolidated Balance Sheet** provides information on assets, liabilities, and net position similar to balance sheets reported in the private sector. Comparative data for 2002 are included, and 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 consist of the gross cost incurred by the Department less any exchange (i.e., earned) revenue from our activities. Comparative data for 2002 are included, and 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. Comparative data for 2002 are included, and 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. Comparative data for 2002 are included, and intra-Departmental transactions have not been eliminated from the amounts presented.

The **Combined Statement of Financing** reports the relationship between budgetary transactions and financial transactions. Comparative data for 2002 are included, and intra-departmental transactions have not been eliminated from the amounts presented.

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 intra-governmental amounts, deferred maintenance, and the Department's Working Capital Fund.

The Department received an "Unqualified Opinion" on its financial statements for each of the seven years since 1997 from an independent public accounting firm engaged by the Department's Office of Inspector General.



INDEPENDENT AUDITOR'S REPORT





United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

December 24, 2003

BRIEFING MEMORANDUM

UNCLASSIFIED

TO: THE SECRETARY

FROM: OIG - Anne W. Patterson, Deputy Inspector General *AWP*

SUBJECT: *Audit of the U.S. Department of State 2003 and 2002
Principal Financial Statements (Report AUD/FM-04-12)*

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, 2003, and for the year then ended.

During its audit, LGB found:

- that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles;
- four reportable conditions related to internal controls over information system security, the financial and accounting system, undelivered orders, and the implementation of managerial cost accounting standards.
- that the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996; and
- instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management systems.

The internal control and noncompliance issues underscore the need for the Department to continue its efforts to improve its financial management systems. Although the Department was able to provide information much earlier than in previous years, the auditor's unqualified opinion was achieved for the most part

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UNCLASSIFIED



through the extensive efforts of financial management staff to overcome system weaknesses and produce auditable information. Because of the internal control and noncompliance issues, reliable information was not readily available during the year, and there is a risk of materially misstating financial information. In addition, OIG is concerned that the Department has not implemented the processes necessary to meet the accelerated deadline for FY 2004.

LGB's report, dated December 24, 2003, 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, including assuring the audit was performed in accordance with *Government Auditing Standards* and Office of Management and Budget Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. OIG made appropriate inquiries of LGB representatives and monitored the audit by:

- evaluating the nature, timing, and extent of the work;
- evaluating the qualifications and independence of the auditors;
- monitoring progress throughout the audit;
- examining audit workpapers and evaluating key judgments;
- reviewing the audit report to ensure compliance with appropriate standards; and
- performing other procedures that OIG deemed appropriate in the circumstances.

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 financial statements or conclusions about the effectiveness of internal control and compliance with certain laws and regulations. However, OIG's review disclosed no instances where LGB did not comply, in all material respects, with *Government Auditing Standards*.

The Bureau of Resource Management (RM) agreed with the findings and conclusions, and its comments are included as Appendix A to the report. In addition to this report, OIG will transmit a separate management letter to RM discussing several other matters that were identified during the audit. OIG appreciates the cooperation extended to it by the Department's managers and staff during the audit.



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INDEPENDENT AUDITOR'S REPORT

To the Secretary, Department of State:

We have audited the Department of State's (Department) Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources, and Combined Statement of Financing as of, and for the years ended, September 30, 2003 and 2002 (collectively the Principal Financial Statements); we have examined internal control over financial reporting in place as of September 30, 2003; and we have examined compliance with laws and regulations.

In our opinion, the Department's 2003 and 2002 Principal Financial Statements are presented fairly in all material respects.

We found:

- 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
- noncompliance 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 2003 and 2002 Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, Combined Statements of Budgetary Resources, and Combined Statements of Financing, including the notes thereto, present fairly, in all material respects, the Department's financial position as of September 30, 2003 and 2002, 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.

In 2003 and 2002, the Department implemented revised financial statement reporting requirements and Statements of Federal Financial Accounting Standards that became effective for those years. The details of these changes are presented in Note 2 to the Principal Financial Statements. The Department also changed its method for estimating domestic accounts payable in 2003. Details regarding this change are presented in Note 1 to the Principal Financial Statements.

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 Office of Management and Budget's (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 four matters, discussed in the following paragraphs, involving internal control that we consider to be reportable conditions.

- We have identified significant 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, which process data using these networks, may also be vulnerable. This weakness was first reported in *Computer Security: Pervasive, Serious Weaknesses Jeopardize State Department Operations* (GAO/AIMD-98-145) based on penetration tests performed by the General Accounting Office (GAO) and was then reported in our opinion on the 1997 financial statements.

The Department was able to close the recommendations related to this GAO report in FY 2000. However, we did not believe that the closure of the GAO recommendations demonstrated that the previously cited material weakness had necessarily been corrected. Therefore, the Department performed tests of access controls in this area, which identified significant weaknesses. The Department has initiated a program to assess its information systems security on a comprehensive basis.

This condition had been reported as a material weakness in our audits of the Department's 1997 Principal Financial Statements and subsequent audits. The Department's



work toward correcting this deficiency is now considered to be sufficiently advanced to reduce this deficiency to a reportable condition.

- The Department's financial and accounting system, as of September 30, 2003, was inadequate. This inadequacy prevented the Department from routinely issuing timely financial statements. 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. This is due, at least in part, to untimely processing and reporting of transactions by posts and bureaus. OMB Circular A-127, *Financial Management Systems*, requires that transaction processing be applied consistently throughout the Department's financial management system. 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 2003, 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'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 \$334 million of undelivered orders should have been deobligated as of September 30, 2003. Also, we noted that the Department's undelivered orders balance has grown significantly to \$6.7 billion, as of September 30, 2003. 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 audits 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 #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, establish outputs for each responsibility segment, or allocate all support costs. 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 the deficiencies. Unaudited financial information reported by the Department, including budget information, also may contain misstatements resulting from these deficiencies.

We are not aware of any other known but uncorrected material findings or recommendations from prior audits that affect the current audit objectives.

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 December 24, 2003.

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 in the preceding paragraph, 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 financial systems: (1) did not manage undelivered orders effectively, and (2) did not issue interim financial reports that could be used for effective management of operations.
- 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 financial system did 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 financial systems: (1) did not issue interim financial statements that could be used for effective management; and (2) did not provide complete information in that certain elements of the financial statements are developed from sources other than the general ledger.
- 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 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 audits 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 substantially comply with the requirement to follow the federal financial management system requirements. OMB implementation guidance states that, to be in substantial compliance with this requirement, the Department must meet specific requirements of OMB Circular A-127, including the computer security controls required by



OMB Circular A-130, *Management of Federal Information Resources*. We found instances of substantial noncompliance with these two requirements.

- 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 determined that the Department was not substantially in compliance with this standard.

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. This issue has been highlighted since 1983 in the Department's annual report, required by the Federal Managers' Financial Integrity Act. 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. The plan initially projected achieving substantial compliance with FFMIA during FY 2003. RM currently expects to achieve this goal in 2004. Although RM has completed several significant phases of its plan, the plan needs to specifically address systems security and management of grants and other types of federal assistance.

We noted certain other instances of noncompliance that we reported to the Department's management in a separate letter dated December 24, 2003.

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 referred to above 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, 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;
- obtained an understanding of the internal controls over financial reporting by obtaining an understanding of the agency's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls;
- obtained an understanding of the internal controls relevant to performance measures included in Management's Discussion and Analysis, including obtaining an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether they had been placed in operations;



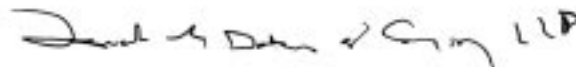
- obtained an understanding of the process by which the agency identifies and evaluates weaknesses required to be reported under FMFIA and related agency implementing procedures;
- tested compliance with selected provisions of laws and regulations that may have a direct and material effect on the financial 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 Bulletin 01-09, *Form and Content of Agency Financial Statements*, 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, the Office of Management and Budget, 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 24, 2003






United States Department of State
Assistant Secretary and Chief Financial Officer
Washington, D.C. 20520

December 24, 2003

MEMORANDUM

TO: OIG - Ms. Anne W. Patterson

FROM: RM - Christopher B. Burnham 

SUBJECT: Draft Audit Report on the Department of State's
 2003 and 2002 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 2003 and 2002 Principal Financial Statements" (Report).

For the seventh consecutive year, the independent CPA firm selected by the Office of Inspector General (OIG) will issue an unqualified ("clean") opinion on the Department's consolidated financial statements. Achieving an unqualified opinion is an important accomplishment for both of our offices. Also noteworthy is that this year's opinion is five weeks earlier than the opinion on the FY 2002 consolidated financial statements. We would like to extend our appreciation to your staff and to your contractor, Leonard G. Birnbaum and Company, LLP, for the professional and cooperative manner in which they conducted the audit.

In relation to internal control, the Report cites four reportable conditions: (1) information systems security, (2) the inadequacy of the Department's financial management systems, (3) the management of unliquidated obligations, and (4) 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 Report cites the Department's security for information systems networks as a reportable condition, an improvement from last year's identification of this area as a material weakness. While improvement efforts in this area will continue, we are pleased that our progress is recognized in the Report. In 2003, the Department continued to strengthen our cyber security posture. These measures include establishing a baseline inventory of applications, developing and implementing a systems/site authorization project, meeting our goal of certifying and accrediting one-third of systems by August 2003, establishing a Departmentwide process to track corrective action in mitigating security weaknesses, revising Department cyber security roles and responsibilities, and maintaining a strong perimeter defense and incident response.

Our efforts to address this weakness also include periodic meetings with staff from your Office of Audits, Leonard G. Birnbaum and Company, LLP, senior managers in IRM and our office. The purpose is to identify and coordinate actions needed to improve controls and monitor progress. We have and will continue to provide a status of these efforts to the Office of Management and Budget (OMB) as part of our reporting on the President's Management Agenda.

Substantial compliance with Federal financial systems requirements is a top priority of the Department, and many improvements have taken place to address the longstanding weaknesses in the Department's financial systems. Based on these improvements, including the implementation of the new Regional Financial Management Systems at all overseas posts, the MCSC voted to close the Department's one remaining material non-conformance for Financial and Accounting Systems. We believe our efforts in FY 2004 will provide for achieving substantial compliance with FFMIA.

Strengthening the management of unliquidated obligations is an important financial management initiative. As mentioned in the Report, the Department has made significant progress in this area. The Unliquidated Obligation System was implemented in FY 2000, and we use this system to facilitate the reconciliation, monitoring, reporting and oversight of unliquidated obligations worldwide. Data in the system is analyzed in various strata and reports to facilitate the review and management of open items. This information, together with new processes recently implemented in our financial systems, will provide for improved management and oversight of unliquidated obligations in FY 2004.



The Department is making progress in implementing Managerial Cost Accounting Standards (MCAS), but acknowledges that additional work is needed to fully comply with these standards. To address MCAS requirements, the Department developed a revised Statement of Net Cost methodology that allows for the reporting of cost information by strategic objectives and goals. This new method was used to produce the FY 2003 Statement of Net Cost.

We thank you for the opportunity to comment on the draft report and for working with us in a collaborative manner on the FY 2003 financial statements. We believe that our offices have made considerable progress over the past several years. The Department is committed to continuing its efforts to improve 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	2003	2002
ASSETS	3		
Intragovernmental Assets:			
Fund Balances With Treasury	4	\$ 9,953,197	\$ 8,937,139
Investments, Net	5	12,301,173	11,750,737
Accounts Receivable, Net	6	372,303	313,291
Interest Receivable		189,366	192,637
Total Intragovernmental Assets		22,816,039	21,193,804
Accounts Receivable, Net	6	21,346	45,349
Loans Receivable, Net	7	1,215	1,231
Cash and Other Monetary Assets	8	16,086	12,792
Inventory	9	5,259	7,784
Property and Equipment, Net	10	5,996,493	5,499,850
Other Assets	11	38,208	79,347
Total Assets		\$ 28,894,646	\$ 26,840,157

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	2003	2002
LIABILITIES	12		
Intragovernmental Liabilities:			
Accounts Payable		\$ 39,889	\$ 4,120
Other Liabilities		36,800	37,300
Total Intragovernmental Liabilities		76,689	41,420
Accounts Payable		1,018,625	780,679
Foreign Service Retirement Actuarial Liability	13	13,093,800	12,211,800
Liability to International Organizations	14	919,428	1,065,172
Capital Lease Liability	15	85,985	92,010
Funds Held in Trust	8	13,322	13,592
Federal Employees' Compensation Act Benefits		61,628	56,259
Other Liabilities	12	511,659	563,471
Total Liabilities		15,781,136	14,824,403
Commitments and Contingencies	16		
NET POSITION			
Unexpended Appropriations	17	8,536,307	7,154,023
Cumulative Results of Operations		4,577,203	4,861,731
Total Net Position		13,113,510	12,015,754
Total Liabilities and Net Position		\$ 28,894,646	\$ 26,840,157

The accompanying notes are an integral part of this financial statement.



DEPARTMENT OF STATE CONSOLIDATED STATEMENT OF NET COST (NOTE 18)

(Dollars in Thousands)

For the year ended September 30,	2003	2002
Achieve Peace and Security		
Regional Stability		
Total Cost	\$ 982,449	\$ 800,909
Earned Revenue	(46,567)	(31,054)
Net Program Costs	935,882	769,855
Counterterrorism		
Total Cost	461,209	346,172
Earned Revenue	(21,861)	(13,423)
Net Program Costs	439,348	332,749
Homeland Security		
Total Cost	450,960	860,906
Earned Revenue	(21,375)	(33,381)
Net Program Costs	429,585	827,525
Weapons of Mass Destruction		
Total Cost	366,038	315,697
Earned Revenue	(17,350)	(12,241)
Net Program Costs	348,688	303,456
International Crime and Drugs		
Total Cost	1,005,795	712,762
Earned Revenue	(32,127)	(12,799)
Net Program Costs	973,668	699,963
American Citizens		
Total Cost	1,492,507	1,334,435
Earned Revenue	(1,442,760)	(1,011,048)
Net Program Costs	49,747	323,387
Advance Sustainable Development and Global Interests		
Democracy and Human Rights		
Total Cost	492,444	366,647
Earned Revenue	(23,341)	(14,216)
Net Program Costs	469,103	352,431
Economic Prosperity and Security		
Total Cost	1,040,527	718,533
Earned Revenue	(49,319)	(27,860)
Net Program Costs	991,208	690,673
Social and Environment Issues		
Total Cost	255,740	213,322
Earned Revenue	(12,121)	(8,271)
Net Program Costs	243,619	205,051
Humanitarian Response		
Total Cost	775,718	845,205
Earned Revenue	(392)	454
Net Program Costs	775,326	845,659
Promote International Understanding		
Public Diplomacy and Public Affairs		
Total Cost	1,482,740	1,706,951
Earned Revenue	(129,811)	(109,986)
Net Program Costs	1,352,929	1,596,965
Executive Direction and Other Costs Not Assigned		
Total Cost	3,416,513	2,616,296
Earned Revenue	(1,365,999)	(1,225,271)
Net Program Costs	2,050,514	1,391,025
Total Cost	12,222,640	10,837,835
Total Revenue	(3,163,023)	(2,499,096)
Total Net Cost	\$ 9,059,617	\$ 8,338,739

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, 2003		September 30, 2002	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	\$ 4,861,731	\$ 7,154,023	\$ 3,451,512	\$ 5,961,844
Prior period adjustments (+/-)	—	—	—	—
Beginning Balances, as adjusted	4,861,731	7,154,023	3,451,512	5,961,844
Budgetary Financing Sources:				
Appropriations Received	—	10,320,841	—	10,227,805
Appropriations transferred-in/out (+/-)	—	558,225	—	1,024,187
Other adjusted (rescissions, etc.) (+/-)	—	(150,850)	—	(116,923)
Appropriations Used	9,345,932	(9,345,932)	9,942,890	(9,942,890)
Nonexchange revenue	862	—	16,267	—
Donations	3,927	—	33,581	—
Other Financing Sources:				
Transfers-in/out without reimbursement (+/-)	(663,172)	—	(327,859)	—
Imputed financing from costs absorbed by others	87,540	—	84,079	—
Total Financing Sources	8,775,089	1,382,284	9,748,958	1,192,179
Net Cost of Operations (+/-)	(9,059,617)	—	(8,338,739)	—
Ending Balances	\$ 4,577,203	\$ 8,536,307	\$ 4,861,731	\$ 7,154,023

The accompanying notes are an integral part of this financial statement.



DEPARTMENT OF STATE
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 19)

(Dollars in Thousands)

For the Year Ended September 30,	2003	2002
Budgetary Resources:		
Budget Authority		
Appropriations received	\$ 11,952,495	\$ 11,434,158
Net transfers	110,219	1,040,178
Other	—	479,683
Unobligated balances:		
Beginning of period	2,579,307	2,369,063
Net transfers	(17,645)	(39,432)
Spending authority from offsetting collections:		
Earned		
Collected	3,360,669	2,081,677
Receivable from Federal sources	(266,146)	217,618
Change in unfilled customer orders		
Without advance from Federal sources	1,619	2,435
Subtotal	3,096,142	2,301,730
Recoveries	529,542	880,827
Temporarily not available pursuant to Public Law	(555,093)	(575,067)
Permanently not available	(144,406)	(96,549)
Total Budgetary Resources	\$ 17,550,561	\$17,794,591

The accompanying notes are an integral part of this financial statement.



DEPARTMENT OF STATE
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 19)

(Dollars in Thousands)

For the Year Ended September 30,	2003	2002
Status of Budgetary Resources:		
Obligations incurred		
Direct	\$ 15,170,135	\$ 13,670,130
Reimbursable	(244,950)	1,545,154
Subtotal	14,925,185	15,215,284
Unobligated balances available		
Apportioned	2,356,174	2,360,250
Exempt from apportionment	7,489	98,833
Unobligated balances not available	261,713	120,224
Total Status of Budgetary Resources	17,550,561	17,794,591
Relationship of Obligations to Outlays:		
Obligated balance, net, beginning of year	5,990,322	4,642,993
Obligated balance transferred, net	—	—
Less: obligated balance, net, end of year		
Accounts receivable	(370,797)	(636,037)
Unfilled customer orders from Federal sources	(2,886)	(1,618)
Undelivered orders	6,679,670	6,328,591
Accounts payable	974,382	299,386
Outlays		
Disbursements	13,614,334	12,767,075
Collections	(3,360,669)	(2,081,677)
Subtotal	10,253,665	10,685,398
Less: offsetting receipts	(896,582)	(806,806)
Net Outlays	\$ 9,357,083	\$ 9,878,592

The accompanying notes are an integral part of this financial statement.



DEPARTMENT OF STATE
COMBINED STATEMENT OF FINANCING (NOTE 20)

(Dollars in Thousands)

For the Year Ended September 30,

2003

2002

Resources Used to Finance Activities:

Budgetary Resources Obligated

Obligations Incurred	\$ 14,925,185	\$ 15,215,994
Less: Spending Authority from offsetting collections and recoveries	(3,625,684)	(3,180,772)
Obligations net of offsetting collections and recoveries	11,299,501	12,035,222
Less: Offsetting receipts	(896,582)	(806,806)
Net obligations	10,402,919	11,228,416

Other Resources

Donations	\$ 3,927	\$ —
Transfers in/out without reimbursement	(663,171)	(327,859)
Imputed financing from costs absorbed by others	87,540	84,079
Other	—	31,840
Net other resources used to finance activities	(571,704)	(211,940)

Total Resources used to Finance Activities

\$ 9,831,215

\$ 11,016,476

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	349,811	1,765,930
Resources that fund expenses recognized in prior periods	156,320	1,890,375
Budgetary offsetting collections and receipts that do not affect net cost of operations		
Credit program collections which increase liability for loan guarantees or allowance for subsidy	1,198	287
Other	975,089	—
Resources that finance the acquisitions of assets	494,118	1,039,480
Other resources or adjustments to net obligated resources that do not affect net cost of operations	—	—

Total Resources used to Finance Items not Part of the Net Cost of Operations

1,976,536

4,696,072

Total Resources Used to Finance the Net Cost of Operations

\$ 7,854,679

\$ 6,320,404

The accompanying notes are an integral part of this financial statement.



DEPARTMENT OF STATE
COMBINED STATEMENT OF FINANCING (NOTE 20)

(Dollars in Thousands)

For the Year Ended September 30,	2003	2002
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	\$ 17,945	\$ 8,976
Increase in actuarial liability	887,369	1,057,328
Increase in IO liability	—	683,311
Other, net	68	9,454
Total components of Net Cost of Operations that will require or generate resources in future periods	905,382	1,759,069
Components not Requiring or Generating Resources:		
Depreciation and amortization	\$ 275,281	\$ 246,034
Reevaluation of assets or liabilities	—	—
Other	24,275	13,232
Total components of Net Cost of Operations that will not require or generate resources	299,556	259,266
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	1,204,938	2,018,335
Net Cost of Operations	\$ 9,059,617	\$ 8,338,739

The accompanying notes are an integral part of this financial statement.



DEPARTMENT OF STATE 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 Fund 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) Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. OMB Bulletin No. 01-09 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*.

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 8, “Cash and Other Monetary Assets”. Treasury processes domestic receipts and disbursements. During 2003 and 2002, the Department operated three Financial Service Centers, which are located in Paris, 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, 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.

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 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."

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.



*Judith Miller
Water Lillies|Greenbrook Sanctuary #1*



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

The Department’s Consolidated Balance Sheet reflects 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



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.



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 (Ky.). 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.

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, and ADP software costing over \$500,000 with a useful life of two or more years is capitalized.



Depreciation of property and equipment is calculated on a straight-line basis over the asset's estimated life with salvage values generally ranging from 5 to 10%. Depreciation begins when the item is put into service. Vehicles are depreciated over periods ranging from 3 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.

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; and unearned revenue from the sale of real property. The Department changed its method for computing the value of domestic accounts payable for FY 2003. In addition to payables recorded through the Department's normal business activities, domestic accounts payable also includes an estimate of subsequent disbursements attributable to FY 2003 payables based upon an average of actual disbursements over the last 5-year period. In 2002, domestic accounts payable were based on actual post-2002 disbursements.

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 10.70%. 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 (FEGSIP). FEGSIP 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 FEGSIP 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 \$84.5 million and \$70.2 million in 2003 and 2002, 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 2003 and 2002 was computed using a discount rate of 4.9% and 5.2%, respectively, for all years; in 2003 and 2002, the Department's liability changed by \$5.4 million and (\$.4) million, respectively. The total actuarial liability for which the Department is responsible totaled \$61.6 million as of September 30, 2003 and \$56.2 million as of September 30, 2002.

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. This year, in order to meet its statutory requirement, Treasury contracted with independent actuaries to prepare the valuation. 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 were revised this year so that they would be the same as the economic assumptions adopted during FY 2003 by the Civil Service Board of Actuaries for valuing CSRS and FERS. The prior assumption of 3.75% for annual increase in inflation and 6.75% for the interest assumption were both decreased by 0.50%. The annual salary increase assumption of 4.25% was decreased by 0.25 to 4.00%.

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 2003 and FY 2002.

	FY 2003	FY 2002
Normal Cost:		
FSRDS	32.52%	30.65%
FSPS	23.23%	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 Officers located at the Department’s Financial Service Centers.



2 REPORTING IMPROVEMENTS

Changes Implemented

In 2003 and 2002, the Department implemented revised financial statement reporting requirements and new Statement of Federal Financial Accounting Standards (SFFAS). None of the changes had a material effect on the Department's financial position or results of operations.

On September 25, 2001, OMB issued Bulletin 01-09 (Bulletin), *Form and Content of Agency Financial Statements*. This Bulletin provides guidance for preparing agency financial statements and supersedes OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended. It contains significant changes. The requirements contained in the Bulletin are phased in beginning with FY 2001, are effective in their entirety for the preparation of financial statements for fiscal years beginning after September 30, 2001 (i.e., FY 2002 and beyond), and significantly affect how the Department reports on its programs.

The major changes required by the Bulletin for FYs 2002 and beyond reporting are as follows.

- ◆ **Integrated Reporting.** Combined performance and accountability reports that present both performance and financial reports are required for FY 2002 and beyond.
- ◆ **Accelerated Reporting.** For FY 2003 and FY 2002, performance and accountability reports must be submitted to OMB and the Congress by February 1.
- ◆ **Budget Integration.** The Statement of Budgetary Resources is revised to improve the linkage between this statement and the Budget of the United States Government.
- ◆ **Financial Statement Formats.** Significant changes in labeling and formatting of line items on the Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing are effective to facilitate an understanding of the flow of information between statements. Labeling and formatting of line items on the Balance Sheet are streamlined to improve usefulness to readers of the financial statements.
- ◆ **Comparative Reporting.** The preparation of comparative financial statements is required for FYs 2003 and beyond. FY 2003 is the first year for which comparative Statements of Changes in Net Position, Budgetary Resources, and Financing (and related footnotes) are presented. Also, information presented in the Financial Highlights Section of the Management Discussion and Analysis, Required Supplementary Stewardship Information and Required Supplementary Information are presented on a comparative basis when the information is meaningful to the user of the financial report.
- ◆ **Interim Financial Reporting.** Beginning in FY 2003, unaudited financial statements are required to be prepared and submitted to OMB on a quarterly basis (i.e., December 31, March 31, and June 30) no later than 45 days after the end of the reporting period. The Department met this requirement for FY 2003 by submitting timely interim statements for each required quarter.

The Statement of Net Cost for FY 2003 and 2002 is presented differently from last year's report. Specifically, the Department presents net cost by strategic goal which is consistent with OMB Bulletin 01-09, and explained more fully in Note 18 to the financial statements.



The Department implements SFFASs when they become effective. No new SFFASs were implemented during FY 2003. For FY 2002, the Department adopted SFFAS No 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, which became effective for FY 2002. SFFAS No. 21 amends SFFAS No. 7. SFFAS No. 7 did not allow reporting entities, when presenting prior period financial statements for comparative purposes, to restate prior period financial statements to show the effect of accounting errors. SFFAS No. 21 requires that when material errors are discovered in prior period financial statements, all statements presented must be restated to correct the error.

Changes to be Implemented

As indicated above, the requirements contained in OMB Bulletin 01-09 are effective in their entirety for the preparation of financial statements for fiscal years 2002 and beyond. Future significant changes that the Department will implement are as follows.

- ◆ **Accelerated Reporting.** For FY 2004, OMB is accelerating further the due dates for performance and accountability reports. Performance and accountability reports for FY 2004 must be submitted to OMB and the Congress by November 15, 2004. The Department is making progress towards meeting this requirement for FY 2004, as evidenced by the issuance of this FY 2003 performance and accountability report well in advance of last year's release date.
- ◆ **Interim Financial Reporting.** Beginning with the second quarter for FY 2004, the due date for quarterly statements will accelerate to no later than 21 days after the end of each quarter.

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 lease fees collected by the Department for the International Chancery Center; and amounts in the Bosnia Federation Defense Fund. Total non-entity assets at September 30, 2003 and 2002 were \$11.1 million and \$11.4 million, respectively. These items are included in amounts reported as Cash and Other Monetary Assets (See Note 8, "Cash and Other Monetary Assets" for further information).



4 FUND BALANCES WITH TREASURY

Fund Balances with Treasury at September 30, 2003 and 2002, are summarized below (Dollars in Thousands).

Fund Balances	2003	2002	Status of Fund Balance	2003	2002
Appropriated Funds	\$ 9,519,680	\$ 8,574,965	Unobligated Balances		
Revolving Funds	216,351	156,665	Available	\$ 2,363,663	\$ 2,459,083
Trust Funds	110,990	105,478	Unavailable	261,713	120,224
Other Funds	106,176	100,031	Obligated Balances not yet Disbursed	\$ 7,327,821	6,357,832
Total	\$ 9,953,197	\$ 8,937,139	Total	\$ 9,953,197	\$ 8,937,139

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 8, "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 2004 through 2017, and interest rates range from 3.50% to 8.75%.

Israeli-Arab Scholarship and Eisenhower Exchange Fellowship Program Trust Funds

The Israeli-Arab Scholarship and Eisenhower Exchange Fellowship Program 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 2004 to 2013; interest rates range from 3.25% to 7.875%.



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 matured in 2003; interest rates ranged from 1.48% to 1.55%.

Summary of Investments

Investments at September 30, 2003 and 2002, are summarized below (Dollars in Thousands). All investments are classified as Intragovernmental Securities.

At September 30, 2003:	Par	Amortization Method	Unamortized (Discount)	Investments (Net)	Market Value
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	\$ 2,576,177	N/A	\$ —	\$ 2,576,177	\$ 2,576,177
FSRDF Special Bonds	9,713,125	N/A	—	9,713,125	9,713,125
Subtotal	\$ 12,289,302		\$ —	\$ 12,289,302	\$ 12,289,302
Non-Marketable, Market Based:					
Israeli-Arab Scholarship, Notes	4,277	Interest	111	4,388	4,689
Eisenhower Exchange Fellowship, Notes	7,534	Interest	(51)	7,483	8,172
Gift Funds, Bills	—	Straight-line	—	—	—
Subtotal	\$ 11,811		\$ 60	\$ 11,871	\$ 12,861
Total Investments	\$ 12,301,113		\$ 60	\$ 12,301,173	\$ 12,302,163

At September 30, 2002:	Par	Amortization Method	Unamortized (Discount)	Investments (Net)	Market Value
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	\$ 1,306,221	N/A	\$ —	\$ 1,306,221	\$ 1,306,221
FSRDF Special Bonds	10,428,019	N/A	—	10,428,019	10,428,019
Subtotal	\$ 11,734,240		\$ —	\$ 11,734,240	\$ 11,734,240
Non-Marketable, Market Based:					
Israeli-Arab Scholarship, Notes	4,277	Interest	176	4,453	4,857
Eisenhower Exchange Fellowship, Notes	7,395	Interest	(42)	7,353	8,086
Gift Funds, Bills	4,721	Straight-line	(30)	4,691	4,651
Subtotal	\$ 16,393		\$ 104	\$ 16,497	\$ 17,594
Total Investments	\$ 11,750,633		\$ 104	\$ 11,750,737	\$ 11,751,834



6 ACCOUNTS RECEIVABLE

The Department's Accounts Receivable at September 30, 2003 and 2002, are summarized below (Dollars in Thousands):

	2003			2002			
	Entity Accounts Receivable	Non-entity Accounts Receivable	Allowance for Uncollectible Accounts Receivable	Net Receivables	Accounts Receivable	Allowance for Estimated Uncollectible	Net Receivables
Intragovernmental	\$ 372,348	\$ —	\$ (45)	\$ 372,303	\$ 313,337	\$ (46)	\$ 313,291
Non-Federal	25,816	—	(4,470)	21,346	51,273	(5,924)	45,349
Total	\$ 398,164	\$ —	\$ (4,515)	\$ 393,649	\$ 364,610	\$ (5,970)	\$ 358,640

7 LOANS RECEIVABLE

Repatriation Direct Loan Program

Repatriation loan obligations made prior to 1992 and the resulting direct loans are reported net of an allowance for uncollectible loans or estimated losses. The loss allowance estimates amounts that the Department does not expect to recover on loans made prior to 1992. These allowances are based upon historical experience.

The *Federal Credit Reform Act* governs Repatriation loan obligations made after 1991, and the resulting direct loans. The Act requires that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the loans be recognized as a cost in the year the loan is disbursed. An analysis of loans receivable, the nature and amounts of the subsidy, and the administrative costs associated with the loans are summarized below.

Repatriation Loans Obligated Prior to 1992 (Dollars in Thousands)

At September 30:

	2003	2002
Loans Receivable Gross	\$400	\$516
Interest and Penalty Receivable	87	86
Allowance for Uncollectible Loans	(463)	(572)
Net Loans Receivable	\$ 24	\$ 30



Repatriation Loans Obligated after 1991 (Dollars in Thousands)

At September 30, 2003:

Fiscal Year	Loans Receivable Gross	Interest, Penalty And Administrative Charges Receivable	Allowance for Subsidy Cost	Net Present Value Of Assets Related To Direct Loans
1992	\$ 105	\$ 42	\$ 105	\$ 42
1993	104	17	86	35
1994	71	20	68	23
1995	162	46	143	65
1996	415	187	407	195
1997	416	142	395	163
1998	515	75	464	126
1999	324	29	261	92
2000	254	22	193	83
2001	349	65	277	137
2002	437	53	363	127
2003	443	15	355	103
Total	\$ 3,595	\$ 713	\$ 3,117	\$ 1,191

At September 30, 2002:

Fiscal Year	Loans Receivable Gross	Interest, Penalty And Administrative Charges Receivable	Allowance for Subsidy Cost	Net Present Value Of Assets Related To Direct Loans
1992	\$ 105	\$ 34	\$ 97	\$ 42
1993	104	19	86	37
1994	79	18	68	29
1995	163	42	143	62
1996	530	214	521	223
1997	445	109	388	166
1998	564	75	447	192
1999	322	33	248	107
2000	312	27	237	102
2001	390	52	310	132
2002	338	27	256	109
Total	\$ 3,352	\$ 650	\$ 2,801	\$ 1,201



Total Amount of Direct Loans Disbursed (Post-1991)

In 2003, the Department disbursed approximately \$843,000 in repatriation loans. In 2002, it disbursed approximately \$710,000.

Subsidy Expense for Post-1991 Repatriation Loans

The subsidy expense for the 2003 and 2002 loan program contains the following components (Dollars in Thousands):

	2003	2002
Interest Differential	—	—
Default	\$ 674	\$ 568
Fees	—	—
Other	—	—
Total	\$ 674	\$ 568

Subsidy Rates for Direct loans

The Department uses a subsidy rate of 80%. Because the Department has complied with the provisions of the Debt Collection Improvement Act, it has received collections much higher than anticipated.

Schedule for Reconciling Subsidy Cost Allowance Balances (Dollars in Thousands)

Beginning balance of the subsidy cost allowance – October 1, 2002	\$ 2,801
Add: subsidy expense for loans disbursed during 2003	674
Adjustments	(22)
Ending balance for the subsidy cost allowance before re-estimates	3,453
Effect of subsidy re-estimate by component:	
Interest rate re-estimate	—
Technical/default re-estimate	(336)
Ending balance of the subsidy cost allowance	\$ 3,117

The above schedule reflects the effect of re-estimates; however, the Department has not performed re-estimates as part of its budget process. The above re-estimates are for financial reporting purposes only, and are more fully described below under the Accounts Payable to Treasury section.

Administrative Expenses

Total administrative expense was approximately \$603,000 and \$607,000 in 2003 and 2002, respectively.

Accounts Payable to Treasury

The Department estimates a subsidy rate based upon collections of 20%. Over the past several years, however, the actual collection rate has been closer to 40%. As a result, the subsidy allowance established at 80% understated the net credit program receivable. A re-estimate of the subsidy rate will correct this by reducing the amount of subsidy allowance. The Department, however, has not yet completed the re-estimation of the subsidy. For financial reporting purposes, the Department reduced the



subsidy allowance by approximately \$336,000 in 2003, and established that amount as a payable to Treasury. The total amount payable to Treasury is approximately \$5.2 million, which represents the cumulative effect of subsidy re-estimates since 1992. Although the Department has not re-estimated, the subsidy allowance reduction is consistent with the reporting requirements of GAAP.

Accounts payable also includes a payable to Treasury of \$789,000 resulting from the collection of Pre-Credit Reform loans.

Borrowings from Treasury (Dollars in Thousands)

	2003	2002
Beginning Balance, October 1	\$ 256	\$ 191
Borrowings, Net of Repayments	92	65
Ending Balance, September 30	\$ 348	\$ 256

8 CASH AND OTHER MONETARY ASSETS

The Cash and Other Monetary Assets at September 30, 2003 and 2002, are summarized below (Dollars in Thousands). There are no restrictions on entity cash. Non-Entity cash is restricted as discussed below.

	2003			2002		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Bosnia Federation Defense Fund	\$ —	\$ 39	\$ 39	\$ —	\$ 309	\$ 309
Chancery Development						
Trust Account:						
Cash	—	2	2	—	2	2
Treasury Bills, at par	—	11,169	11,169	—	11,169	11,169
Unamortized Discount	—	(88)	(88)	—	(88)	(88)
Cash-Imprest and Other Funds	4,964	—	4,964	1,400	—	1,400
Total	\$ 4,964	\$ 11,122	\$ 16,086	\$ 1,400	\$ 11,392	\$ 12,792

The Bosnia Federation Defense Fund is a depository account, which contains funds that have been donated by various foreign governments to assist the Federation of Bosnia and Herzegovina in establishing a military balance that will promote lasting peace in the region. A corresponding liability for these amounts is reflected as Funds Held in Trust.

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 one-year 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.



9 INVENTORY

Inventory held at September 30, 2003 and 2002, is summarized below (Dollars in Thousands).

	2003	2002
Inventory Held for Current Sale:		
Publishing Services – Raw Materials	\$ 1,214	\$ 1,797
Publishing Services – Publications for Sale	2,215	3,279
Inventory for Resale	1,830	2,708
Total	\$ 5,259	\$ 7,784

The inventories of Raw Materials are valued using the latest acquisition cost. Publications for Sale are valued at cost of production. Inventories for resale are valued at cost for items held in the European Logistics Support Office's Expedited Logistics Program, and the weighted moving average method is used for items in the Material Management Branch.



10 PROPERTY AND EQUIPMENT, NET

Property and equipment balances at September 30, 2003 and 2002, are shown in the following table (Dollars in Thousands):

Major Classes	2003			2002		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Real Property:						
Overseas —						
Land and Land Improvements	\$ 1,938,191	\$ (159)	\$ 1,938,032	\$ 1,904,743	\$ (95)	\$ 1,904,648
Buildings and Structures	3,827,738	(2,362,612)	1,465,126	3,768,927	(2,210,702)	1,558,225
Construction-in-Progress	1,383,703	—	1,383,703	886,914	—	886,914
Assets Under Capital Lease	117,542	(46,985)	70,557	120,940	(43,819)	77,121
Leasehold Improvements	58,467	(18,645)	39,822	52,634	(14,418)	38,216
Domestic —						
Structures, Facilities and Leaseholds	564,467	(190,222)	374,245	521,350	(172,862)	348,488
Construction-in-Progress	20,370	—	20,370	58,484	—	58,484
Land and Land Improvements	80,654	(4,148)	76,506	80,654	(3,836)	76,818
Subtotal — Real Property	\$ 7,991,132	\$(2,622,771)	\$ 5,368,361	\$ 7,394,646	\$(2,445,732)	\$ 4,948,914
Personal Property:						
Vehicles	\$ 185,468	\$ (123,718)	\$ 61,750	\$ 174,369	\$ (112,291)	\$ 62,078
Communication Equipment	50,382	(13,575)	36,807	45,072	(11,121)	33,951
ADP Equipment	23,615	(18,532)	5,083	21,528	(15,577)	5,951
Reproduction Equipment	13,204	(10,255)	2,949	13,325	(10,036)	3,289
Security	79,218	(32,484)	46,734	67,289	(25,032)	42,257
Software	108,794	(27,210)	81,584	77,208	(9,328)	67,880
Software-in-Development	67,732	—	67,732	33,476	—	33,476
Other Equipment	376,961	(51,468)	325,493	327,130	(25,076)	302,054
Subtotal — Personal Property	\$ 905,374	\$ (277,242)	\$ 628,132	\$ 759,397	\$ (208,461)	\$ 550,936
Total	\$ 8,896,506	\$(2,900,013)	\$ 5,996,493	\$ 8,154,043	\$(2,654,193)	\$ 5,499,850



11 OTHER ASSETS

The Department's other assets at September 30, 2003 and 2002, are summarized below (Dollars in Thousands).

	2003	2002
Salary Advances to Employees	\$ 6,944	\$ 7,296
Travel Advances to Employees	12,627	12,705
Prepayments	—	12,000
Other Advances	18,637	47,346
Total Other Assets	\$ 38,208	\$ 79,347

12 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, 2003 and 2002, are summarized below (Dollars in Thousands).

	2003	2002
Intragovernmental Liabilities –		
Accounts Payable	\$ —	\$ —
Other Liabilities	17,961	17,966
Total Intragovernmental Liabilities	\$ 17,961	\$ 17,966
Foreign Service Retirement Actuarial Liability	653,804	324,776
Liability to International Organizations	919,428	1,065,172
Capital Lease Liability	85,985	92,010
Funds Held in Trust	13,322	13,592
Federal Employees' Compensation		
Act Benefits	61,628	56,259
Accrued Annual Leave	198,864	180,926
Other Liabilities	5,228	8,621
Total Liabilities not Covered by Budgetary Resources	\$1,956,220	\$1,759,322

Other Liabilities at September 30, 2003 and 2002 were \$511.7 million and \$563.5 million, respectively, and consist primarily of accrued employee benefits.



13 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, 2003 and 2002 (Dollars in Millions).

For the Year Ended September 30,	2003	2002
Pension Actuarial Liability, Beginning of Year	\$12,211.8	\$11,766.9
Add Pension Expense:		
Normal Cost	227.0	198.0
Interest on Pension Liability	810.9	780.3
Prior Service Costs	—	—
Actuarial Losses/(Gains)	468.2	79.0
Total Pension Expense	1,506.1	1,057.3
Less Payments to Beneficiaries (annuities and refunds)	(624.1)	(612.4)
Pension Actuarial Liability, End of Year	13,093.8	12,211.8
Less: Net Assets Available for Benefits	(12,440.0)	(11,887.0)
Actuarial Unfunded Pension Liability for Projected Plan Benefits	\$ 653.8	\$ 324.8
Actuarial Assumptions:		
Rate of Return on Investments	6.25%	6.75%
Rate of Inflation	3.25%	3.75%
Salary Increase	4.00%	4.25%

Net Assets Available for Benefits at September 30, 2003 and 2002, consist of the following (Dollars in Thousands):

	2003	2002
Fund Balances with Treasury	\$ 43	\$ —
Receivables	202,949	203,793
Investments in USG Securities	12,289,302	11,734,240
Total Assets	12,492,294	11,938,033
Less: FSRDF Liabilities	(52,298)	(51,009)
Net Assets Available for Benefits	\$ 12,439,996	\$ 11,887,024



14 LIABILITIES 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 \$50.1 million and \$303.5 million for 2003 and 2002, respectively, 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, 2003, a total of \$926 million had been appropriated by Congress for payment of the U.S. arrearage. 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 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. Thus, \$2.1 million of appropriations for arrearage payments remain.

The financial statements also report an unfunded liability of \$869.2 and \$761.6 million at September 30, 2003 and 2002, respectively, for the current year 2003 and 2002 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 2003 calendar year assessment is paid from the Department's 2004 appropriation). The Liability to International Organizations at September 30, 2003 and 2002, is summarized below (Dollars in Thousands).

	2003	2002
Accumulated Arrears	\$ 50,191	\$ 303,525
Unfunded Annual Assessments	869,237	761,647
Liability to International Organizations	\$ 919,428	\$1,065,172



15 LEASES

The Department is committed to over 9,000 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 \$40.0 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).

	2003	2002
Net Assets Under Capital Leases:		
Land and Buildings	\$117,542	\$120,940
Accumulated Depreciation	(46,985)	(43,819)
Net Assets under Capital Leases	\$ 70,557	\$ 77,121

Future Minimum Lease Payments:

	2003		2002	
	Fiscal Year	Lease Payments	Fiscal Year	Lease Payments
	2004	\$ 6,982	2003	\$ 8,467
	2005	6,982	2004	6,899
	2006	6,344	2005	6,899
	2007	6,344	2006	6,609
	2008	6,314	2007	6,609
	2009 and thereafter	491,594	2008 and thereafter	467,166
Total Minimum Lease Payments		\$ 524,560		\$ 502,649
Less: Amount Representing Interest		(438,575)		(410,639)
Obligations under Capital Leases		\$ 85,985		\$ 92,010



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, 2003 for each of the next 5 years and in aggregate are as follows (Dollars in Thousands).

Year Ended September 30	Operating Lease Amounts
2004	\$ 329,107
2005	231,716
2006	147,749
2007	83,006
2008	56,635
2009 and thereafter	83,360
<hr/>	
Total Minimum Future Lease Payments	\$ 931,573

16 COMMITMENTS AND CONTINGENCIES

Commitments

In addition to the future lease commitments discussed in Note 15, "Leases," the Department is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders — see Note 17, "Unexpended Appropriations" and Note 19, "Statement of Budgetary Resources") at fiscal yearend.

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 \$5 million (or higher, if personally authorized by the Secretary under certain conditions) 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; or the identification or location of key leaders of a 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. 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.

Dillingham Construction International, Inc. v. the Department of State: Dillingham Construction International, Inc. seeks approximately \$22 to \$27 million in claims (including interest) arising from construction of the U.S. Embassy chancery building in Singapore. The litigation was before the Court of Federal Claims, where the Department was represented by the Commercial Litigation Branch, Civil Division, Department of Justice. Cross-motions for partial summary judgment were decided largely in the Department's favor. The case was settled for an immaterial amount that will be initially paid from the Judgment Fund and later charged to the Department.

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 five claims submitted to arbitration and six claims not yet submitted under Chapter 11 of NAFTA. These claims total approximately \$2.9 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 2003 and 2002 had a material effect on the financial position or results of operations of the Department.



17 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. Unexpended Appropriations at September 30, 2003 and 2002, are summarized below (Dollars in Thousands).

	2003	2002
Unexpended Appropriations:		
(1) Unobligated		
(a) Available	\$ 1,880,494	\$ 1,692,029
(b) Unavailable	261,713	404,026
(2) Undelivered Orders	6,394,100	5,057,968
Total	\$ 8,536,307	\$ 7,154,023

18 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. In prior years, the Department presented its program information at the National Interest level to the extent that it was practicable. In accordance with current guidance, prior year data have been recast consistent with the 2003 presentation for comparative purposes.



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, 2003

(Dollars in Thousands)

STRATEGIC GOAL	Under Secretary for							Total
	Arms Control, Int'l Security	Economic, Business and Agriculture	Global Affairs	Political Affairs	Public Diplomacy and Public Affairs	Management - Consular Affairs	Eliminations	
Regional Stability								
Total Cost	\$ 116,392	\$ 10,449	\$ 14,645	\$ 883,807	\$ —	\$ 8	\$ (42,852)	\$ 982,449
Earned Revenue	(13,142)	(1,153)	(1,647)	(73,476)	—	(1)	42,852	(46,567)
Net Program Costs	103,250	9,296	12,998	810,331	—	7	—	935,882
Counterterrorism								
Total Cost	54,640	4,905	6,875	414,902	—	4	(20,117)	461,209
Earned Revenue	(6,170)	(541)	(773)	(34,493)	—	(1)	20,117	(21,861)
Net Program Costs	48,470	4,364	6,102	380,409	—	3	—	439,348
Homeland Security								
Total Cost	53,426	4,796	6,722	405,682	—	4	(19,670)	450,960
Earned Revenue	(6,033)	(529)	(756)	(33,727)	—	—	19,670	(21,375)
Net Program Costs	47,393	4,267	5,966	371,955	—	4	—	429,585
Weapons of Mass Destruction								
Total Cost	43,365	3,893	5,456	329,287	—	3	(15,966)	366,038
Earned Revenue	(4,897)	(430)	(614)	(27,375)	—	—	15,966	(17,350)
Net Program Costs	38,468	3,463	4,842	301,912	—	3	—	348,688
International Crime and Drugs								
Total Cost	—	—	964,178	43,945	1,804	—	(4,132)	1,005,795
Earned Revenue	—	—	(29,087)	(7,143)	(29)	—	4,132	(32,127)
Net Program Costs	—	—	935,091	36,802	1,775	—	—	973,668
American Citizens								
Total Cost	—	—	155	1,010,053	—	814,754	(332,455)	1,492,507
Earned Revenue	—	—	(31)	(268,704)	—	(1,506,480)	332,455	(1,442,760)
Net Program Costs	—	—	124	741,349	—	(691,726)	—	49,747
Democracy and Human Rights								
Total Cost	58,340	5,238	7,340	443,001	—	4	(21,479)	492,444
Earned Revenue	(6,587)	(578)	(825)	(36,829)	—	(1)	21,479	(23,341)
Net Program Costs	51,753	4,660	6,515	406,172	—	3	—	469,103
Economic Prosperity and Security								
Total Cost	123,272	11,067	15,510	936,054	—	9	(45,385)	1,040,527
Earned Revenue	(13,919)	(1,221)	(1,744)	(77,819)	—	(1)	45,385	(49,319)
Net Program Costs	109,353	9,846	13,766	858,235	—	8	—	991,208
Social and Environment Issues								
Total Cost	30,298	2,720	3,813	230,062	—	2	(11,155)	255,740
Earned Revenue	(3,421)	(300)	(429)	(19,126)	—	—	11,155	(12,121)
Net Program Costs	26,877	2,420	3,384	210,936	—	2	—	243,619
Humanitarian Response								
Total Cost	—	—	775,671	38	138	—	(129)	775,718
Earned Revenue	—	—	(520)	—	(1)	—	129	(392)
Net Program Costs	—	—	775,151	38	137	—	—	775,326
Public Diplomacy and Public Affairs								
Total Cost	98,467	8,840	12,389	747,702	651,588	7	(36,253)	1,482,740
Earned Revenue	(11,118)	(975)	(1,393)	(62,161)	(90,416)	(1)	36,253	(129,811)
Net Program Costs	87,349	7,865	10,996	685,541	561,172	6	—	1,352,929
Executive Direction and Other Costs Not Assigned								
Total Cost	4,721	4,494	61,857	3,984,091	536,000	4,390	(1,179,040)	3,416,513
Earned Revenue	(2,534)	(2,412)	(33,197)	(2,179,385)	(288,466)	(2,356)	1,142,351	(1,365,999)
Net Program Costs	2,187	2,082	28,660	1,804,706	247,534	2,034	(36,689)	2,050,514
Total Cost	582,921	56,402	1,874,611	9,428,624	1,189,530	819,185	(1,728,633)	12,222,640
Total Revenue	(67,821)	(8,139)	(71,016)	(2,820,238)	(378,912)	(1,508,841)	1,691,944	(3,163,023)
Total Net Cost	\$ 515,100	\$ 48,263	\$ 1,803,595	\$ 6,608,386	\$ 810,618	\$ (689,656)	\$ (36,689)	\$ 9,059,617



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, 2003 and 2002, these consist of costs and earned revenue for the following table (Dollars in Thousands).

Program	2003			2002		
	Total Prior to Eliminations	Intra-Departmental Eliminations	Total	Total Prior to Eliminations	Intra-Departmental Eliminations	Total
Costs:						
Executive Direction	\$ 2,039,675	\$ 159,629	\$ 1,880,046	\$ 1,681,836	\$ 117,887	\$ 1,563,949
FSRDF	1,506,093	347,165	1,158,928	1,057,328	314,864	742,464
ICASS	965,358	670,831	294,527	906,142	692,376	213,766
International Commissions	84,427	1,415	83,012	93,510	(2,607)	96,117
Total Costs	\$ 4,595,553	\$ 1,179,040	\$ 3,416,513	\$ 3,738,816	\$ 1,122,520	\$ 2,616,296
Earned Revenue:						
Executive Direction	\$ 335,553	\$ 159,629	\$ 175,924	\$ 235,115	\$ 117,887	\$ 117,228
FSRDF	1,177,066	310,476	866,590	1,157,436	293,367	864,069
ICASS	982,504	670,831	311,673	920,918	692,376	228,542
International Commissions	13,227	1,415	11,812	2,825	(2,607)	5,432
Total Earned Revenue	\$ 2,508,350	\$ 1,142,351	\$ 1,365,999	\$ 2,316,294	\$ 1,101,023	\$ 1,215,271
Total Net Cost for Executive Direction and Other Costs Not Assigned						
	\$ 2,087,203	\$ 36,689	\$ 2,050,514	\$ 1,422,522	\$ 21,497	\$ 1,401,025

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 2003 and 2002 under the Under Secretary for Management by the following organizations (Dollars in Thousands):

Bureau (or equivalent)	2003	2002
Bureau of Diplomatic Security	\$ 1,154,129	\$ 782,344
Office of Overseas Buildings Operations	689,219	643,675
Bureau of Administration	520,549	513,562
Bureau of Information Resource Management	326,900	298,470
Bureau of Personnel	303,272	265,282
Bureau of Resource Management	324,899	(95,662)
Foreign Service Institute	113,885	106,424
Medical Services and Other	229,229	157,442
Total Central Support Costs	\$ 3,662,082	\$ 2,671,537



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 2003 and 2002 was as follows (Dollars in Thousands):

Program Receiving Allocation	2003	2002
Regional Stability	\$ 320,648	\$ 191,907
Counterterrorism	150,528	82,947
Homeland Security	147,183	206,283
Weapons of Mass Destruction	119,467	75,645
International Crime and Drugs	45,815	38,011
American Citizens	928,342	721,816
Democracy and Human Rights	160,722	87,853
Economic Prosperity and Security	339,604	172,169
Social and Environmental Issues	83,467	51,114
Humanitarian Response	18	12
Public Diplomacy and Public Affairs	271,269	273,028
Executive Direction and Other Costs Not Assigned	1,095,019	770,752
Total	\$ 3,662,082	\$ 2,671,537

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	2003	2002
Political Affairs	\$ 4,450,321	\$ 2,817,597
Public Diplomacy	674,502	502,608
Management (Consular Affairs)	454,104	344,715
Arms Control, International Security Affairs	279,740	191,111
Global Affairs	151,211	63,456
Economic, Business and Agriculture Affairs	27,853	18,090
Total	\$ 6,037,731	\$ 3,937,577



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 year ended September 30, 2003 and 2002 (Dollars in Thousands):

Inter-Entity Cost	2003	2002
Other Post-Employment Benefits:		
Civil Service Retirement Program	\$ 25,010	\$ 17,912
Federal Employees Health Benefits Program	59,256	52,179
Federal Employees Group Life Insurance Program	230	114
Litigation funded by Treasury Judgment Fund	3,044	13,874
Subtotal – Imputed Financing Source	\$ 87,540	\$ 84,079
Future Workers’ Compensation Benefits	13,490	7,620
Total Inter-Entity Costs	\$101,030	\$ 91,699

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, 2003 and 2002, consist of the following (Dollars in Thousands):

Program	2003			2002		
	Total Prior to Eliminations	Intra-Departmental Eliminations	Total	Total Prior to Eliminations	Intra-Departmental Eliminations	Total
Consular Fees:						
Passport, Visa and Other Consular Fees	\$ 642,076	\$ —	\$ 642,076	\$ 523,863	\$ —	\$ 523,863
Machine Readable Visa	550,597	—	550,597	368,875	—	368,875
Expedited Passport	98,207	—	98,207	65,286	—	65,286
Fingerprint Processing, Diversity Lottery, and Affidavit of Support	23,514	—	23,514	12,289	—	12,289
Subtotal – Consular Fees	\$ 1,314,394	\$ —	\$ 1,314,394	\$ 970,313	\$ —	\$ 970,313
FSRDF	\$ 1,177,066	\$ 310,476	\$ 866,590	\$ 1,157,436	\$ 293,367	\$ 864,069
ICASS	982,504	670,831	311,673	920,918	692,376	228,542
Reimbursable Agreements With Federal Agencies	1,088,382	543,632	544,750	692,225	338,911	353,314
Working Capital Fund	270,606	167,005	103,601	252,037	172,157	79,880
Other	22,015	—	22,015	2,978	—	2,978
Total	\$ 4,854,967	\$ 1,691,944	\$ 3,163,023	\$ 3,995,907	\$ 1,496,811	\$ 2,499,096

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 2003 and 2002 were \$185.4 million and \$171.3 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 2003 and 2002 were \$219.0 million and \$216.0 million, respectively. FSRDF cash resources are invested in special non-marketable securities issued by the Treasury. Total interest earned on these investments in 2003 and 2002 was \$772.6 million and \$770.1 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 2003* (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 2003* presents gross costs and earned revenue by BFC. Following is the Department’s gross cost and earned revenue by BFC for the years ended September 30, 2003 and 2002 (Dollars in Thousands and reported net of intra-departmental eliminations):

Budget Functional Classification	2003			2002		
	Gross Cost	Earned Revenue	Net Cost	Gross Cost	Earned Revenue	Net Cost
International Affairs	\$10,635,744	\$ 2,284,316	\$ 8,351,428	\$ 9,691,896	\$ 1,621,693	\$ 8,070,203
Income Security	1,515,832	870,185	645,647	1,065,979	864,069	201,910
Natural Resources	71,064	8,522	62,542	79,960	13,334	66,626
Total	\$12,222,640	\$ 3,163,023	\$ 9,059,617	\$10,837,835	\$ 2,499,096	\$ 8,338,739

19 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, 2003 and 2002. 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 2003 and 2002, the Department received approximately \$17.6 billion and \$17.8 billion in budgetary resources, respectively, primarily consisting of the following:

Source of Budgetary Resources	2003	2002
Budget Authority:		
Direct or related appropriations	\$ 10.9 billion	\$11.8 billion
Authority financed from Trust Funds	1.2 billion	1.1 billion
Spending authority from providing goods and services	3.1 billion	2.3 billion
Unobligated Balances – Beginning of Year	2.6 billion	2.3 billion
Adjustments	(0.2) billion	0.3 billion
Total Budgetary Resources	\$17.6 billion	\$17.8 billion



The Department received permanent indefinite appropriations of \$35.6 million and \$35.5 million for 2003 and 2002, 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.

Information on U.S. Government agencies' budgets is reported in the *Budget of the United States Government, Fiscal Year 2004 – 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* via the MAX system. The information submitted for "2003 Actual" via MAX has been reconciled with the information presented in the Statement of Budgetary Resources. Amounts shown on the Statement of Budgetary Resources will differ from "2003 Actual" reported in the *P&F Schedules* for the Department's accounts as follows:

- ◆ The Budget Authority reported on the Statement of Budgetary Resources includes \$865 million the Department received for 2003 to administer programs related to International Security Assistance. Amounts for these programs will not be presented under the Department in the *Appendix*. Instead, these amounts will be reported in the *Appendix* under the section titled International Assistance Programs.
- ◆ The Unobligated Balances – Beginning of Year reported on the Statement of Budgetary Resources includes a \$230 million adjustment (increase) pertaining to undelivered orders that will not be reported in the *Appendix*.
- ◆ The Unobligated Balances – Beginning of Year reported on the Statement of Budgetary Resources includes \$198 million of unavailable unobligated balances (primarily for expired annual accounts) that will not be reported in the *Appendix*. These unavailable unobligated balances in expired accounts (2002 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. Consequently, the P&F Schedule reports only available unobligated balances (versus unavailable) as budgetary resources available for obligation.
- ◆ The Unobligated Balance – End of Year reported on the Statement of Budgetary Resources includes \$55 million of unavailable unobligated balances (primarily for expired annual accounts) that will not be reported in the *Appendix*. These unavailable unobligated balances in expired accounts (2002 and prior) remain available for adjustment, liquidation of obligations and other purposes authorized by law until the accounts are closed as required by law (Public Law 101-510) and any remaining amounts are 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. Consequently, the P&F Schedule reports only available unobligated balances (versus unavailable) as budgetary resources available for obligation.
- ◆ The Unobligated Balance, Available and Unavailable – End of Year reported on the Statement of Budgetary Resources includes a \$334.4 million adjustment (increase) pertaining to undelivered orders that will not be reported in the *Appendix*.
- ◆ The Obligated Balance, Net – Beginning of Year reported on the Statement of Budgetary Resources includes a \$230 million decrease pertaining to undelivered orders that will not be reported in the *Appendix*.
- ◆ The Obligated Balance, Net – End of Year reported on the Statement of Budgetary Resources includes a \$334.4 million adjustment (decrease) pertaining to undelivered orders that will not be reflected in the *Appendix*.



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, 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.

The format of the Statement of Budgetary Resources changed for FY 2002. The new format requires separate disclosure of credit reform programs. Due to the immateriality of the Department's credit reform program, the credit reform information is being presented in this note versus the principal statement (Dollars in Thousands).

Credit Reform	2003	2002
Budget Authority		
Appropriations	1,469	1,219
Borrowing Authority	94	153
Unobligated Balance, beginning of Year	3,061	2,056
Spending Authority from Offsetting Collections Earned		
Collected	592	287
Receivable from Federal Sources	337	362
Other	(5)	-
Total Budgetary Resources	5,548	4,077
Obligations Incurred:		
Direct Obligations	2,532	1,929
Unobligated Balance, Available:		
Exempt from Apportionment	2,702	1,524
Unobligated Balance Not Available:		
Other	314	624
Total Status of Budgetary Resources	5,548	4,077
Obligated Balance, Net as of Beginning of Year	1,409	169
Obligated Balance, Net as of End of Year		
Undelivered Orders	1,638	957
Accounts Payable	132	1
Outlays:		
Disbursements	1,831	779
Collections	(592)	(288)

The amount of budgetary resources obligated for undelivered orders for all activities was approximately \$6.7 billion and \$5.6 billion as of September 30, 2003 and 2002, respectively. This includes amounts for revolving and trust funds of \$286 million for September 30, 2003 and \$472 million for September 30, 2002.



20 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, 2003 and 2002, 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 Net Cost of Operations that results from the reconciliation on the Statement of Financing equals the Net Cost of Operations reported on the Statement of Net Cost. Intra-departmental transactions have not been eliminated in the amounts presented.

21 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 for Munitions Control violations; international contributions for ice patrol activities; and other miscellaneous receipts. In 2003 and 2002, the Department collected \$8.2 million and \$6.2 million, respectively, in custodial revenues that were transferred to the Treasury.

22 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 \$3.0 million and \$2.9 million in 2003 and 2002, 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, and 19X8272)

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.

Financial data of the Trust Funds as of and for the years ending September 30, 2003 and 2002, is summarized on the following pages (Dollars in Thousands). Intra-departmental transactions have not been eliminated in the amounts presented.



	FSRDF	FSNSLTF	Gift Funds	Israeli-Arab Scholarship	Eisenhower Exchange Fellowship	Misc. Trust Funds
For the year ending September 30, 2003:						
Assets:						
Fund Balances with Treasury	\$ 43	\$ 94,878	\$ 12,908	\$ 484	\$ 6	\$ 2,670
Investments	12,289,302	—	—	4,388	7,483	—
Other Assets	202,949	—	11	106	—	4
Total Assets	12,492,294	94,878	12,919	4,978	7,489	2,674
Liabilities:						
Payable to Beneficiaries	42,645	—	—	—	—	—
Actuarial Liability	9,653	—	—	—	—	—
Other Liabilities	13,093,800	4,941	4,178	—	—	103
Total Liabilities	13,146,098	4,941	4,178	—	—	103
Net Position (Deficit)	(653,804)	89,937	8,741	4,978	7,489	2,571
Total Liabilities and Net Position	\$ 12,492,294	\$ 94,878	\$ 12,919	\$ 4,978	\$ 7,489	\$ 2,674
Revenues and Financing:						
Exchange Revenue:						
Intragovernmental	\$ 1,151,649	\$ 9,454	\$ —	\$ 259	\$ —	\$ —
Governmental	25,416	—	—	—	—	—
Non Exchange Revenue:						
Intragovernmental	—	—	54	—	450	2
Governmental	—	—	3,927	—	—	—
Other Financing Sources	—	—	—	—	—	—
Total Revenues and Financing	1,177,065	9,454	3,981	259	450	2
Expenses:						
Program Expenses	—	9,712	3,661	371	419	229
Actuarial Expenses	1,506,093	—	—	—	—	—
Total Expenses	\$ 1,506,093	\$ 9,712	\$ 3,661	\$ 371	\$ 419	\$ 229



	FSRDF	FSNSLTF	Gift Funds	Israeli-Arab Scholarship	Eisenhower Exchange Fellowship	Misc. Trust Funds
For the year ending September 30, 2002:						
Assets:						
Fund Balances with Treasury	\$ —	\$ 95,130	\$ 7,581	\$ 530	\$ 105	\$ 2,133
Investments	11,734,240	—	3,980	4,454	7,353	711
Other Assets	203,793	—	8	105	—	4
Total Assets	11,938,033	95,130	11,569	5,089	7,458	2,848
Liabilities:						
Payable to Beneficiaries	41,283	—	—	—	—	—
Actuarial Liability	12,211,800	—	—	—	—	—
Other Liabilities	9,726	4,934	3,146	—	—	50
Total Liabilities	12,262,809	4,934	3,146	—	—	50
Net Position (Deficit)	(324,776)	90,196	8,423	5,089	7,458	2,798
Total Liabilities and Net Position	\$ 11,938,033	\$ 95,130	\$ 11,569	\$ 5,089	\$ 7,458	\$ 2,848
Revenues and Financing:						
Exchange Revenue:						
Intragovernmental	\$ 1,133,237	\$ 9,606	\$ —	\$ —	\$ —	\$ —
Governmental	24,199	—	—	—	—	—
Non Exchange Revenue:						
Intragovernmental	—	—	88	263	730	15
Governmental	—	—	33,582	—	—	—
Other Financing Sources	—	—	—	—	—	—
Total Revenues and Financing	1,157,436	9,606	33,670	263	730	15
Expenses:						
Program Expenses	—	8,651	33,495	402	356	515
Actuarial Expenses	1,057,328	—	—	—	—	—
Total Expenses	\$ 1,057,328	\$ 8,651	\$ 33,495	\$ 402	\$ 356	\$ 515



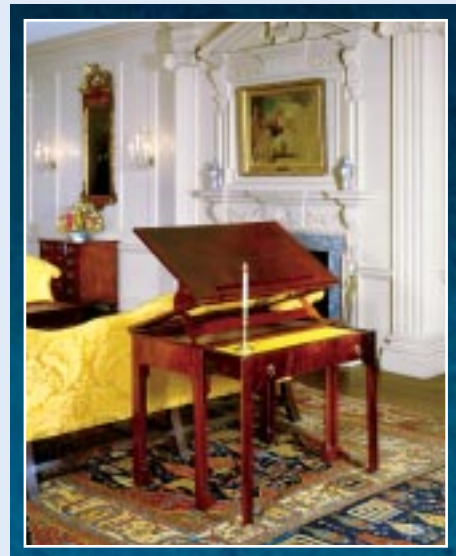
**DEPARTMENT OF STATE
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
HERITAGE ASSETS**

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002

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.



Philadelphia mahogany table-desk on which Thomas Jefferson drafted the Declaration of Independence.

Photo: Richard Cheek



Thomas Jefferson State Reception Room.



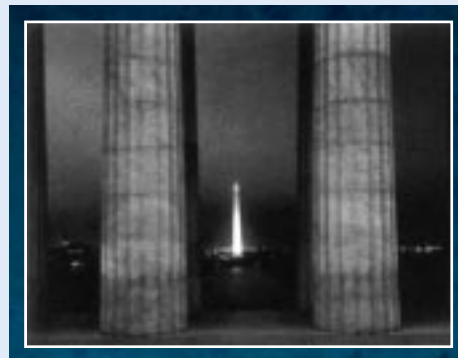
The Benjamin Franklin State Dining Room.

Photo: Richard Cheek



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

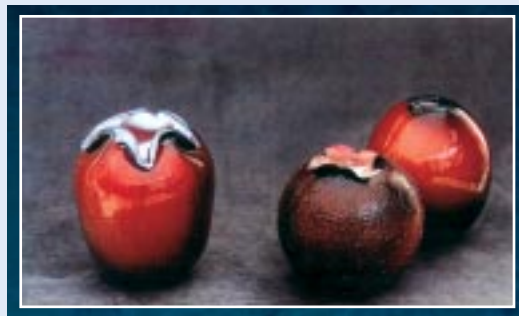
The Art in Embassies Program was established in 1964 to promote national pride and the distinct cultural identity of America's arts and its artists. The program, which is managed by the Bureau of Overseas Buildings Operations, provides original U.S. works of art for the representational rooms of United States ambassadorial residences worldwide. The works of art were purchased or are on loan from individuals, organizations, or museums.



1

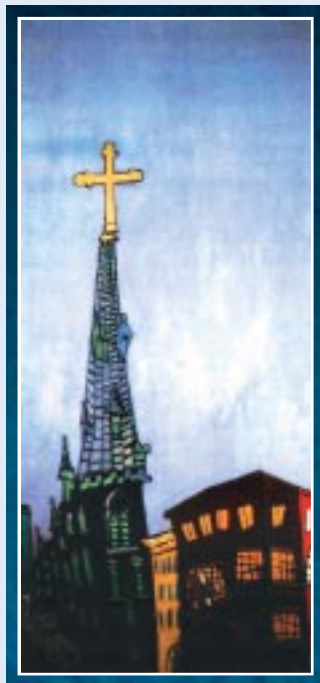
1. Mary Sheppard Burton *Fantasia* 1975 (132x96 cm) hooked and hand-dyed wool on linen mounted board. Courtesy of the artist, Germantown, Maryland

2. 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



2

3. Barbara Cooper Hanson, *Federal Hill*, 1992 (180 x 81 cm) oil on canvas. Courtesy of the artist, Baltimore, Maryland



3

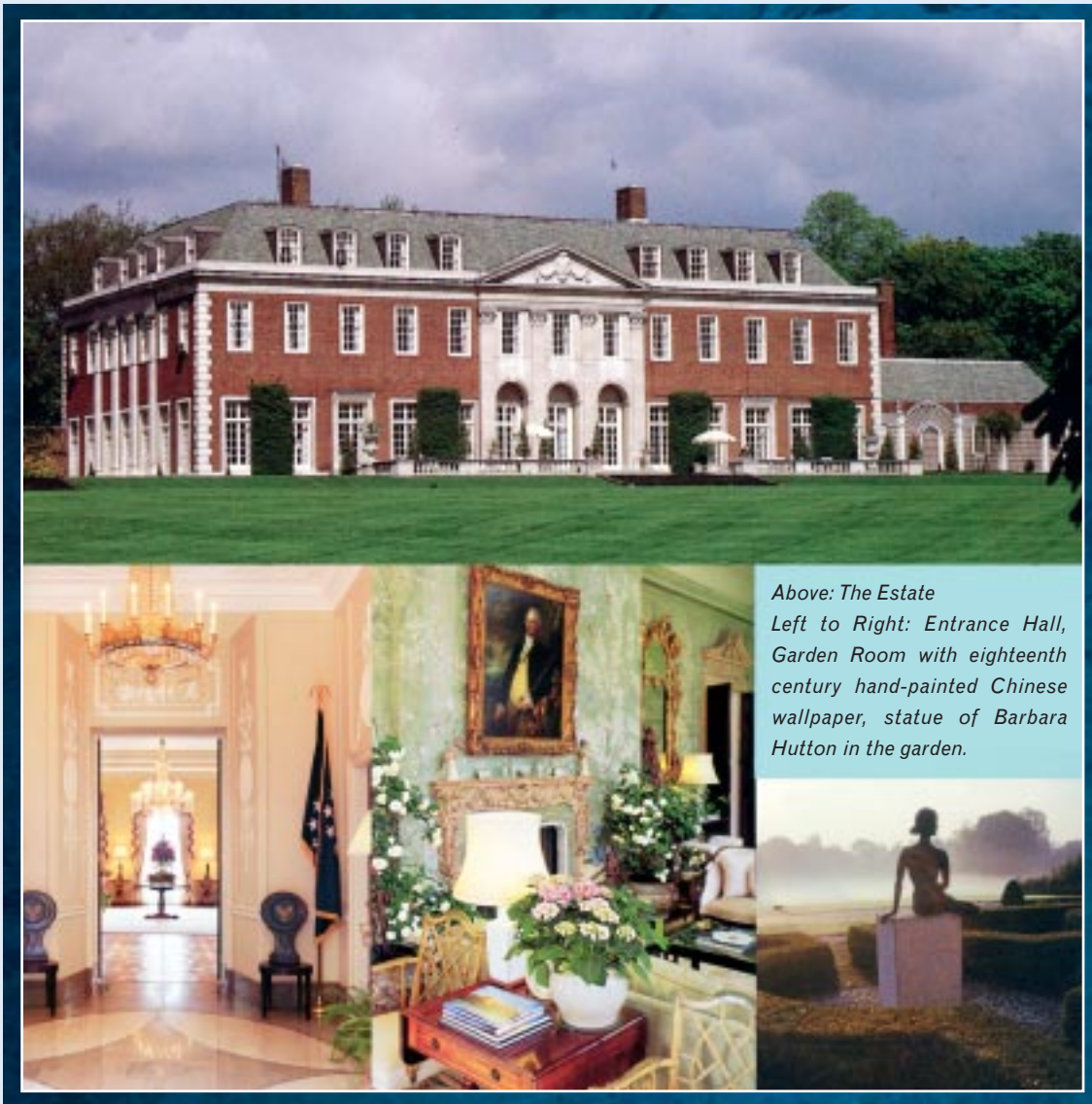
“There are many ways to conduct diplomacy. The Art in Embassies Program is a special way. Works of American art, on display around the world, share our beloved country, our values, our history, our culture, our deep belief in freedom of expression, and in the creative power of the individual. Each work of art becomes a diplomatic instrument, each artist an ambassador. It is an outstanding program.”

Colin L. Powell
U.S. Secretary of State



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.



Above: The Estate
 Left to Right: Entrance Hall,
 Garden Room with eighteenth
 century hand-painted Chinese
 wallpaper, statue of Barbara
 Hutton in the garden.

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 – 09/30/2001	3,402	2,011	895	4,045	179	8
Acquisitions	3	90	82	443	—	—
Adjustments	—	4 ¹	—	—	856 ¹	—
Disposals	—	(43)	(24)	(74)	—	—
Number of Items – 09/30/2002	3,405	2,062	953	4,414	1,035	8
Acquisitions	10	59	25	45	—	—
Adjustments	—	—	—	—	—	—
Disposals	(3)	—	(16)	(1)	(2)	—
Number of Items – 09/30/2003	3,412	2,121	962	4,458	1,033	8
Deferred Maintenance	N/A	N/A	N/A	N/A	N/A	\$14,324,707

¹ Adjustments due to physical inventories.



DEPARTMENT OF STATE
REQUIRED SUPPLEMENTARY INFORMATION

DEPARTMENT OF STATE
COMBINING SCHEDULE OF BUDGETARY RESOURCES
For the Year Ended September 30, 2003
(Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Budgetary Authority:						
Appropriations received	\$ 7,380,737	\$ 1,535,331	\$ 57,303	\$ 945,694	\$ 2,033,430	\$11,952,495
Net transfers	27,246	—	600	(80,763)	163,136	110,219
Unobligated Balance:						
Beginning of period	1,878,488	60,407	10,098	129,880	500,434	2,579,307
Net Transfers	—	—	—	(4,557)	(13,088)	(17,645)
Spending Authority from Offsetting Collections:						
Earned						
Collected	3,325,920	—	7,119	9,782	17,848	3,360,669
Receivable from Federal sources	(281,777)	—	(1,591)	16,420	802	(266,146)
Change in unfilled customer orders	—	—	—	—	—	—
Without advance from Federal sources	—	—	1,619	—	—	1,619
Subtotal	3,044,143	—	7,147	26,202	18,650	3,096,142
Recoveries from Prior Year Obligations:						
Actual	379,116	78,480	115	16,741	55,090	529,542
Temporarily Not Available Pursuant to Public Law:						
	(555,093)	—	—	—	—	(555,093)
Permanently Not Available:						
	(99,973)	(18,323)	(414)	(9,082)	(16,614)	(144,406)
Total Budgetary Resources	12,054,664	1,655,895	74,849	1,024,115	2,741,038	17,550,561



DEPARTMENT OF STATE
COMBINING SCHEDULE OF BUDGETARY RESOURCES *Continued*
 For the Year Ended September 30, 2003
 (Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Obligations Incurred:						
Direct	10,351,451	1,791,895	61,309	972,852	1,992,628	15,170,135
Reimbursable	(251,824)	—	7,184	(310)	—	(244,950)
Subtotal	10,099,627	1,791,895	68,493	972,542	1,992,628	14,925,185
Unobligated Balance:						
Apportioned	1,571,071	105,102	6,935	33,500	639,566	2,356,174
Exempt from apportionment	—	—	—	—	7,489	7,489
Other available	—	—	—	—	—	—
Unobligated Balance Not Available:	383,966	(241,102)	(579)	18,073	101,355	261,713
Total Status of Budgetary Resources	12,054,664	1,655,895	74,849	1,024,115	2,741,038	17,550,561
Obligated Balance, Net, Beginning of Year:	3,522,623	688,221	15,339	325,657	1,438,482	5,990,322
Obligated Balance, Net, End of Year:						
Accounts Receivable	(348,616)	67	(825)	(21,226)	(197)	(370,797)
Unfilled customer orders	—	—	(2,886)	—	—	(2,886)
Undelivered orders	4,043,073	545,103	21,266	458,788	1,611,440	6,679,670
Accounts payable	767,204	18,995	6,702	48,995	132,486	974,382
Outlays:						
Disbursements	9,266,533	1,837,472	67,915	778,026	1,664,388	13,614,334
Collections	(3,325,920)	—	(7,119)	(9,782)	(17,848)	(3,360,669)
Subtotal	5,940,613	1,837,472	60,796	768,244	1,646,540	10,253,665
Less: Offsetting receipts	(896,096)	—	—	—	(486)	(896,582)
Net Outlays	\$ 5,044,517	\$ 1,837,472	\$ 60,796	\$ 768,244	\$ 1,646,054	\$ 9,357,083



Intragovernmental Amounts

Intragovernmental amounts represent transactions between federal entities included in the *Financial Report of the United States Government – Fiscal Year 2003* (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, 2003 and 2002, are summarized below (Dollars in Thousands).

As of September 30, 2003:		ASSETS			LIABILITIES	
Trading Partner	Fund Balance With Treasury	Investments	Interest Receivable	Accounts Receivable, Net	Accounts Payable	Other Liabilities
Department of Agriculture				\$ 1,689		
Department of Commerce				8,937	\$ 653	
Department of Defense				215,762	24,109	
Department of Justice				30,171		
Department of Labor				2		\$ 18,047
Department of the Treasury	\$ 9,953,197	\$12,301,173	\$ 189,366	9,667	6,954	368
Agency for International Development				17,498		
Environmental Protection Agency				572		21
Office of Personnel Management				17	36	9,232
Other Agencies				87,988	8,137	9,132
Total	\$ 9,953,197	\$12,301,173	\$ 189,366	\$ 372,303	\$ 39,889	\$ 36,800

As of September 30, 2002:		ASSETS			LIABILITIES	
Trading Partner	Fund Balance With Treasury	Investments	Interest Receivable	Accounts Receivable, Net	Accounts Payable	Other Liabilities
Department of Agriculture				\$ 2,380	\$ 19	
Department of Commerce				2,264	48	
Department of Defense				58,388	2,809	
Department of Justice				10,698	1	
Department of Labor				119	26	18,052
Department of the Treasury	\$ 8,937,139	\$11,750,737	\$ 192,637	5,815	114	5,863
Agency for International Development				16,070	784	
Environmental Protection Agency				157		
Office of Personnel Management				17		7,486
Other Agencies				217,383	319	5,899
Total	\$ 8,937,139	\$11,750,737	\$ 192,637	\$ 313,291	\$ 4,120	\$ 37,300



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, 2003 and 2002, 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,	2003	2002
Trading Partner	Earned Revenue	Earned Revenue
Executive Office of the President	\$ 2,345	\$ 16,779
Department of Agriculture	18,798	17,083
Department of Commerce	31,333	28,379
Department of Defense	599,982	375,957
Department of Energy	11,124	4,812
Department of Health and Human Services	11,637	10,518
Department of Justice	72,321	58,620
Department of Transportation	3,038	4,093
Department of the Treasury	785,405	802,522
Agency for International Development	105,074	115,769
Environmental Protection Agency	1,675	4,513
Social Security Administration	9,178	7,863
Other Agencies	132,162	416,447
Total	\$ 1,784,072	\$ 1,863,355

For the Year Ended September 30,	2003			2002		
Budget Functional Classification	Gross Cost to Generate Revenue	Earned Revenue	Net Cost	Gross Cost to Generate Revenue	Earned Revenue	Net Cost
International Affairs	\$ 935,469	\$ 938,666	\$ (3,197)	\$1,010,891	\$1,016,069	\$ (5,178)
Income Security	863,679	841,170	22,509	831,966	837,822	(5,856)
Natural Resources	4,236	4,236	—	9,464	9,464	—
Total	\$1,803,384	\$1,784,072	\$ 19,312	\$1,852,321	\$1,863,355	\$ (11,034)

The amounts of intragovernmental non-exchange revenues classified by trading partner for the years ended September 30, 2003 and 2002 are summarized below (Dollars in Thousands).

For the Year Ended September 30,	2003	2002
Trading Partner	Non-Exchange Revenue	Non-Exchange Revenue
Department of the Treasury	\$ 765	\$ 1,096



The amounts of intragovernmental expenses classified by trading partner and by budget functional classification for the years ended September 30, 2003 and 2002, are summarized below (Dollars in Thousands).

For the Year Ended September 30,	2003	2002
Trading Partner	Expenses	Expenses
Department of Agriculture	\$ 769	\$ 888
Department of Commerce	5,126	2,128
Department of Defense	93,557	71,847
Department of Energy	18,658	24,753
Department of Justice	35,346	55,106
Department of Labor	8,276	8,993
Department of the Treasury	20,770	29,882
General Services Administration	464,292	431,054
Government Printing Office	1,851	16,576
Office of Personnel Management	220,736	191,379
U.S. Postal Service	9,484	8,446
Other Agencies	100,590	54,127
Total	\$ 979,455	\$ 895,179

For the Year Ended September 30,	2003	2002
Budget Functional Classification	Expenses	Expenses
International Affairs	\$ 971,634	\$ 884,872
Natural Resources	7,821	10,229
Income Security	—	78
Total	\$ 979,455	\$ 895,179

Deferred Maintenance For the Fiscal Year Ended September 30, 2003

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 \$717.2 million for buildings and facilities-related equipment that have not been funded. This figure is less than the \$723.2 million reported for 2002. 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.

Of the deferred maintenance figure, \$128.5 million is for over 150 buildings that are under consideration for the Secretary of State's Register of Culturally Significant Property.

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, 2003 and 2002, is presented below (Dollars in Thousands).

	2003			2002		
	WCF	ICASS	Total	WCF	ICASS	Total
Assets:						
Fund Balances with Treasury	\$ 8,458	\$ 207,895	\$ 216,353	\$ 39,096	\$ 117,570	\$ 156,666
Accounts Receivable, Net	78,694	159,260	237,954	46,539	242,924	289,463
Plant, Property and Equipment, Net	27,363	30,747	58,110	24,169	30,059	54,228
Other Assets	5,272	5,492	10,764	7,800	3,689	11,489
Total Assets	119,787	403,394	523,181	117,604	394,242	511,846
Liabilities:						
Accounts Payable	21,188	121,555	142,743	12,255	77,406	89,661
Other Liabilities	664	3,754	4,418	5,113	55,088	60,201
Total Liabilities	21,852	125,309	147,161	17,368	132,494	149,862
Cumulative Results of Operations	\$ 97,935	\$ 278,085	\$ 376,020	\$ 100,236	\$ 261,748	\$ 361,984

The cost of providing services and the exchange revenue earned for the years ended September 30, 2003 and 2002 are presented below (Dollars in Thousands). These amounts do not include intra-departmental eliminations.

	WCF	ICASS	Total
2003			
Costs	\$ 274,421	\$ 975,609	\$ 1,250,030
Exchange Revenue	272,120	991,946	1,264,066
Net Cost (Revenue)	\$ 2,301	\$ (16,337)	\$ (14,036)
2002			
Costs	\$ 175,614	\$ 906,142	\$ 1,081,756
Exchange Revenue	(253,347)	(926,642)	(1,179,989)
Net Cost (Revenue)	\$ (77,733)	\$ (20,500)	\$ (98,233)



SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS



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 that 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 export applications.

COMPANY NAME	VIOLATION	DATE ASSESSED	AMOUNT ASSESSED	PAYMENTS
BOEING COMPANY	Reportedly exporting defense articles (technical data) and defense services to Russia, Ukraine, Norway, and Germany without the required approvals from the Department	9/29/1998	\$7,500,000	\$3,500,000 initially, then \$800,000 for five subsequent years
A&C INTERNATIONAL TRADE, INC.	Knowingly and willfully exporting a defense article (pressurized pepper gas system) to the Peoples Republic of China without applying or obtaining the required approval from the Department	3/14/2000	\$100,000	\$33,333.34 initially, then \$33,333.33 for next two years
LOCKHEED MARTIN CORPORATION	Exporting defense articles and defense services in violation of the terms or conditions of other approvals that were provided by the Department, making proposals for the transfer of defense services, and by omitting material facts from export license applications	6/13/2000	\$8,000,000	\$1,500,000 for four years and \$2,000,000 due in year five
BOEING COMPANY	Violating the items and conditions of the Department's munitions licenses, exporting defense articles and services without a munitions license and omitting material facts from its applications for munitions licenses	3/30/2001	\$3,800,000	\$1,000,000 for three years and \$800,000 in year four
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
RATHEON COMPANY	Export and attempted export of defense articles, defense services and technical data (troposcatter communication systems) to the government of Pakistan	2/27/2003	\$3,000,000	\$3,000,000
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 spacecrafts) to the People's Republic of China	3/4/2003	\$12,000,000	\$1,500,000 for eight years
AGILENT TECHNOLOGIES, INC.	Exporting defense articles (scanners/receivers) to Israel and Singapore without obtaining an export license or written approval	8/20/2003	\$225,000	\$225,000
MULTIGEN-PARADIGM, INC.	Exporting defense articles and services (software) without munitions licenses or other authorizations to the People's Republic of China, India, Israel, Singapore, Australia, South Korea, Taiwan, France, Japan, Canada, Czech Republic, Italy, Spain, United Kingdom, Sweden and Peru	9/25/2003	\$250,000	—
TOTAL		—	\$48,875,000	—



COMPANY NAME	Balance Outstanding September 30, 2002	Fiscal Year 2003 Assessments	Fiscal Year 2003 Collections	Balance Outstanding September 30, 2003
BOEING COMPANY	\$800,000	—	\$800,000	—
A&C INTERNATIONAL TRADE, INC.	\$66,666.66	—	\$66,666.66 (delinquent payments made)	—
LOCKHEED MARTIN CORPORATION	\$3,500,000	—	\$1,500,000	\$2,000,000
BOEING COMPANY	\$1,800,000	—	\$1,000,000	\$800,000
SPACE SYSTEMS/LORAL, INC.	\$11,800,000	—	\$1,685,714	\$10,114,286
RATHEON COMPANY	—	\$3,000,000	\$3,000,000	—
HUGHES ELECTRONICS CORP. & BOEING SATELLITE SYSTEMS	—	\$12,000,000	\$1,500,000	\$10,500,000
AGILENT TECHNOLOGIES, INC.	—	\$225,000	\$225,000	—
MULTIGEN-PARADIGM, INC.	—	\$250,000	—	\$250,000
	\$17,966,666.66	\$15,475,000	\$9,777,380.66	\$23,664,286



**INSPECTOR GENERAL'S ACT AMENDMENTS –
MANAGEMENT FOLLOW-UP TO OIG RECOMMENDATIONS**

The information on the Department's follow-up on audit recommendations covers 2003. 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 2003, the Department of State tracked 22 audit reports that were more than one year old and included a total of 73 recommendations in which final action was not taken, which would have brought closure to the reports. These audits contain over \$10,581,619 in disallowed costs. The Department is working to bring closure to the 22 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 22 Audits Over One Year Old Requiring Final Action		
Program Area	Number of Audit Reports	Recommendations
Counterintelligence	1	8
Financial Management	8	30
Information Management	3	13
Security Oversight	7	19
Support Programs	1	1
Property Management and Procurement	1	1
Contracts and Grants	1	1
TOTALS	<u>22</u>	<u>73</u>

Status of Audits with Recommendations that Funds Be Put to Better Use

On October 1, 2002, there was one audit with recommendations to put funds to better use, with a dollar value of \$70,000, in which management had not taken final action. During the year, final action was taken. Therefore, on September 30, 2003, there were no audits with recommendation to put funds to better use.



Status of Audits of Disallowed Costs

On October 1, 2002, there was one audit with management decision on which final action had not been taken with a dollar value of disallowed costs totaling \$195,000. During the year, one audit with a value of \$195,000 was resolved. During the year, three audits were completed that included disallowed costs of \$10,581,619. The resulting balance on September 30, 2003 was \$10,581,619.

Funds Put to Better Use and Disallowed Costs in Audit Reports				
	Number of Audit Reports Identifying Amount of Funds Put to Better Use	Amount of Funds Put to Better Use	Number of Audit Reports Identifying Disallowed Costs	Disallowed Costs
Beginning Balance	1	\$ 70,000	1	\$ 195,000
New Audits	-	-	3	10,581,619
Implemented Actions	(1)	(70,000)	(1)	(195,000)
Ending Balance	<u>-</u>	<u>\$ -</u>	<u>3</u>	<u>\$ 10,581,619</u>



DEBT MANAGEMENT

Outstanding debt from non-Federal sources (net of allowances) increased from \$45.3 million in 2002 to 51.5 million in 2003. 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, the majority (\$3.7 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 \$960,270 to Treasury for cross-servicing in 2003. *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, \$290,406 was collected in 2003.

Receivables Referred to the Department of the Treasury for Cross-Servicing

	FY 2003	FY 2002	FY 2001
Number of Accounts	927	177	677
Amounts Referred (In Thousands)	\$960	\$194	\$795

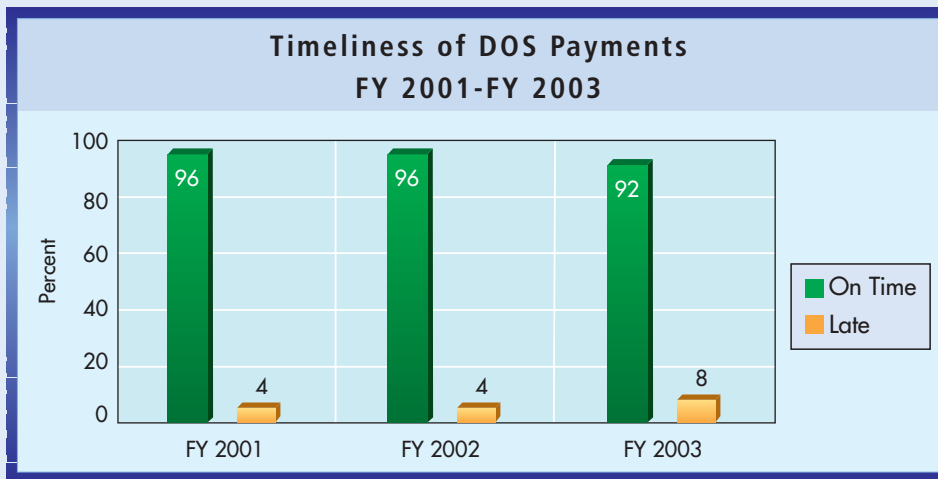


PAYMENTS MANAGEMENT

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 2003, 92% of invoices were paid on time. Presented below is a chart that reflects the timeliness of the Department's payments from FY 2001 through FY 2003.



During FY 2003, 3% of invoices required interest penalties compared to 2% for FY 2002.

SELECTED PAYMENT DATA

	2003	2002	2001
Interest Paid (\$000)	396	443	774
Interest Under \$1 Not Due (\$000)	—	4	8
Interest Due But Not Paid (\$000)	—	—	—
Number of Procurement Card Transactions			
Domestic	57,312	53,379	47,032
Overseas	112,766	46,297	38,298



ELECTRONIC PAYMENTS

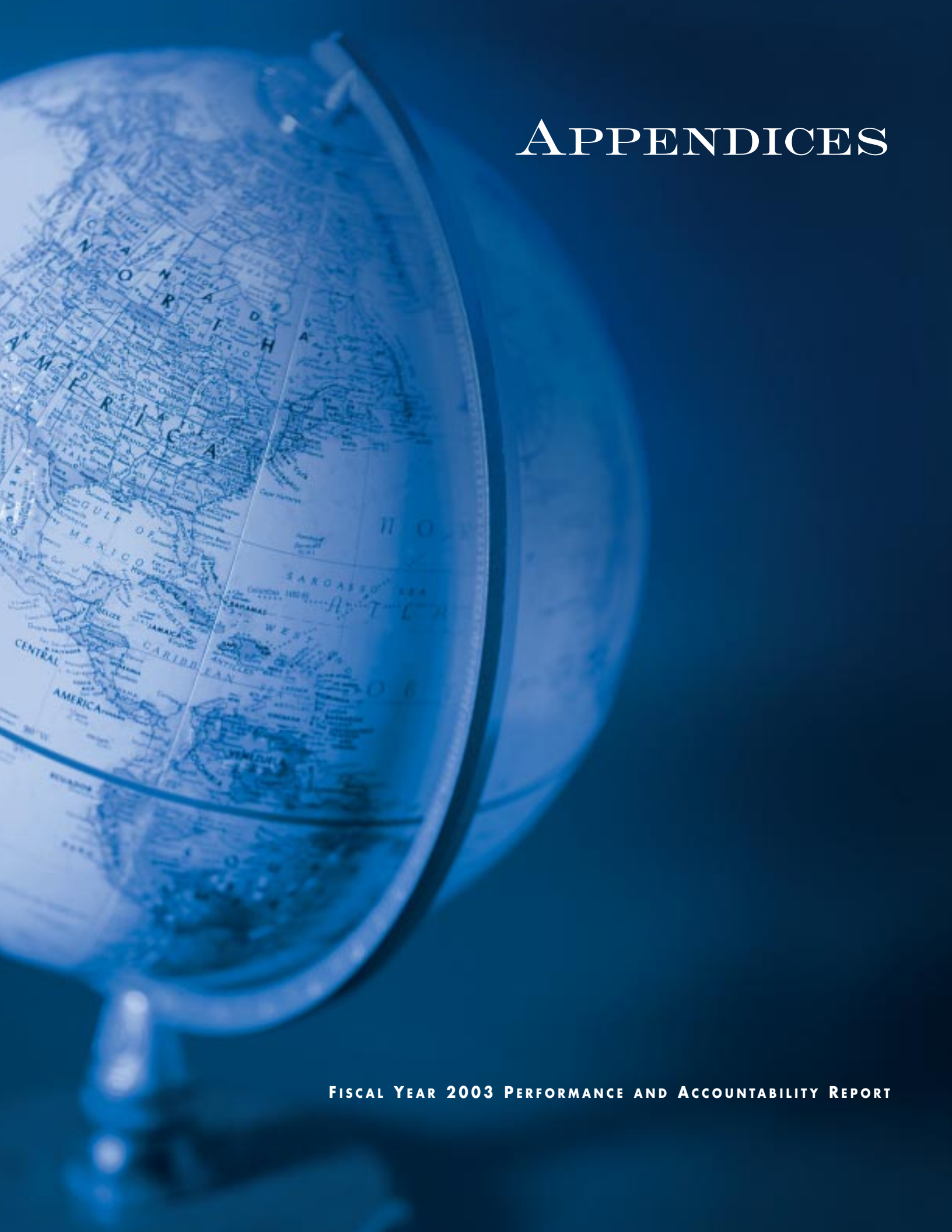
The Department successfully increased the number and percentage of payments it makes electronically. In 2003, 79% of all payments were made by electronic funds transfer (EFT). Domestically, 96% of payments were made electronically. The Department processed 65% of its 2003 overseas payments by EFT, a 5% increase from 2002.

EFT AND CHECK PAYMENT VOLUMES

Payment Type	2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent
EFT:						
Domestic	1,248,335		1,210,054		1,137,510	
Overseas	988,329		841,050		780,418	
EFT Subtotal	2,236,664	79	2,051,104	77	1,917,928	74
Checks:						
Domestic	47,043		56,668		74,811	
Overseas	531,046		560,026		606,128	
Checks Subtotal	578,089	21	616,694	23	680,939	26
Total Payments	2,814,753	100	2,667,798	100	2,598,867	100



APPENDICES



FISCAL YEAR 2003 PERFORMANCE AND ACCOUNTABILITY REPORT

DETAIL ON FY 2003 PERFORMANCE RESULTS

For each reported 2003 result, this appendix provides details on the following:

- Initial and revised targets, if applicable
- FY 2003 result description
- FY 2003 result rating
- Details on FY 2003 results that include,
 - Reason for Target revision(s).
 - Reason for Significant Performance Target Shortfall, when a “Significantly Below Target” rating has been assigned.
 - Steps being taken to improve Performance, when a “Significantly Below Target” rating has been assigned.
 - Reason for significantly exceeding performance target when a “Significantly Above Target” rating has been assigned.
 - Data availability problems — where applicable (*)
 - Data reliability problems or comments — where applicable (*)
 - Data validation problems or comments — where applicable (*)
 - Partners — where applicable
 - Other Issues (*)

(*) Not all performance results include information on these elements. Where cited, these elements describe unique circumstances or areas of concern as they pertain to the given result.





Strategic Goal 1 Regional Stability
Performance Goal 1 Close Ties with Allies and Friends
Initiative/Program #1 Enhanced and Expanded Euro-Atlantic Relationship.

PERFORMANCE INDICATOR # 1: STATUS OF TRANSATLANTIC SECURITY RELATIONSHIPS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<ol style="list-style-type: none"> Resolution of questions regarding ESDP, including participation of non-EU countries. Maintain NATO's Open Door policy through MAP and other engagement with aspirants. Continued progress on the NRC to broaden cooperation on specific projects. 	<ol style="list-style-type: none"> To enhance NATO's military capabilities in line with NATO Prague Summit agenda: "New Capabilities, New Members, New Relationships. To enlarge NATO in line with NATO Prague Summit agenda: "New Capabilities, New Members, New Relationships." To increase cooperation with Russia, Ukraine and outreach to Partners in the Caucasus and Central Asia in line with NATO Prague Summit agenda: "New Capabilities, New Members, New Relationships. 	<ol style="list-style-type: none"> 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. Seven new members invited to join Alliance. Ratifications by Allies on track to welcome new members by May 2004. Progress made on NATO-Russia projects, including military to military cooperation. Retooling 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. 	<p>■ On Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Reason for Target Revisions: The goals for the transatlantic relations are now encapsulated within the context of the follow up to NATO's Prague Summit agenda: "new capabilities, new members, new relationships." Data Reliability: Data is based on Mission and embassy reporting. Data Validation: In most instances, data validity established through clear targets established at NATO ministerial and summits. Partners: OSD, NSC, JCS. 			

Strategic Goal 1 Regional Stability
 Performance Goal 1 Close Ties with Allies and Friends
 Initiative/Program #1 Enhanced and Expanded Euro-Atlantic Partnership

PERFORMANCE INDICATOR #2: IMPLEMENTATION OF ADAPTED CONVENTIONAL FORCES IN EUROPE (CFE) TREATY		
Initial FY 2003 Target	Revised Target	FY 2003 Result
Russia fulfills all Istanbul commitments (troop withdrawal from Georgia and Moldova), allowing for U.S. ratification and entry into force of the Adapted CFE Treaty.	N/A	<ul style="list-style-type: none"> The situation in Moldova, which had been improving earlier in 2003, then stalled at mid-year, is now again proceeding toward resolution; however, the trains moving ammunition and equipment out of Moldova are running only on a modest schedule. Russia will not meet the December 31, 2003, deadline to withdraw forces from Moldova. Progress on Georgia has been stalled for most of 2003, though there are now indications that Georgia and Russia will meet soon to resume discussions on implementing the commitment on Georgia. Russia remains in compliance with Adapted CFE Treaty Flank Limits.
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Reason for Significant Performance Target Shortfall: Russia has not made the difficult political decisions necessary to fulfill its commitments regarding Georgia and Moldova. Steps Being Taken to Improve Performance: The U.S. and NATO will continue to maintain pressure on Russia to do so. The U.S. will increase the level of pressure on Russia by making this a topic for senior exchanges. Data Reliability: Information regarding Russian forces in Georgia and Moldova and the status of negotiations regarding Russian withdrawal comes directly from the countries involved and is reliable. In the final analysis, determination of whether Russia has or has not met its Istanbul commitments is a political decision. Data Validation: The U.S. and its NATO allies have made Russian fulfillment of its Istanbul commitments a precondition for ratification of the Adapted CFE Treaty. Therefore, it is directly relevant to keep track of progress regarding Russian withdrawal from Georgia and Moldova. 		<p>FY 2003 Performance Ratings</p> <p>Significantly Below Target</p>



Strategic Goal 1 Regional Stability
 Performance Goal 1 Close Ties with Allies and Friends
 Initiative/Program #2 Regional Stability in East Asia and the Pacific

PERFORMANCE INDICATOR # 3: STATUS OF U.S.-SOUTH KOREAN RELATIONS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Complete Phase II of Joint Study on Future of U.S.-South Korean alliance. Complete Joint Study of Phase II Military CBMs and Arms Control Measures. Complete Joint Study of North Korea's WMD.	Begin reconfiguration of U.S. Forces in South Korea; Negotiations on the future of U.S.-South Korean alliance.	Talks between the U.S. and ROK on the Future of the Alliance (FOTA) produced a timetable and division of costs for the reconfiguration of U.S. Forces in Korea during 2004 – 2008.	On Target

- Reason for Target Revision: There was some discussion of the U.S. and ROK working on CBMs with North Korea, but these proposals were never fully developed. Reconfiguration of U.S. forces in Korea is a much better measure of the closeness of the U.S.-South Korean Relationship.
- Data Reliability: Data is based on Embassy and FOTA reporting.
- Data Validation: While the ROK is still hesitant with U.S. plans, the Koreans are moving forward with cooperation on reconfiguration plans.

PERFORMANCE INDICATOR # 4: STATUS OF CHINESE COOPERATION ON REGIONAL STABILITY

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
China increases diplomatic efforts to urge India and Pakistan to resolve differences peacefully. China increases dialogue with United States on North Korea and urges North Korea to reform and to remove sources of tension.	China increases coordination on security issues related to the Korean Peninsula and South Asia with the United States and the international community.	China discussed its bilateral border disputes with South Asian officials. China played a crucial role in facilitating multilateral talks with North Korea on maintaining a nuclear weapons-free Korean Peninsula.	On Target

- Reason for Target Revision: This revision expands China's coordination on security issues to the international community rather than limiting it to specific geographic regions.
- Data Reliability: Data is based on Embassy reporting.
- Data Validation: Demonstrates that Chinese are moving forward with cooperation of regional security issues.
- Partners: OSD, NSC.



Strategic Goal 1 Regional Stability
 Performance Goal 2 Resolution of Regional Conflicts
 Initiative/Program #3 Conflict Management and Resolution

PERFORMANCE INDICATOR #1: NUMBER OF AFRICAN ARMED CONFLICTS RESOLVED AND PEACE SUPPORT MISSIONS CONCLUDED

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. One conflict resolved (Burundi).	1. N/A	<p>1. Conflicts Resolved:</p> <ul style="list-style-type: none"> ● 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 (FDD); implementation negotiations ongoing at year-end; prospects fair for agreement in 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 in August. The U.S. provided nearly \$26 million in logistics support to enable the deployment of ECOWAS peacekeeping forces. 	<p>■ On Target</p>
2. One peace support mission withdrawn (Angola).	2. N/A	<p>2. Peace Support Missions Concluded: Angola: One peace support mission withdrawn.</p>	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Validation: In most instances, data are quantifiable and clearly illustrate progress to date. ● Partners: UN and specialized agencies, USAID, The African Union, regional states, NGOs, and interested European allies. 			





Strategic Goal 1 Regional Stability
 Performance Goal 2 Resolution of Regional Conflicts
 Initiative/Program #4 Indo-Pakistani Relations / Kashmir

PERFORMANCE INDICATOR #2: STATUS OF RELATIONS BETWEEN PAKISTAN AND INDIA ON KASHMIR

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Infiltration is substantially reduced; number of terrorist attacks declines significantly from 2000-2002 average.	1. N/A	1. Infiltration continued throughout the year.	Slightly Below Target
2. Militant training camps and related infrastructures in Pakistan are substantially dismantled.	2. N/A	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 return to pre-crisis locations and readiness levels.	3. N/A	3. Military forces on both sides returned to pre-crisis locations and readiness levels.	
4. India resumes dialogue with Pakistan.	4. India and Pakistan resume diplomatic contact.	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 – exchange. However, official talks have not yet started.	
Details of 2003 Results <ul style="list-style-type: none"> ● Reason for Target #4 Revision: India and Pakistan have embarked on a gradual normalization of relations, beginning with renewed diplomatic contact. ● Data Reliability: Infiltration of militants across the Line of Control is difficult to detect and extremely difficult to quantify, although trends are detectable. Figures for violent deaths in Kashmir are easier to obtain, but can be misleading because they do not account for which side initiated combat, which side prevailed, or whether the deaths were militant, army or civilian. ● Data Validation: Cross-border infiltration is a serious source of tension between India and Pakistan; tracking its variations is essential to reducing tension between the two countries. 			

Strategic Goal 1 Regional Stability
 Performance Goal 2 Resolution of Regional Conflicts
 Initiative/Program #5 Peacekeeping Participation

PERFORMANCE INDICATOR #3: NUMBER OF U.S. PKO-TRAINED COUNTRIES THAT PARTICIPATE IN INTERNATIONAL PKO

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Twenty	N/A	Twenty-eight	Significantly Above Target
<p>Reason for Exceeding Performance Target: From 2001 to the present there has been a significant global increase in the demand for peacekeepers, not only for new and existing UN-sponsored missions, but for non-UN international peace support operations sponsored by coalitions and lead-nations. In 2002 and 2003, the U.S. provided PKO training to more new countries than had been anticipated when this performance target was first established, and countries provided with assistance were more actively sought out to participate in the range of operations on-going.</p> <p>Data Reliability: Fiscal documents and files maintained by State and OSD/DSCA are accountable, accurate and subject to audit. UN documents and files reflecting countries' participation in peacekeeping operations are a matter of public record.</p> <p>Data Validation: 28 of the 29 countries that have received EIPC funding have participated in international peacekeeping operations since receiving funding. In addition to being a reflection of the global impact that a small amount of resources carefully targeted can achieve, this is a means by which the pool of quality force contributions is increased, offering greater latitude to the UN and U.S., when seeking participants in global peacekeeping operations.</p> <p>Partners: State coordinates closely with OSD/DSCA as well as with the UN. OSD is able to provide critical information with regard to a country's capability to absorb EIPC-funded training as well as its military readiness to participate in peacekeeping operations. Many countries that have benefited from EIPC training provide troops to UN-mandated peacekeeping operations.</p>			
<p>Details of 2003 Results</p>			

Strategic Goal 1 Regional Stability
 Performance Goal 2 Resolution of Regional Conflicts
 Initiative/Program #6 Restrict Advanced Conventional Weapons Transfers

PERFORMANCE INDICATOR #4: EFFECTIVENESS OF WASSENAAR ARRANGEMENT (WA) CONTROL LISTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Prompt reporting of arms transfers on the WAIS. Reporting of denials of arms transfers, and notification before undercutting a previous dual-use denial. Have 122 states participate in the UN Register of Conventional Arms Transfers. Sharing of "best practices" papers on effective export control practices within the WA.	N/A	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. 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 fallen also. 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.	On Target
<p>Details of 2003 Results</p> <p>Data Reliability: Data reported by member states through Wassenaar is reliable, but often late and highly aggregated, limiting usefulness. Intelligence information by its nature is fragmentary and varies widely in credibility. Only occasionally can data be validated, such as by capturing weapons or finding documents, as happened in Iraq.</p> <p>Partners: Intelligence Community, DoD, Commerce, Customs, FBI.</p>			



Strategic Goal 2 Counterterrorism
 Performance Goal 1 Active Anti-Terrorist Coalitions
 Initiative/Program #1 Diplomatic Engagement

PERFORMANCE INDICATOR #1: NUMBER OF BILATERAL AND MULTILATERAL CT CONSULTATIONS WITH KEY PARTNERS		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
Twenty-five	N/A	<div style="display: flex; align-items: center;"> <div style="width: 20px; height: 20px; background-color: green; margin-right: 5px;"></div> On Target </div>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Data Reliability: Data is reliable because the nature of the multilateral and bilateral conferences/workshops are recorded and retained in numerous U.S. government agency locations. Data Validation: A direct measurement of the target. Data Availability: Data derived from both large and small scale conference/workshops are as close to real time experience as can be recorded or achieved in a conference/training setting. 		

Strategic Goal 2 Counterterrorism
 Performance Goal 1 Active Anti-Terrorist Coalitions
 Initiative/Program #2 Anti-Terrorism Assistance

PERFORMANCE 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		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
<ol style="list-style-type: none"> 190 ATA courses provided to fifty states. 16 program reviews conducted. 	<ol style="list-style-type: none"> N/A N/A 	<div style="display: flex; align-items: center;"> <div style="width: 20px; height: 20px; background-color: purple; margin-right: 5px;"></div> 1. Significantly Above Target </div> <div style="display: flex; align-items: center; margin-top: 10px;"> <div style="width: 20px; height: 20px; background-color: yellow; margin-right: 5px;"></div> 2. Slightly Below Target </div>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Reason for Significantly Exceeding Performance Target: ATA employed lower cost consultations of one-week duration to address country specific issues and introduced the delivery of some classroom based courses overseas resulting in cost savings on student travel and per diem. These low cost methods allowed ATA to conduct more events. Data Reliability: Data is extremely reliable. It is extrapolated from the course and event scheduling database, which is updated as necessary and reviewed and verified for accuracy on a bi-weekly basis. Data Validation: Attendance in training courses is the primary means by which the 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 capability. Partners: The Department works closely on this program with representatives from the Department of Homeland Security, the Department of Justice, the Bureau of Alcohol, Tobacco and Firearms, and the U.S. Coast Guard. Members from these agencies bring their expertise to specialized training programs for our participant countries. 		



Strategic Goal 2 Counterterrorism
 Performance Goal 1 Active Anti-Terrorist Coalitions
 Initiative/Program #3 Meeting International Standards

PERFORMANCE INDICATOR #3: NUMBER OF STATES THAT HAVE PERIODICALLY SUBMITTED REQUIRED REPORTS TO THE UN SECURITY COUNCIL

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
145	N/A	191 (all member states of the United Nations)	■ Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data determined to be reliable predicate upon program performance as judged by the program manager in S/CT and USUN. ● Data Validation: Due to confirmation and acceptance by states to act on implementation of UN Security Council Resolution 1373, which imposes binding obligations on all states to suppress and prevent terrorist financing, improve border controls, enhance information sharing and law enforcement cooperation, suppress terrorist recruitment, and to deny terrorist safe harbor. ● Partners: UN Security Council ● Other Issues: UNSCR 1455 (January 2003) imposed a new requirement on UN Member States to report by April 2003 on measures taken to implement sanctions against Al Qaida/Taliban names listed on the 1267 Sanctions Committee. According to a report issued by the Committee in December, 108 countries had not complied with this requirement. 			

Strategic Goal 2 Counterterrorism
 Performance Goal 2 Frozen Terrorist Financing
 Initiative/Program #4 Designations of Terrorist Organizations

PERFORMANCE INDICATOR #1: YEARLY NUMBER OF NAMES DESIGNATED UNDER E.O. 13224 FOR TERRORIST ASSET FREEZING

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
A total of eleven names were designated under E.O. 13224 between Jan. 1 and March 28.	N/A	80 additional terrorist-related individuals and entities were named	■ Significantly Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Significantly Exceeding Performance Target: Prerequisite legal frameworks were established and, coupled with enhanced cooperation among federal agencies, contributed to the successful delivery of a greater number of terrorist-related individuals and entities to the UN 1267 Committee than originally thought possible. ● Data Reliability: Data determined to be reliable predicated upon program performance as judged by the program managers in S/CT and USUN. ● Data Validation: A direct measurement of the target accomplishments. ● Partners: As required by law, designations are done in consultation with Department of Justice and Treasury. Intelligence community, and in certain cases law enforcement, input is essential. 			






Strategic Goal 2 Counterterrorism
 Performance Goal 2 Frozen Terrorist Financing
 Initiative/Program #4 Designations of Terrorist Organizations

PERFORMANCE INDICATOR #2: YEARLY NUMBER OF NAMES ADDED TO THE UN 1267 SANCTIONS COMMITTEE'S CONSOLIDATED LIST			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
A total of twelve al Qaeda names were added to the 1267 Sanctions Committee's list between Jan. 1 and March 28, 2003. More names are expected to be added to the 1267 Committee's list later in the year.	65	64 names (114 entities and 50 individuals) were added to the UN 1267 Sanctions Committee list between October 2002 and September 2003	On Target
Details of 2003 Results <ul style="list-style-type: none"> Reason for Target Revision: Reflects information for entire fiscal year. Data Reliability: The UN records and publishes consolidated list. 			
PERFORMANCE INDICATOR #3: NUMBER OF COUNTRIES SUBMITTING NAMES TO THE UN 1267 SANCTIONS COMMITTEE'S CONSOLIDATED LIST			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
A total of ten foreign countries submitted al Qaeda names to 1267 Sanctions Committee between Jan. 1 and March 28, 2003.	40	A total of 43 foreign countries submitted al-Qaeda names to the 1267 Sanctions Committee between October 2002 and September 2003	Above Target
Details of 2003 Results <ul style="list-style-type: none"> Reason for Target Revision: Reflects information for entire fiscal year. Data Reliability: The UN records and publishes consolidated list. 			
PERFORMANCE INDICATOR #4: TIMELINESS OF THE REVIEW OF GROUPS DESIGNATED AS FOREIGN TERRORIST ORGANIZATIONS (FTOS) PURSUANT TO U.S. LAW			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Complete all FTO reviews. 2. No new addition pending for more than four months.	1. N/A 2. N/A	1. Three new FTO were designated, bringing the total to 36. One FTO designation was amended to reflect its name change. 2. All 27 FTO designations due to expire during FY 2003 were reviewed and redesignated on time.	On Target
Details of 2003 Results <ul style="list-style-type: none"> Data Reliability: Data is 100 per cent reliable because these designation decisions are recorded and retained in numerous US government agency locations. Data Validation: A direct measurement of the target. Partners: As required by law, designations are done in consultation with Department of Justice and Treasury. Intelligence community, and in certain cases law enforcement, input is essential. 			


Strategic Goal 2 Counterterrorism
 Performance Goal 2 Frozen Terrorist Financing
 Initiative/Program #5 Counterterrorism Financing Training and Technical Assistance

PERFORMANCE INDICATOR #5: NUMBER OF U.S. TRAINING AND ASSISTANCE PROGRAMS AND ASSESSMENTS DELIVERED TO PRIORITY STATES TO HELP COMBAT THE FINANCING OF TERRORISTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Assessment of these nineteen priority states takes place; the nineteen priority states accept recommendations and offers of training and assistance.	Complete assessments of seventeen of nineteen priority states.	Fifteen assessments completed. Fifteen states of the target nineteen are now receiving training and technical assistance.	 Slightly Below Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Reason for Target Revision: Of the nineteen designated in the original performance target group, one state remains a state sponsor of terrorism and one is currently engaged in civil war, thus the target was reduced by two. Of the two states pending assessments, one state is currently being assessed and the other state will be assessed within the first quarter of FY 2004. Data Reliability: Data is 100 per cent reliable because these designation decisions are recorded and retained in numerous U.S. government agency locations. Data Validation: A direct measurement of the target. Partners: Department of Treasury and Justice. Indicator changed to better reflect the Department's focus, which is to deliver effective assistance to priority states. Previous indicator focused on the number of countries instituting undefined measures to help combat terrorist financing. 			

Strategic Goal 2 Counterterrorism
 Performance Goal 3 Prevention and Response to Terrorism
 Initiative/Program #6 Foreign Emergency Support Team (FEST)

PERFORMANCE INDICATOR #1: DEGREE OF SUPPORT FOR COMBATANT COMMANDER'S CT EXERCISE PROGRAMS AND THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF (CJCS) SPONSORED, NO-NOTICE CT EXERCISE

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
FEST Participates in two of the Combatant Commander's national and international-level counterterrorist exercises, the CJCS no-notice exercise, and the National Level Top Officials (TOPOFF) Exercise.	N/A	FEST participated in Chairman of Joint Chiefs of Staff no-notice counterterrorist exercise. The Department participated in TOPOFF II. FEST participated in US Pacific Command's counterterrorist exercise.	 Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Data Reliability: Data is reliable because these designation decisions are recorded and retained in numerous U.S. government agency locations. Data derived from full-scale exercises are as close to real life experience as can be achieved in a training environment. Data Validation: A direct measurement of the target. Partners: DOD, DOE, FBI, CIA and DHS. Other Issues: FEST only participated in one Combatant Commander's exercise due to the cancellation of U.S. Southern Command's exercise scheduled for March 2003 due to proximity of Operation Iraqi Freedom. 			



Strategic Goal 2 Counterterrorism
Performance Goal 3 Prevention and Response to Terrorism
Initiative/Program #7 Technical Support Working Group

PERFORMANCE INDICATOR #2: DEGREE TO WHICH CURRENTLY-FUNDED TECHNICAL SUPPORT WORKING GROUP (TSWG) RESEARCH PROJECTS ARE COMPLETED ON-TIME AND WITHIN BUDGET AND DEGREE TO WHICH THE NUMBER OF PROJECTS ACCEPTED IS INCREASED

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Seventy-five percent of currently funded research projects completed on time and within budget.	1. N/A	1. Seventy-five per cent of FY 2003 projects completed on time and within budget.	1. On Target
2. Five percent increase in the number of research projects accepted.	2. N/A	2. Five percent increase in number of projects over FY 2002.	2. On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data is reliable because these designation decisions are recorded and retained in numerous U.S. government agency locations. ● Data Validation: A direct measurement of the target. ● Partners: TSWG includes representatives from 10 federal departments representing over 80 federal entities. Members help in requirements definition, proposal evaluation, and funding. Key members include: DOD, CIA, FBI, DOE, DOJ, TSA, DHS, US Secret Service. TSWG runs the National Combating Terrorist R&D program. To be an effective program, interagency collaboration is required and necessary. 			

Strategic Goal 2 Counterterrorism
Performance Goal 3 Prevention and Response to Terrorism
Initiative/Program #8 Money Laundering and Terrorist Financing Initiative

PERFORMANCE INDICATOR #3: STATUS OF FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING (FATF) LIST OF NON-COOPERATIVE COUNTRIES AND TERRITORIES (NCCT)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
FATF removes four additional countries from list.	Two countries removed from the FATF list.	Two countries are in the initial stages of being removed from the FATF list.	Slightly Below Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: Timing of FATF plenary meetings is twice a year, thus two countries amended laws in time to be considered. The FATF plenary cannot review and delist the other two countries designated until its next plenary session in January/February 2004. ● Data Reliability: Data is 100 per cent reliable because these designation decisions are recorded and retained in numerous U.S. government agency locations. ● Data Validation: A direct measurement of the target. ● Partners: Department of Treasury (Leads US FATF delegation) and Justice. 			



Strategic Goal 3 Homeland Security
 Performance Goal 1 Proper Visa Adjudication
 Initiative/Program #1 Visa and Consular Services

PERFORMANCE INDICATOR #1: NUMBER OF OTHER AGENCIES WITH ACCESS TO THE CONSULAR CONSOLIDATED DATABASE (CCD)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Four	Two	Two	On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: The creation of DHS merged a number of border security agencies with which there were agreements into a single entity. ● Data Reliability: Based on MOU's signed, data connections and user access programs established. 100% reliable. ● Data Validation: Data used to measure performance results is appropriate as it is directly related to the number of external agencies that have acquired access to the CCD. Access to the CCD allows other Homeland/Border security agencies to have access to visa data that is relevant to border security initiatives. ● Partners: Extensive coordination with DHS and other agencies required to negotiate, implement and manage ongoing data relationships. 			


PERFORMANCE INDICATOR #2: PERCENTAGE OF FILES STORED ELECTRONICALLY IN ACCORDANCE WITH THE REQUIREMENTS OF ENHANCED BORDER SECURITY AND VISA ENTRY REFORM ACT (PL 107-173)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Begin to phase in electronic storage. Begin to scan files on ineligible applicants and begin scanning of select applications.	N/A	Software is being developed to support Kentucky Consular Center scanning of archival material.	On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: 100%. Imaging activities reflect program initiatives. Scanned documents can be counted in the CCD. ● Data Validation: Data used to measure performance results is appropriate as it represents all of the data used to process and adjudicate non-immigrant visa applications. ● Partners: National Archives for record storage. Other agencies as users of scanned information. ● Other Issues: Due to the forensic value of paper records, CA has made arrangements to archive paper records. Scanning and electronic storage activities are therefore restricted to records for which electronic sharing and rapid retrieval provides significant value. 			




Strategic Goal 3 Homeland Security
 Performance Goal 1 Proper Visa Adjudication
 Initiative/Program #1 Visa and Consular Services

PERFORMANCE INDICATOR #3: DEVELOPMENT OF A BIOMETRICS COLLECTION PROGRAM FOR U.S. VISAS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Continue Biometric BCC program and practical application of FR technology.	1. N/A	1. Used FR technology to disqualify over 20,000 from the annual Diversity Visa Lottery for filing duplicate entries. To evaluate FR's full potential for combating visa and passport fraud, launched a facial recognition pilot for nonimmigrant visas.	 Significantly Above Target
2. Work with DHS and National Institute of Standards and Technology (NIST) to set a biometrics-based standard for the documentation of the visa process.	2. N/A	2. Developed recommendations on biometric standards for visas.	
3. Begin development work on worldwide biometrics collection.	3. N/A	3. Began worldwide deployment of biometric NIV software, with four posts going live with fingerprint collection in September 2003.	
<p>Reason for Significantly Exceeding Performance Target: Section 303 of the Enhanced Border Security and Visa Entry Reform Act of 2002 requires that "not later than October 26, 2004, the Attorney General and the Secretary of State shall issue to aliens only machine-readable, tamper-resistant visas and travel and entry documents that use biometric identifiers." The results achieved during FY 2003 were necessary to lay the groundwork for a global biometric enrollment program meeting the requirement of the law.</p> <p>Data Reliability: The data is reliable and confirmed by publication of DOS and DHS plans.</p> <p>Data Validation: This data confirms the accomplishment of necessary steps in the process that will result in the U.S. issuing biometric-enhanced visas meeting the requirements of U.S. law and international standards, thereby enhancing U.S. security.</p> <p>Partners: DHS, DOJ, NIST. DOS coordinated efforts with other agencies to set the standards for visa biometrics, initiate the process of modifying the U.S. visa to include the specified technological enhancements, and ensure interagency interoperability.</p>			
<p>Details of 2003 Results</p>			

Strategic Goal 3 Homeland Security
 Performance Goal 1 Proper Visa Adjudication
 Initiative/Program #2 U.S.-EU Cooperation on Border Security

PERFORMANCE INDICATOR#4: PASSENGER NAME RECORD (PNR) AND ADVANCED PASSENGER INFORMATION (APIS) REQUIREMENTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
DHS upgrades software acceptance capability to include required passenger information. The Department works with foreigners and foreign governments to harmonize legal requirements for electronic data.	<ul style="list-style-type: none"> DHS develops software filters to comply with privacy-related undertakings of the European Union. The Department works with foreign governments to gain acceptance/support for data access requirements. 	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.	 Slightly Below Target
<p>Reason for Target Revisions: Initial text was incorrect. Revised target represents the Department's correct policies and targets.</p> <p>Data Validation: Existence of an EU-US agreement on PNR will pave the way for PNR agreements with other countries and reduce risk to airlines of privacy-related litigation.</p> <p>Partners: Worked very closely with Department of Homeland Security (Including BTS, TSA, and CBP), as well as DOJ. DHS has lead in negotiations and its cooperation and willingness to compromise is crucial to reaching an agreement.</p> <p>Other Issues: The U.S. is significantly closer to reaching an agreement with the EU Commission that would allow access to PNR data to DHS without being in violation of EU data privacy laws.</p>			
<p>Details of 2003 Results</p>			



Strategic Goal 3 Homeland Security
 Performance Goal 2 Border Agreements
 Initiative/Program #3 U.S.-Canada Smart Border Action Plan and the U.S.-Mexico Border Partnership

PERFORMANCE INDICATOR # 1: STATUS OF BORDER SECURITY INITIATIVES			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Delivery begins on U.S. support to Mexican law enforcement in non-intrusive inspection systems, safety and search and rescue training and equipment, border port management tools, Advanced Passenger Information, and facilitating Mexican access to the U.S. SENTRI system and related programs.	1. N/A	1. All programs proceeding largely on schedule.	1. On Target
2. Under the 30-point Canadian program, the API/PNR program is underway and is fully in place by early 2003.	2. N/A	2. Slight delay in Advanced Passenger Information/Passenger Name Record (API/PRN).	2. On Target
Details of 2003 Results <ul style="list-style-type: none"> Partners: Department of Homeland Security. 			

Strategic Goal 3 Homeland Security
 Performance Goal 2 Border Agreements
 Initiative/Program #4 Container Security Initiative

PERFORMANCE INDICATOR # 2: PARTICIPATION IN THE CONTAINER SECURITY INITIATIVE			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Expand program to six remaining top twenty ports and to cover 98 percent of EU shipments. Expand program worldwide.	Nineteen of the largest 20 ports that ship to the United States sign Declarations of Principles (DoPs) to participate in the CSI program. Additional "pilot phase" deployments begin. CSI expanded to include ports beyond the top 20 and negotiations begin on EU-wide agreement. Discussions continue with the EC and member states on expansion to additional EU ports.	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.	On Target
Details of 2003 Results <ul style="list-style-type: none"> Partners: The Bureau of Customs and Border Protection in the Department of Homeland Security is the lead agency for this effort. Reason for Target Revision: Program had expanded beyond initial target. 			





Strategic Goal 3 Homeland Security
 Performance Goal 2 Border Agreements
 Initiative/Program #4 Container Security Initiative

PERFORMANCE INDICATOR #3: CARGO MANIFEST REQUIREMENTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. CBP (formerly USCS) requires air, sea, land, and rail freight to be manifested electronically and sent to BCBP before departure.	1. CBP requires 24-hour advance notice prior to lading for all vessel cargo unless exempted.	1. All vessel cargo manifest information is being provided to the Department of Homeland Security's Bureau of Customs and Border Protection (CBP) either in electronic or paper format at least 24 hours prior to loading unless exempted.	1. On Target
2. The Department works with foreign carriers and industries to produce viable final regulations.	2. Regulations are promulgated for electronic transmission for all modes. Paper is currently being accepted for vessel cargo.	2. Regulations are being finalized for electronic submission of data for all modes of transport.	2. On Target

- Details of 2003 Results**
- Reason for Target Revisions: CPB was unable to publish the newly mandated regulations until after the new fiscal year due to the necessity for extensive revision and rewriting of the regulations.
 - Data Reliability: Due to the lack of an existing system to accept electronic manifests from trucks, advanced electronic submission of entry data will be accepted.
 - Data Validation: Advanced electronic data receipt will enhance the targeting and screening of high risk cargo while facilitating the flow of legitimate goods.
 - Partners: The Bureau of Customs and Border Protection in the Department of Homeland Security is the lead agency for this effort.

Strategic Goal 3 Homeland Security
 Performance Goal 3 Infrastructure Network Protection
 Initiative/Program #5 Cyber Security

PERFORMANCE INDICATOR #1: NUMBER OF COUNTRIES WITH CRITICAL INFRASTRUCTURE PROTECTION ACTION PLANS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Member states of OECD, APEC, and CITEI with significant telecom infrastructures.	22	Baseline: 69	Significantly Above Target

- Details of 2003 Results**
- Reason for Significantly Exceeding Performance Target: This result includes countries with which the U.S. has had a bilateral or multilateral cyber and physical security exchange.
 - Reason for Target Revision: Indicator revised from "Number of Multilaterals with Critical Infrastructure Action Plans." Countries are a more relevant measure.
 - Partners: FCC, DOJ, Commerce, DHS.

Strategic Goal 4 Weapons of Mass Destruction
Performance Goal 1 Bilateral Measures
Initiative/Program #1 Curb Access

PERFORMANCE INDICATOR #1: ACCESS TO WEAPONS OF MASS DESTRUCTION IMPEDED

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>1. Russia: Stops nuclear cooperation with Iran; fully adheres to NSG guidelines.</p> <p>2. China: Fully implements and adheres to 1997 nuclear commitment and November 2000 missile commitment, including effective enforcement of comprehensive missile-related export controls.</p> <p>3. North Korea: Eliminates or freezes its MTCR class missile programs exports; agrees to all commitments in the Agreed Framework.</p> <p>4. NIS Countries: Significant progress by NIS and other countries towards enforcement of export control standards.</p>	<p>1. Russia: Stops nuclear cooperation with Iran; no nuclear contracts with India.</p> <p>2. N/A</p> <p>3. N/A</p> <p>4. Export Control Cooperation: Significant progress by targeted countries towards establishment and enforcement of export control standards (reflects globalization of export control; we are moving into East Asia, Middle East, Africa, and Latin America and key transshipment states in eastern and central Europe).</p>	<p>1. Russia: While maintaining its cooperation with Iran's program, expressed increasing concern as IAEA establishes Iranian safeguard violations. International consensus against supply to Iran remains in place.</p> <p>2. China continues to cooperate. Attention, however, has been given to other priorities that have arisen.</p> <p>3. North Korea: Has not contributed to nuclear programs in other countries, but North Korean ballistic missile exports contribute to destabilizing already volatile regions of the Middle East/North Africa and South Asia.</p> <p>4. Export Control: Over 20 countries, including former NIS, in Europe and Eurasia have adopted export control laws, or strengthened export control systems and enforcement mechanism.</p> <p>G8 Initiative: Accepts 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 becomes a member of the Nuclear safety and Security group. Ukrainians increase staff to meet its increasing responsibilities. New Safe Confinement conceptual design is completed and obtains regulatory approval. Stabilization contractor is selected and mobilized.</p>	<p>On Target</p>

Details of 2003 Results

- **Reason for Target Revisions:** Targets were revised because the term NIS (New Independent States) is dated and also because the goals of Export Control are now "globalized" and geared toward a wider target.
- **Data Reliability:** Data on progress come from diplomatic cables and first hand accounts of activities. Both are expected to be highly reliable.
- **Data Validation:** The observation and assessment of the activities in question determine that they are valid measures of progress toward this goal.
- **Partners:** Coordinates with intelligence agencies MTCR, NSG, DOE and others.





Strategic Goal 4 Weapons of Mass Destruction
Performance Goal 1 Bilateral Measures
Initiative/Program #1 Curb Access

PERFORMANCE INDICATOR #2: STATES CONFORM TO INTERNATIONAL NON-PROLIFERATION NORMS OF BEHAVIOR

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>1. South Asia: Restraint on missile programs and testing moratoria continue. Progress by India and Pakistan on bringing export controls in line with international standards.</p>	<p>1. N/A</p>	<p>1. South Asia: Five technical export control cooperation exchanges completed with India. Indian officials draft and work toward exchanges in export control system; make arrests and begin prosecution of notorious proliferating entity and investigate additional entities. Technical export control cooperation with Pakistan initiated, with first meetings held in February.</p>	<p>■ Above Target</p>
<p>2. Middle East: Controls on Iran receive international support. Iran denied nuclear weapons technologies. Stronger export controls throughout region.</p>	<p>2. N/A</p>	<p>2. Middle East: UNMOVIC and IAEA inspectors withdrawn from Iraq prior to military action to disarm Iraq. Iran's nuclear program is under intense scrutiny, as IAEA Director General reports numerous safeguards failures. Under a deadline set by the IAEA Board of Governors (BOG) on September 12, unanimously found it to be "essential and urgent" that Iran cooperate fully with the IAEA to address questions arising from Iran's safeguards failures and called on Iran to suspend all enrichment related and reprocessing activities. WMD and other related technology are denied to Libya.</p>	
<p>3. East Asia: Progress on verifiable constraints on North Korea's missile policy; and the verifiable and irreversible end to its nuclear weapons program.</p>	<p>3. N/A</p>	<p>3. East Asia: North Korea agreed to multilateral talks to address concerns about its nuclear program. Three-party talks among the U.S., North Korea, and China were held in April 2003. Six-party talks; U.S., North Korea, China, Japan, Russia and the Republic of Korea were held in August 2003. States particularly welcomed the six-party talks in Beijing in August 2003. The talks, and the consensus that emerged from them, are "a clear step in the right direction." The IAEA General Conference adopted a resolution calling for North Korea to promptly accept comprehensive IAEA safeguards and cooperate in their full and effective implementation.</p>	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: These data generally covers all relevant issues related to this indicator. The actions of the countries in question are observed and analyzed in order to draw a reasonable conclusion. ● Data Validation: The data are interpreted on whether or not they represent positive steps toward the desired result. ● Partners: Coordinates with intelligence agencies, IAEA, NSG, UNMOVIC and others. 			

Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 1 Bilateral Measures
 Initiative/Program #1 Curb Access

PERFORMANCE INDICATOR #3: PROGRESS TOWARD IMPLEMENTING FISSILE MATERIAL PROJECTS


Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Russian warhead dismantling continuing.	1. PPRA and subsidiary documents concluded; implementation begins.	1. Russia decided to use the same design for mixed oxide (MOX) fuel fabrication facility as in the U.S.; negotiations of a multilateral framework to support to support Russian plutonium disposition started and continued.	■ On Target
2. U.S.-Russian Plutonium Disposition Agreement and financing structures for assistance completed.	2. U.S.-Russian Plutonium Disposition Agreement and financing structures for assistance completed.	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 continue smoothly.	
3. N/A	3. Mayak FMSF transparency arrangements concluded.	3. Negotiations continued on Mayak Fissile Material Storage Facility (FMSF) transparency arrangements.	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: Revised target is a more accurate description of Department goals. ● Data Reliability: These data come from signed agreements and monitoring of Russian actions. These are considered highly reliable. ● Data Validation: Data is confirmation of prescribed steps therefore considered valid. ● Partners: Coordinates with intelligence agencies, IAEA, NSG, DOE and others. 			





Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 1 Bilateral Measures
 Initiative/Program #1 Curb Access

PERFORMANCE INDICATOR #4: U.S. PRIVATE SECTOR/NON-NP PARTNER PROJECT FUNDING AS A PERCENTAGE OF TOTAL U.S. PROJECT FUNDING; AND, NUMBER OF INSTITUTES SECURING ALTERNATE FUNDING AND "GRADUATING" OUT OF SCIENCE CENTER FUNDING¹

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Continued expansion of partnerships and technology markets.	N/A	U.S. private sector industry partners total over 60. Five new projects funded at three newly engaged BW and CW institutes. Three new U.S. industry partners recruited thus far, with partial year results for U.S. non-NP Partner funding at 14% of total project funding. The Bio-Industry Initiative has funded long-term commercialization and sustainability programs at large-scale biologic production facilities in Russia and Kazakhstan; has developed Russian Bioconsortium of former BW research and production facilities; has developed relationships with Dow Chemical and Eli Lilly.	 Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: These are observed "hard" data. Actual results (measures) of the program(s) by technical and financial auditors are taken periodically. ● Data Validation: The measures align with the goals they are based on: Number of former BW/CW institutes now engaged in civilian research projects. Percentage of U.S. private sector funding. Number of institutes "graduated" from Science Center program support. Number of former BW scientists now engaged in drug and vaccine development. ● Partners: Coordinates with intelligence agencies, private enterprise and others. ● Other Issues: Indicator has been re-titled, but reports the same results: "Number of Russian/ NIS Weapons Scientists Redirected in Civilian Activities and Progress in Developing Self-Sustaining Civilian Alternative Employment." 			
<p>¹ This indicator is entirely new, but reports the same results as the previous indicator: "Number of Russian/ NIS Weapons Scientists Redirected in Civilian Activities and Progress in Developing Self-Sustaining Civilian Alternative Employment."</p>			

Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 1 Bilateral Measures
 Initiative/Program #2 Cooperation with Allies/Friends on Missile Defense

PERFORMANCE INDICATOR #5: STATUS OF COOPERATION WITH ALLIES ON NEW STRATEGIC FRAMEWORK


Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>NATO allies agree to specific missile deployment goals/options.</p>	<p>Allies and friends agree to specific missile defense goals/options.</p>	<p>The UK agreed to support the upgrade of the early warning radar at Fylingdales; discussions with Denmark on upgrading the early warning radar in Greenland are progressing well. The U.S. and UK signed a Memorandum of Understanding regarding missile defense cooperation in June 2003. The U.S. worked with Germany and Italy on the Medium Extended Air Defense System. The U.S. and Canada established a regular consultation mechanism to explore potential areas of joint cooperation on missile defense. At the November 2002 Summit, the U.S. obtained NATO agreement to study the feasibility of missile defenses to protect population and territory, and the U.S. continues to work closely with NATO on this. The U.S. worked closely on missile defense with Japan, whose government has significantly increased its budget request for missile defense-related work. The U.S. and Australia discussed Canberra's interest in missile defense and opportunities for cooperation. The U.S. and India discussed how India could conduct a missile defense requirements analysis.</p>	<p>■ On Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: Accuracy. The U.S. is cooperating with non-NATO allies and friends as well. Also, we are not seeking agreement on specific deployment options, but missile defense options. ● Data Reliability: The data is reliable because it derives from direct contact with foreign governments, and from such information as contracts, MOUs, etc. ● Data Validation: Achieving this target reflects extensive consultations and meetings, and concrete results are demonstrated in contracts, MOUs, licensing and technical assistance agreements, or other government-to-government or industry-to-industry agreements or undertakings. Therefore, reporting meetings and numbers of agreements or undertakings directly measures progress. ● Partners: State Department works closely with the Department of Defense on all aspects of missile defense cooperation. While DoD develops U.S. plans and programs for missile defense, and engages in consultations regarding cooperative endeavors with other countries, the diplomatic process of explaining U.S. plans and programs, and of determining whether and how other countries might cooperate with the U.S. is primarily a State Department function. 			






Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 1 Bilateral Measures
 Initiative/Program #3 Cooperation with Russia on New Strategic Framework

PERFORMANCE INDICATOR #6: STATUS OF COOPERATION WITH RUSSIA ON NEW STRATEGIC FRAMEWORK


Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Agreement reached on transparency and predictability measures to enhance confidence in strategic reductions and missile defenses.	1. Entry into Force of the Moscow Treaty.	1. The Moscow Treaty entered into force on June 1, 2003. Discussions on procedures for, and scheduling of the Moscow Treaty's Bilateral Implementation Commission began.	 On Target
2. N/A	2. Transparency and predictability efforts underway to enhance confidence in strategic reductions and missile defenses.	2. The Department opened regular consultations on arms control and related issues with the Russian Ministry of Foreign Affairs at the Assistant Secretary level. CGSS Working Groups on offensive strategic affairs and missile defense, including transparency and cooperation, met twice and three times, respectively. 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 Confidence- and Security-Building Measures (CSBMs). Discussions on START implementation continued, on a more positive basis than in previous years; meetings of the Joint Compliance and Inspection Commission (JCIC) took place in June and August 2003.	
Details of 2003 Results <ul style="list-style-type: none"> ● Reason for Target Revision: Target on the Moscow Treaty added since it was not achieved in FY 2002 and was assumed when the original target was written. The original target also updated because current U.S. policy is to engage in transparency cooperatively instead of negotiating formal "measures" or "agreements." ● Data Reliability: The results data is based on meetings held with Russia and official reporting, and is therefore fully reliable. What is not reliable is any estimation of future Russian positions or activities. ● Data Validation: Work with Russia on deepening the new strategic framework is conducted through the course of meetings and consultations. Therefore, the fact that meetings occur, and the reportable results of such meetings, will indicate whether progress has been made. In the area of missile defense-related projects, progress will be evidenced by agreements, contracts or MOUs. ● Partners: The Department of Defense defines U.S. missile defense plans and programs, while the State Department works the diplomatic aspects of U.S.-Russian cooperation on missile defenses. The Department of Defense also implements the U.S. strategic nuclear warhead reductions required by the Moscow Treaty, while the State Department generally takes the lead in discussing strategic and nuclear issues with Russia. The U.S. collaborates as a member of NATO to put together a work plan for the NATO-Russia Council's Nuclear Experts' Consultations, which focuses on nuclear CSBMs. 			

Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 2 Multilateral Agreements and Nuclear Safety
 Initiative/Program #4 Strengthen Global Norms

PERFORMANCE INDICATOR # 1: STATUS OF THE NON-PROLIFERATION TREATY (NPT) AND INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. The NPT remains strong.	1. N/A	1. PrepCom II for the 2005 NPT Review Conference concluded successfully. Cuba and East Timor joined the treaty. The international community urged Iran to comply with the NPT and North Korea to reverse its position on NPT withdrawal.	On Target 
2. The review process continues with no disruption. Several more states sign or bring into force the IAEA safeguards protocol.	2. N/A	2. Eleven more states signed an Additional Protocol, bringing the total to seventy-eight, of which, thirty-seven protocols have entered into force.	
3. The IAEA anti-nuclear terrorism program receives adequate funding and expands assistance.	3. N/A	3. Voluntary contributions to the IAEA anti-nuclear terrorism program funding doubled in FY2003.	
Details of 2003 Results	<ul style="list-style-type: none"> Data Reliability: These are reliable measurements of the progress toward our overall goal. The strength of the NPT regime is closely tied to (1) degree to which the NPT review process focuses on strengthening the Treaty and (2) the degree to which the IAEA has the fiscal and political support to fully implement its safeguards system. Data Validation: The indicators are straightforward measures; i.e. (1) number of countries adopting strengthened safeguards (2) real growth in IAEA safe guards budget and anti-terrorism funding. Partners: Coordinates with intelligence agencies, the IAEA and others. 		

PERFORMANCE INDICATOR # 2: STRENGTHEN THE PHYSICAL PROTECTION CONVENTION (CPPNM)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Conference approves a series of amendments to the CPPNM to cover nuclear material in domestic use.	N/A	After two meetings, the Drafting Group has 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.	Slightly Below Target 
Details of 2003 Results	<ul style="list-style-type: none"> Data Reliability: Data on progress come from diplomatic cables and first hand accounts of activities. Both are expected to be highly reliable. Data Validation: The measurement is straightforward, which is the degree of progress toward the goal. This is determined by completed activities. Partners: Coordinates with intelligence agencies, the IAEA and others. 		





Strategic Goal 4 Weapons of Mass Destruction
Performance Goal 2 Multilateral Agreements and Nuclear Safety
Initiative/Program #5 Chemical Weapons Convention

PERFORMANCE INDICATOR # 3 : STATUS OF THE CHEMICAL WEAPONS CONVENTION (CWC)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. A total of 150 States Parties.	1. N/A	1. A total of 156 States Parties.	■ Above Target
2. One CW destruction facility in Russia begins operations.	2. N/A	2. The first Russian destruction facility started operations in December 2002, and Russia met its revised deadline of destroying 400 agent tons by April 2003. Construction of a second destruction facility has begun.	
3. Organization for the Prohibition of Chemical Weapons (OPCW) under good management and conducting full inspection program.	3. N/A	3. OPCW has significantly recovered from the financial and administrative crisis it faced a year ago. The new Director-General of the OPCW Technical Secretariat has undertaken necessary management and financial reforms. Inspections, a key operation for the OPCW, have increased by over 15 percent, while the budget increase has been held to less than 10 percent, indicating an increase in efficiency as well. Inspections have also been retargeted to focus better on potential chemical weapons (CW) threats.	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data regarding accession of states to the CWC and regarding the Russian CW destruction program are based on factual information directly from governments and are therefore reliable. In assessing results regarding the good management of the OPCW, more subjectivity is involved; the assessment is based on facts regarding numbers of inspections, analysis by management standards of the distribution of personnel and grade structure, budget analysis, and comparison with other international organizations. ● Data Validation: Keeping track of the number of States Parties indicates whether we are progressing toward the ultimate goal of universal adherence to the CWC. There are major political reasons why some key states are not yet States Parties, and that is beyond the control of the OPCW. Every country that does become a State Party increases the legitimacy and weight of international opinion on the need to eliminate chemical weapons globally. A major objective the CWC is the destruction of current CW stockpiles, of which Russia has the largest amount. It is a huge and expensive undertaking, but vitally necessary. At some point in the future, when several destruction facilities are operating, we will be able to measure progress in terms of tonnage of chemical agent destroyed. For the time being, however, meaningful measurement is in terms of the number of destruction facilities. Another major objective of the CWC is ensuring that legitimate chemical industries are not used illegitimately to produce chemical weapons. Therefore, it is essential that the OPCW have the resources to carry out the full schedule of inspections of chemical industry facilities (as well as military sites). When the OPCW is carrying out the full schedule, has sufficient financial reserves to cover short-term cash flow problems, and has a full, expert staff, then we will be able to say that the OPCW is efficiently and effectively carrying out its responsibilities for ensuring implementation of the CWC. ● Partners: The Department works closely with the Departments of Commerce and Defense in managing inspections of U.S. chemical industry facilities and military sites. The Department works closely with the Department of Defense in interfacing with the OPCW concerning destruction of U.S. stockpiles. The Department works closely with the U.S. chemical industry and the American Chemistry Council (formerly the Chemical Manufacturers Association) to ensure that U.S. industry is fully informed about U.S. objectives and actions and that their concerns are taken into account. 			

Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 2 Multilateral Agreements and Nuclear Safety
 Initiative/Program #6 Biological Weapons Convention

PERFORMANCE INDICATOR #4: NUMBER OF STATES PARTIES WHO INCORPORATE U.S. PROPOSALS IN THEIR NATIONAL APPROACHES TO CONTROLLING THE BIOLOGICAL WEAPONS THREAT

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
U.S. alternative proposals incorporated by 18-20 BWC States Parties in their national approaches to control the BW threat.	N/A	States Parties agreed at the November 2002 Review Conference to a work program based on U.S. proposals. At the August 2003 experts meeting, at least 25 states reported that national legislation, mirroring U.S. laws to control the BW threat, was already in place. The 80 states participating agreed that such legislation was an important element of their obligations as parties to the Biological Weapons Convention (BWC). While all participants agreed on the importance of measures to improve biosecurity, evidence of implementation was more fragmentary. However, at least 20 States Parties acknowledged the validity of the U.S. approach and indicated they had at least begun an awareness-raising program in their countries. At the November 2003 meeting of States Parties, the U.S. got an agreed pledge that all Parties will work to implement and enforce appropriate safeguards in their respective countries.	<div style="display: flex; align-items: center;"> <div style="width: 20px; height: 10px; background-color: green; margin-right: 5px;"></div> On Target </div>

Details of 2003 Results

- **Data Reliability:** The data is based on reports from foreign governments outlining national actions taken to improve BWC implementation, and therefore is reliable. In addition, the actual legislative actions will in most cases become part of the public record and accessible by independent research.
- **Data Validation:** All BWC States Parties have expressed determination to improve and strengthen implementation of the BWC. The U.S. has put forward proposals for doing so. If all States Parties were to incorporate U.S. proposals into their national approaches to controlling the biological weapons threat, significant progress toward that objective would have been made.
- **Partners:** In addition to collaborations through normal interagency processes, the Departments of Justice, Health and Human Services, and Energy made significant contributions to our efforts to prepare and deliver presentations at the August experts meeting of BWC States Parties. Consultations were also held with the American Society for Microbiology, PhARMA, and BIO. The U.S. sought cooperation and guidance from three international organizations: the World Health Organization, the Office Internationale des Epizooties, and the Food and Agriculture Organization. The two former organizations actively participated with the U.S. in presenting recommendations for pathogen security.





Strategic Goal 4 Weapons of Mass Destruction
Performance Goal 2 Multilateral Agreements and Nuclear Safety
Initiative/Program #7 Promote Safe Nuclear Cooperation

PERFORMANCE INDICATOR #5: UNSAFE REACTOR CLOSURES AND NUCLEAR WASTE IMPROVEMENTS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Closure of key plants in the former Eastern Bloc; G-7 and Russia agree to new reactor closure agenda; the international community funds programs to deal with Russian nuclear waste problems.	N/A	Ignalina initiates closure procedures for Unit 1 and plans for closure of Unit 2. Russia is working on a comprehensive plan for decommissioning of some of its reactors; begins a comprehensive plan for addressing nuclear waste issues.	Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data gained from observation and official reports. Both are deemed highly reliable. ● Data Validation: These data refer to prescribed steps in the process to achieve the goal(s). Completion of any step represents progress toward that goal. ● Partners: Coordinates with DOE, WRC, USAID. 			
PERFORMANCE INDICATOR #6: EXTENSION OF BENEFITS OF NUCLEAR COOPERATION TO U.S. PARTNERS AND IMPLEMENTATION OF PROVISIONS OF EXISTING COOPERATION AGREEMENTS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<ol style="list-style-type: none"> Peaceful nuclear cooperation with China proceeds smoothly. GIF proceeds as a viable forum for reactor cooperation. No security problems arise from U.S.-origin nuclear material; other cooperation programs proceed normally. 	<ol style="list-style-type: none"> N/A N/A N/A 	<ol style="list-style-type: none"> U.S.-China concluded agreement on re-transfer consents. Nuclear committee with Argentina established. Very successful first meeting held. Committees with South Africa and Brazil remain under active discussion. GIF moves forward on developing joint research proposals. The Department of Energy agrees to facilitate by R&D agreements with foreign partners. U.S. continued active participation in international forums. Continued contributions to the IAEA TC fund – along with in-kind contributions. 	On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Observed data. These are prescribed steps toward achieving the goal of peaceful nuclear cooperation. ● Data Validation: The completion of each prescribed step is a valid measurement of progress. ● Partners: Coordinates with intelligence agencies, the IAEA and others. 			

Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 3 Verification and Compliance
 Initiative/Program #8 Arms Control and Non-Proliferation Verification

PERFORMANCE INDICATOR #1: STATUS OF VERIFICATION OF ARMS CONTROL AND NONPROLIFERATION AGREEMENTS AND COMMITMENTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. The Senate provides its advice and consent to ratification of the Moscow Treaty.	1. Analyze and make decisions on role of transparency measures to support Moscow Treaty implementation and Bilateral Implementation Commission activities.	1. The Senate provided its advice and consent to ratification of the Moscow Treaty in June 2003. Began implementation of Moscow Treaty through its Bilateral Implementation Commission (BIC). Considered role of transparency measures in terms of the BIC, but the BIC did not meet in FY 2003.	■ On Target
2. Analyze and make decisions on role of transparency measures to support Moscow Treaty implementation and Bilateral Implementation Commission activities.	2. Analyze and make decisions on role of transparency measures to support Moscow Treaty implementation and Bilateral Implementation Commission activities. Fully integrate verification concepts into USG deliberations and into negotiations toward verifiable elimination of North Korea's nuclear program.	2. Integrated verification concepts into USG deliberations and negotiations toward verifiable elimination of North Korea's nuclear program, including preparation of core interagency building blocks.	

Details of 2003 Results

- Reason For Target Revision: North Korea nuclear program is a key Department concern.
- Data Validation: Department continued assessment of the role of transparency measures.
- Partners: Coordination with other agencies, including DOE, DOD, and the Intelligence Community is necessary for a sustainable USG approach to the Moscow Treaty and strategic reductions.





Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 3 Verification and Compliance
 Initiative/Program #9 President's Annual Non-Compliance Report

PERFORMANCE INDICATOR #2: REPORT ON WORLD MILITARY EXPENDITURES AND ARMS TRANSFERS (WMEAT) PUBLISHED

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Release of WMEAT 2003 Report (CY 2002 updates) by the end 2003.	N/A	WMEAT 1999-2000 printed, distributed, and posted on the Internet and Secret Internet Protocol Router Network (SIPRNET). WMEAT 2000-2003 (with CY 2000-2002 updates) in progress to be completed in 2004.	Slightly Below Target
Details of 2003 Results <ul style="list-style-type: none"> Other Issues: Indicator has been dropped and will no longer be reported. Indicator is not a priority target. 			

PERFORMANCE INDICATOR #3: SUBMISSION OF PRESIDENTIAL REPORT ON COMPLIANCE WITH ARMS CONTROL AND NONPROLIFERATION AGREEMENTS AND COMMITMENTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. CY 2001 Annual Noncompliance Report (which incorporated CY 2000 activities) was submitted to the NSC, but not yet submitted to Congress.	1. Timely submission of the CY 2002 Annual Noncompliance Report to Congress.	1. N/A (See "other issues" below).	N/A
2. Timely submission of the CY 2002 Annual Noncompliance Report to Congress.	2. Pursuant to Senate Resolutions of Ratification, prepare and submit to the Congress, the CY 2002 Annual Reports on Compliance with the CWC and the CFE Treaty.	2. N/A (See "other issues" below).	
3. Participate in rigorous review of proliferation behavior to determine sanctionable activities.	3. N/A	3. N/A (See "other issues" below).	
4. Pursuant to Senate Resolutions of Ratification, prepared and submitted to the NSC, the CY 2002 Annual Reports on Compliance with the CWC and the CFE Treaty. Reports submitted to the Senate..	4. N/A	4.	
Details of 2003 Results <ul style="list-style-type: none"> Other Issues: Indicator was dropped. Work pertaining to this indicator was subsumed into indicator four. 			

Strategic Goal 4 Weapons of Mass Destruction
Performance Goal 3 Verification and Compliance
Initiative/Program #10 Compliance Diplomacy

PERFORMANCE INDICATOR #4: STATUS OF IMPLEMENTATION OF A GLOBAL NORM OF ADHERENCE TO AND COMPLIANCE WITH ARMS CONTROL AND NONPROLIFERATION AGREEMENTS AND COMMITMENTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>1. Clarify and seek resolution of U.S. compliance concerns. Visits under Article IX of the CWC will be proposed to clarify and resolve compliance issues. Bilateral compliance consultations will be conducted.</p>	<p>1. Proliferation Behavior: Participate in rigorous review of proliferation behavior to determine sanctionable activities. (The Non compliance Report).</p>	<p>1. Proliferation Behavior Reviewed: In preparing and improving the Annual Noncompliance Report, the Department is better positioned to affect compliance enforcement through compliance diplomacy and sanctions. Coordination of report serves as a means of establishing U.S. Policy regarding noncompliance activities.</p>	<p>■ On Target</p>
<p>2. Work with Congress to enlist support in enforcing Russian compliance.</p>	<p>2. Nonproliferation Compliance/Enforcement: Compliance associated with arms control and nonproliferation agreements and commitments enforced.</p>	<p>2. Nonproliferation 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 enforce Russian compliance with the CWC.</p>	
<p>3. Work with Congress to enlist support in enforcing Russian compliance.</p>	<p>3. Start Treaty: Conducted START Treaty-related consultations.</p>	<p>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, the Department 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.</p>	

Continued





Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 3 Verification and Compliance
 Initiative/Program #10 Compliance Diplomacy

PERFORMANCE INDICATOR #4: STATUS OF IMPLEMENTATION OF A GLOBAL NORM OF ADHERENCE TO AND COMPLIANCE WITH ARMS CONTROL AND NONPROLIFERATION AGREEMENTS AND COMMITMENTS *Continued*

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
4. N/A	4. Sanctions: Expanded use of sanctions to induce foreign states' compliance with their nonproliferation obligations.	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 FY 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).	■ On Target
Details of 2003 Results <ul style="list-style-type: none"> ● Reason for Target #1 Revision: Major Department activity related to sanctions needs to be highlighted as Department priority. ● Reason for Target #2 Revision: More accurate description of Department compliance enforcement goals. ● Reason for Target #3 Revision: Activity conducted in FY 2003. ● Reason for Target #4 Revision: Based on review of proliferation behavior, export controls can be appropriately applied. ● Data Validation: Data is considered valid for this measurement. ● Partners: Coordination with other agencies is essential to reaching viable and sustainable USG positions related to compliance enforcement, sanctions and related consultations with other governments. Dialogue with Congress is also essential in this process. 			

PERFORMANCE INDICATOR #5: NUCLEAR VERIFICATION INFORMATION SYSTEM (NVIS) ENHANCES VERIFICATION OF COMPLIANCE WITH NUCLEAR TESTING TREATIES AND MORATORIA

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Use NVIS to verify international compliance with nuclear testing treaties, commitments and moratoria and to develop USG compliance positions.	N/A	N/A (See "other issues" below)	■ N/A
Details of 2003 Results <ul style="list-style-type: none"> ● Other Issues: Indicator was dropped. Work pertaining to this indicator was subsumed into indicator four. 			

Initiative/Program #11 All Source Intelligence Collection and Technology R&D

PERFORMANCE INDICATOR #6: PREPARED FOR RAPID ASSESSMENT OF ALLEGATIONS OF BIOLOGICAL AND CHEMICAL WEAPONS USE

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Department develops U.S. policy for the rapid assessment of allegations of biological and chemical weapons use.	N/A	N/A (See "other issues" below)	■ N/A
Details of 2003 Results <ul style="list-style-type: none"> ● Other Issues: Indicator was dropped. Work pertaining to this indicator was subsumed into indicator seven. 			

Strategic Goal 4 Weapons of Mass Destruction
 Performance Goal 3 Verification and Compliance
 Initiative/Program #11 All Source Intelligence Collection and Technology R&D

PERFORMANCE INDICATOR # 7: INTELLIGENCE COLLECTION RESOURCES PROMOTED TO SUPPORT ARMS CONTROL AND NONPROLIFERATION VERIFICATION OBJECTIVES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<ol style="list-style-type: none"> 1. Seek Congressional support for endowing the Verification Assets Fund mandated by Congress in 1999 in support of preserving intelligence assets and funding R&D critical for supporting arms control and nonproliferation objectives. 2. Conduct the annual NPAC TWG Conference. Assist in conducting several major symposia involving NPAC TWG focus groups. 3. Identify and fund Verification Assets Fund projects which are important for monitoring WMD activities. 4. Urge and obtain redeployment of key intelligence assets against a significant threat. 5. N/A 	<ol style="list-style-type: none"> 1. Finance the Verification Assets Fund (V Fund) mandated by Congress in 1999 in support of preserving intelligence assets and funding R&D critical for supporting arms control and nonproliferation objectives. 2. N/A 3. N/A 4. N/A 5. Begin work on establishing a task force to assess allegations of chemical and biological weapons use or accidental release of dangerous pathogens. 	<ol style="list-style-type: none"> 1. USG did not seek funding from Congress for the V Fund, but Department identified projects and funded key intelligence programs using Department funds, important for verification of agreements and for ascertaining WMD-related activities. 2. The annual Nonproliferation and Arms Control Technology Working Group (NPAC TWG) Conference was postponed due to the war in Iraq. 3. Participated in over 20 USG intelligence groups that monitor and assess weapons and proliferation activities. 4. Directed appropriate action related to sensors and other assets in support of arms control and nonproliferation objectives. 5. With the assistance of other USG agencies and departments, the Department began compiling data related to the assessment of allegations of chemical and biological weapons use or accidental release of dangerous pathogens. 	<p>■ On Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revisions: This target was consolidated from a previous indicator that has now been dropped. ● Partners: Coordination with other agencies, departments, and governments is essential to combat proliferation and threats to national and global security. Relative to CBW use, consultations were conducted with the Medical Intelligence Agency, U.S. Army Medical Center for the Study of Infectious Diseases, Department of Agriculture, and other agencies. 			





Strategic Goal 4 Weapons of Mass Destruction
Performance Goal 3 Verification and Compliance
Initiative/Program #12 Rapid and Accurate Communication for Arms Control

PERFORMANCE INDICATOR #8: RELIABLE COMMUNICATIONS AND TIMELY UPGRADES		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
1. Proof of concept tests conducted on U.S. end for the preferred GGCL replacement design.	1. Begin coordination of international testing of accepted GGCL replacement architectural designs.	1. GGCL preliminary modernization authorized by START partners in the summer of 2003. ■ On Target
2. START Treaty Parties consider and accept U.S. design for GGCL architecture.	2. INA fully functional with installation by all Network members. The three former notification-processing applications for CFE, the Vienna Document '99 and Open Skies to be discontinued.	2. The INA became operational for 44 out of 55 Organization for Security and Cooperation in Europe (OSCE) countries.
3. N/A	3. More non-connected OSCE Network states join the Network. The reduced communications costs of the VPN are realized.	3. Network migration completed, with startup of Internet-based Virtual Private Network (VPN) for 44 out of 55 OSCE countries.
Details of 2003 Results <ul style="list-style-type: none"> ● Reason for Target Revisions: Important to note that most OSCE countries became part of the VPN, resulting in greater effectiveness. ● Data Reliability: INA became operational, greatly improving efficiency in notification processing. OSCE Network Management Team distributes data derived from notifications circulated via the VPN. ● Data Validation: INA being implemented, progress of OSCE countries' connectivity continues to be measured by the OSCE Network Management Team. ● Partners: Coordination with other agencies and governments is critical to successful communications. 		

Strategic Goal 5 International Crime and Drugs
 Performance Goal 1 Disruption of Criminal Organizations
 Initiative/Program #1 Counterdrug Initiative

PERFORMANCE INDICATOR # 1: FOREIGN CULTIVATION OF COCA, OPIUM POPPY, AND MARIJUANA			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Coca: 192,000	1. Coca revised to 180,000 hectares.	1. Data not available at this point, although early projections indicate that declines in coca and opium poppy cultivation will reach targets.	■ 1. N/A
2. Opium Poppy: 125,000	2. N/A	2. Data not available at this point, although early projections indicate that declines in coca and opium poppy cultivation will reach targets.	■ 2. N/A
3. Marijuana: 5,600	3. N/A	3. Data not available at this point, although early projections indicate that declines in coca and opium poppy cultivation will reach targets.	■ 3. N/A
<ul style="list-style-type: none"> ● Reason for Target #1 Revision: To reflect progress in reducing cultivation in 2002. ● Data Reliability: Cultivation data for coca, opium poppy, and marijuana (Mexico only) is produced by the CIA's Crime and Narcotics Center (CNC). CNC data comes from overhead photography (both satellite and aircraft) and limited ground verification, depending on locale. ● Data Availability: Estimates for coca cultivation in Peru and Bolivia year have been completed but the estimates for Colombia, the world's largest producer, will not be available until late February or early March. ● Data Validation: The CNC estimate is a yearly, carefully-analyzed snapshot of cultivation that provides a consistent and comparable trend indicator of coca, heroin, and marijuana production. ● Partners: The Department coordinates with the White Office of Drug Control Policy, the Departments of Defense, Justice, and Homeland Security (various offices), DEA and CIA. 			
<p>Details of 2003 Results</p>			
PERFORMANCE INDICATOR # 2: POTENTIAL PRODUCTION OF COCAINE AND HEROIN IN KEY SOURCE COUNTRIES			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Cocaine: 800	1. 759	1. TBD	■ 1. N/A
2. Heroin: 240	2. N/A	2. TBD	■ 2. N/A
<ul style="list-style-type: none"> ● Reason for Target #1 Revision: This reduction reflects the decline in cultivation. ● Data Validation: Production data (versus cultivation) is critical because it can account for differences in yield (e.g., individual poppy plants in Afghanistan yield more opium than do Burmese plants). This data is extremely valuable when used in conjunction with cultivation data. ● Data Availability: FY 2003 data is not yet available because the CIA's Center for Narcotics and Crime provides estimates for cultivation of coca and opium poppy based on overhead photography and limited ground verification. Preliminary data suggests that Afghan opium poppy (heroin) production will rise slightly while production in Burma (the second largest producer) will continue to decline. Preliminary data indicates that cocaine production will decline in 2003. ● Partners: Department coordinates with the White House Office of National Drug Control Policy, the Departments of Defense, Justice, and Homeland Security, DEA, and CIA. 			
<p>Details of 2003 Results</p>			



Strategic Goal 5 International Crime and Drugs
Performance Goal 1 Disruption of Criminal Organizations
Initiative/Program #1 Counterdrug Initiative

PERFORMANCE INDICATOR #3: SEIZURES OF COCAINE (HCI/BASE) (COLOMBIA, PERU, BOLIVIA) IN METRIC TONS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Cocaine: 110	N/A	TBD	■ N/A
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Statistics are provided by host governments, supplemented to some extent by records of U.S. law enforcement agencies. Data is subject to error in the form of double counting (i.e., state versus national police), exaggeration, or non-counting. ● Data Validation: Increases or decreases in seizures are not necessarily indicative of the flow of drugs. Seizures might increase, for example, because trafficking itself has increased or because police have become more efficient. Increases do, however, indicate increased costs to traffickers. ● Partners: Department coordinates with White House Office of National Drug Control Policy, the Departments of Defense, Justice, and Homeland Security, as well as DEA and CIA. 			


Strategic Goal 5 International Crime and Drugs
Performance Goal 1 Disruption of Criminal Organizations
Initiative/Program #2 Improve Anti-Trafficking Prosecutorial and Protection Capacities

PERFORMANCE INDICATOR #4: PROGRESS TOWARD THE ELIMINATION OF TRAFFICKING IN PERSONS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Thirty percent of Tier 2 and 3 countries use Department assistance to develop or further anti-trafficking initiatives. ¹	1. N/A	1. Thirty percent of Tier 2 and Tier 3 countries use Department assistance to develop or further anti-trafficking initiatives.	■ 1. On Target
2. Expand TIP report to include twenty additional countries with significant number of trafficking victims.	2. N/A	2. Third TIP Report was issued and includes 26 additional countries for a total of 116.	■ 2. Above Target.
3. Promote best practices via five new bilateral and regional initiatives among source, transit, and destination countries.	3. N/A	3. Promoted "best practices" through five new bilateral and regional initiatives among source, transit, and destination countries.	■ 3. N/A
4. Twenty-five countries ratify UN Trafficking in Persons Protocol.	4. N/A	4. Forty-five countries ratified UN Trafficking in Persons Protocol.	■ 4. Significantly Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Significantly Exceeding Performance Target: The annual Trafficking in Persons Report has motivated many governments to take action against trafficking and be more forthcoming with information on their efforts. There is increasing collaboration between governments and civil society groups to prosecute traffickers and protect victims. There is also increasing coordination among governments of source, transit, and destination countries. ● Data Reliability: The reliability of data varies considerably by country. The biggest problem is the lack of data in many countries. ● Data Validation: Improved ability to provide country-specific and regional approaches. ● Data Availability: Lack of consistent reporting by missions abroad and some funding recipients continues to be problems. This is due in part to great variations in quality and detail of data gathered by host governments. ● Partners: Department coordinates with USAID and the Departments of Labor and Justice. 			


¹ Tier 1, 2 and 3 ratings: A rating scale used to designate levels of governmental efforts to combat trafficking on the basis of minimum standards. First tier countries are those that are in full compliance with standards. Third tier countries neither fully comply with the minimum standards nor make significant efforts to do so.



Strategic Goal 5 International Crime and Drugs
 Performance Goal 1 Disruption of Criminal Organizations
 Initiative/Program #2 Improve Anti-Trafficking Prosecutorial and Protection Capacities

PERFORMANCE INDICATOR #5: PARTIES TO THE 1988 UN DRUG CONVENTION		
Initial FY 2003 Target	Revised Target	FY 2003 Result
170	N/A	170
Details of 2003 Results <ul style="list-style-type: none"> ● Data Reliability: Data is provided by the United Nations. ● Data Validation: Data is valid and based on UN records. ● Other Issues: Most countries have now ratified the Convention, which means that they are legally obligated to carry out the provisions of the Convention. The remaining states are either not likely to ratify in the foreseeable future or are not important in terms of drug trafficking. Therefore, beginning in FY 2004, this indicator was discontinued. 		FY 2003 Performance Ratings  On Target

Strategic Goal 5 International Crime and Drugs
 Performance Goal 2 Law Enforcement and Judicial Systems
 Initiative/Program #3 Support Investigations of Major International Criminals

PERFORMANCE INDICATOR #1: STATUS OF UN CONVENTION AGAINST TRANSNATIONAL ORGANIZED CRIME (TOC) AND SUPPLEMENTAL PROTOCOLS (E.G., TRAFFICKING IN PERSONS PROTOCOL AND THE MIGRANT SMUGGLING PROTOCOL)		
Initial FY 2003 Target	Revised Target	FY 2003 Result
Forty states ratify TOC treaty, which enters into force.	N/A	Fifty-six states have ratified the TOC and forty-five states have ratified the Trafficking in Persons Protocol. Forty states have ratified the Migrant Smuggling Protocol. All have entered into force.
Details of 2003 Results <ul style="list-style-type: none"> ● Data Reliability: Data is provided by the United Nations. ● Data Validation: Data is valid for tracking the progress of the TOC as it moves into force. Additional indicators may be desirable to track implementation. ● Partners: The Department coordinates primarily with the Department of Justice. 		FY 2003 Performance Ratings  Above Target





Strategic Goal 5 International Crime and Drugs
 Performance Goal 2 Law Enforcement and Judicial Systems
 Initiative/Program #4 International Law Enforcement Academies

PERFORMANCE INDICATOR #2: NUMBER OF OFFICIALS TRAINED AT INTERNATIONAL LAW ENFORCEMENT ACADEMIES (ILEAS) AND THROUGH OTHER PROGRAMS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. ILEA: 2,100	1. N/A	1. ILEA: 2,200	1. Above Target
2. Other: 15,000	2. N/A	2. Other: 4,500	2. N/A
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data produced by Department of State and is based on official records. ● Data Validation: While this data does not measure an outcome (e.g., a reduction in crime in a given country), it is a good measure of increased institutional capability of law enforcement bodies in select countries. ● Partners: Department coordinates with the Departments of Justice, Homeland Security, and Treasury. ● Other Issues: "Other" training is now embassy-determined and project-driven and is no longer useful as a performance indicator. Henceforth, the Department will no longer report on "other training" as currently defined. 			
PERFORMANCE INDICATOR #3: NUMBER OF LAW ENFORCEMENT OFFICIALS RECEIVING COUNTERNARCOTICS TRAINING			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1,800	N/A	No data collected during FY 2003.	N/A
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: In the past, the Department has tracked and recorded the data based on central files and input from missions abroad. ● Data Validation: This indicator has become increasingly invalid as counternarcotics and general law enforcement training, including some counterterrorism training, have become more integrated. Department training data no longer discriminates sufficiently between counternarcotics and non-counternarcotics training to make this indicator useful. In addition, training is increasingly at post discretion and is increasingly integrated into program projects. Under these changing circumstances, setting targets in this area is largely meaningless. ● Other Issues: After FY 2002, the Department discontinued tracking this information because this information was no longer pertinent to performance. Per the Department's planning cycle, the indicator was developed in late FY 2002, but discontinued shortly thereafter. 			

Strategic Goal 5 International Crime and Drugs
 Performance Goal 2 Law Enforcement and Judicial Systems
 Initiative/Program #5 Anticorruption

PERFORMANCE INDICATOR #4: STATUS OF UN CONVENTION AGAINST CORRUPTION		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
Consensus reached on text of all major provisions.	N/A	On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data will be provided by the United Nations. ● Data Validation: Data is valid for tracking progress of instrument toward becoming an international treaty. ● Partners: The Department coordinates primarily with the Departments of Justice and Commerce. 		
PERFORMANCE INDICATOR #5: STATUS OF REGIONAL ANTICORRUPTION FRAMEWORKS		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
Number of mechanisms increased to six by addition of African Union.	N/A	On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data is reliable in terms of marking the agreement that sets up the regional anti-corruption agreement. ● Data Validation: Data is valid for this performance indicator. In the future, indicator may be adjusted to reflect progress in implementation. ● Partners: INL is coordinating closely with USAID and non-USG donors to gauge potential for supporting and funding this mechanism. 		





Strategic Goal 6 American Citizens
 Performance Goal 1 Assistance for U.S. Citizens Abroad
 Initiative/Program #1 American Citizen Services

PERFORMANCE INDICATOR #1: PERCENTAGE OF CONSULAR INFORMATION SHEETS REVISED ON AN ANNUAL BASIS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
100%	N/A	85%	Significantly Below Target
<p>Reason for Significant Performance Target Shortfall: The goal of annual revision of all CIS could not be reached this year because crisis management duties and other assistance to Americans with problems abroad took precedence.</p> <p>Steps To Be Taken to Improve Performance: The Department will make a concerted effort to reach 100% in FY 2004.</p> <p>Data Reliability: This data is reliable. The Consular Information Sheets are published at travel.state.gov and show the date of revision.</p> <p>Data Validation: This data show the extent to which information is updated at least annually, ensuring that Consular Information Sheets, which alert Americans to conditions that may affect their safety or travel abroad, are up-to-date for each country and do, in fact, provide a basis for safe travel.</p>			
<p>Details of 2003 Results</p>			
PERFORMANCE INDICATOR #2: ACCESS TO ONLINE REGISTRATION SYSTEM			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
U.S. citizens can use a global Internet-based registration system to inform U.S. embassies and consulates about their planned travel to other countries so that they can be contacted in an emergency.	Publish notice of Proposed Information Collection for on-line registration system that will allow both visitors and residents abroad to register electronically.	Contract to manage the on-line registration system is on schedule, and a 30-Day Notice of Proposed Information Collection was published in the Federal Register on September 9, 2003.	On Target
<p>Reason for Target Revision: Mid-year decision to roll out e-registration for both short-term and long-term residents at one time rather than serially.</p> <p>Data Reliability: The data is reliable. Project milestones, such as software deliveries, are set by contract. Concrete indicators, including software delivery dates, test approval dates, and dates the system will be placed into service, measure progress.</p> <p>Data Validation: Project milestones show progress toward completion of the initiative.</p>			
<p>Details of 2003 Results</p>			
PERFORMANCE INDICATOR #3: STATUS OF HAGUE CONVENTION ON INTERCOUNTRY ADOPTION			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Adoption regulations are published in the Federal Register.	N/A	A Proposed Rule on the implementation of the Hague Convention on Intercountry Adoption and Intercountry Adoption Act of 2000 was published in the Federal Register on September 15, 2003.	On Target
<p>Data Reliability: The information is reliable and confirmed by publication in the Federal Register.</p> <p>Data Validation: The publication of the proposed regulations is a crucial step in the process leading implementation of the Hague Adoption Convention. They establish the rules that will apply to the next steps.</p> <p>Partners: Department of Homeland Security. The Department of Homeland Security encompasses the former Immigration and Naturalization Service (INS) or any successor entity designated by the Secretary of Homeland Security to assume the functions vested in the Attorney General by the IAA relating to INS responsibilities.</p>			
<p>Details of 2003 Results</p>			

Strategic Goal 6 American Citizens
 Performance Goal 2 Passport Issuance and Integrity
 Initiative/Program #2 Secure Passport Issuance

PERFORMANCE INDICATOR #1: DEVELOPMENT OF A BIOMETRICS COLLECTION PROGRAM FOR U.S. PASSPORTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Initial planning and requirements definition for biometrics collection begun.	N/A	The International Civil Aviation Organization (ICAO) established standards for the integration of biometric identification information into passports and other Machine Readable Travel Documents (MRTDs) in May 2003, enabling the Department to begin to implement the standards in U.S. passports. Initial planning and requirements definition are underway. In July 2003, the Department issued a Request for Information relating to the introduction of a chip with integrated circuit technology into the traditional paper-based passport booklet.	On Target

Details of 2003 Results

- **Data Reliability:** These data are reliable and confirmed by publication of ICAO standards and the Department's plans and specifications.
- **Data Validation:** These data confirms the accomplishment of the necessary first steps in the process that will result in the U.S. issuing a passport that meets international biometric standards and enhances U.S. security.
- **Partners:** Project team coordinated efforts with ICAO, DHS, GPO and GSA to set international standards for passport biometrics, initiate the process of modifying the U.S. passport to include the specified technological enhancements, and ensure interagency interoperability.

PERFORMANCE INDICATOR #2: CHECKING OF PASSPORT APPLICATIONS AGAINST SOCIAL SECURITY ADMINISTRATION (SSA) DEATH RECORDS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Continue to work to establish a data link with SSA systems.	N/A	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. Data to be sent as soon as link established and MOU completed.	On Target

Details of 2003 Results

- **Data Reliability:** Data is produced by SSA and the Department.
- **Data Validation:** This data shows the status of efforts to establish a data link that will assist in exposing passport fraud.
- **Partners:** Social Security Administration. Collaboration with SSA is necessary to ensure compatibility of software and data link, as well as the parameters of sharing data.





Strategic Goal 7 Democracy and Human Rights
Performance Goal 1 Democratic System and Practices
Initiative/Program #1 Engagement to Advance Democracy

PERFORMANCE INDICATOR #1: NUMBER OF COUNTRIES ELIGIBLE FOR COMMUNITY OF DEMOCRACIES (CD) AND IDENTIFIED AS DEMOCRATIC IN OTHER INDICES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. More countries are eligible for inclusion on invitation list for CD ministerial.	1. More countries become eligible for inclusion on invitation list for CD ministerial.	1. 118 countries invited to participate in 2002 Community of Democracies ministerial meeting (held in FY 2003).	■ Above Target
2. N/A	2. Freedom House Index: Net Progress, (i.e.+ change from previous year), Net Change in Status: + change from previous year.	2. Freedom House 2003 Report (released 4/03) Free: 89; Partly Free: 55; Not Free: 48; Improved countries: 29; Declined countries: 11; Net Progress: +18.	
3. N/A	3. Country ratings in Human Rights Practices: + change from previous year.	3. 2002 Country Reports on Human Rights Practices (pub. 3/03): Countries w/ Right to Change Governments: 126; Countries w/ Limits: 35; Countries w/o Rights: 34. Net Progress: +6 Citizens of 6 countries gained the right to change their government since the 2001 country reports were issued, including Comoros (new elections), Republic of Congo (new elections), Kenya, Fiji (end of coup), Yugoslavia and Afghanistan.	

- Reason for Target Revision: Target was expanded to increase specificity.

- Data Reliability: Data is taken from the Community of Democracies invitation list. Freedom House surveys are independent and apply consistent standards and take measure of progress over time, making them reliable guides to the status of freedom abroad. The Human Rights Report gives specific information concerning the right of a country's people to change their government (Section 3 of each report). This is the category of interest that will allow tracking of progress. Three major brackets exist for this category: 1) countries in which people have and can exercise the right to change their government, 2) countries in which people are given the right (constitutionally, for example) but are limited in their ability to exercise it, and 3) countries in which people do not have the right to change their government.

- Data Validation: Use of multiple indexes allows for comparison and validation. Instruments include internal and independent measures of human rights and democracy progress.
- Other Issues: The 3rd CD ministerial will be held in Santiago, Chile in FY 2005. No invitation lists will be considered in FY 2003 or 2004. The World Bank Institute is expanding its current good governance analysis to apply more directly to the work of DRL and the measurement of positive impact; this information will not be ready until FY 2004.

PERFORMANCE INDICATOR #2: ACTIVITIES THAT STRENGTHEN THE COMMUNITY OF DEMOCRACIES (CDs)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Implement Regional meetings per Seoul Action Plan.	CD ministerial produces Plan of Action. Implementation begins, including OAS-NEPAD cooperation and other regional follow-up.	Seoul Plan of Action implementation well underway. Regional CD conference for democracy building in Africa and Western Hemisphere, with Organization of African States-African Union (OAS-AU) cooperation, held in June 2003. OSCE meeting to be held in Romania in November 2003; Portugal meeting also planned.	■ On Target

- Reason for Target Revision: Increases specificity of targets

- Data Reliability: U.S. participated as host of regional Africa/Western Hemisphere conference and coordinated and monitored CD initiatives.

- Data Validation: U.S. is member of many of the relevant groupings: the CD itself, OAS, OSCE. Department also cooperates with representatives of NGOs participating in CD-related NGO forums, providing additional validation.

Strategic Goal 7 Democracy and Human Rights
 Performance Goal 2 Universal Human Rights Standards
 Initiative/Program #2 Bilateral and Multilateral Diplomacy

PERFORMANCE INDICATOR #1: NUMBER OF UN COMMISSION ON HUMAN RIGHTS (UNCHR) RESOLUTIONS ON DEMOCRACY ADOPTED

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
UNCHR adopts an increased number (compared to 2002) of country-specific resolutions of the highest interest.	Commission adopts a majority of country-specific and thematic resolutions of highest interest.	n 2003, CHR passed resolutions on Cuba, North Korea, Belarus (U.S.-sponsored), Turkmenistan, Burma and Iraq. Chechnya, Sudan and Zimbabwe resolutions were defeated. U.S. took strong stand against Libyan chairmanship of CHR. U.S. succeeded in blocking "special sitting" on Iraq, despite strong anti-U.S. bloc among some Muslim countries and some EU states.	On Target

- Reason for Target Revision: Target was too conservative.
- Data Validation: CHR votes are a matter of public record. Other reporting from U.S. missions during the year in the lead-up to the CHR will identify favorable and problematic resolutions, allowing us to chart results of diplomacy before and during the CHR.

PERFORMANCE INDICATOR #2: NUMBER OF UNCHR STATES WITH NEGATIVE HUMAN RIGHTS RECORDS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Reduce by 20 percent the number of UNCHR states with negative records.	No more than 15 CHR member states with negative record.	Sixteen member states with negative records.	Slightly Below Target

- Reason for Target Revision: Increased specificity.
- Data Reliability: CHR membership is a matter of public record. The Human Rights Reports are published by the State Department each year, evaluating individual countries' human rights records. CHR members' voting records also indicate positions on human rights issues of particular concern to the U.S.
- Data Validation: The Human Rights Reports will be examined to indicate the human rights record of a particular country. Community of Democracies participation also gauges democratic practices and civil rights guarantees. Independent surveys and NGO reports provide additional analysis and also cite problematic members and chairmanship candidates, recognizing the connection between their records and the effectiveness of the CHR.

Strategic Goal 7 Democracy and Human Rights
 Performance Goal 2 Universal Human Rights Standards
 Initiative/Program #3 Apply Human Rights Standards

PERFORMANCE INDICATOR #3: AMOUNT AND QUALITY OF POST REPORTING ON HUMAN RIGHTS VIOLATIONS PURSUANT TO LEAHY REQUIREMENTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Reporting procedures formulated and put into place.	N/A	Database to collect information on human rights abuses in countries receiving security assistance is being developed and tested.	On Target





Strategic Goal 7 Democracy and Human Rights
Performance Goal 2 Universal Human Rights Standards
Initiative/Program #4 Annual Country Reports on Human Rights Practices

PERFORMANCE INDICATOR #4: EFFECTIVE USE OF THE HUMAN RIGHTS REPORT (HRR) TO PROMOTE U.S. FOREIGN POLICY OBJECTIVES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. N/A	1. 2002 HRR length is cut by 15% to the 2001 base, while maintaining high standard.	1. Though length of total HRR was reduced only 10%; 27 pilot countries were selected for editing of text to produce higher readability and more succinct presentation. Praise for the integrity and quality of the report was received from would-be critics, including Human Rights Watch, which said the reports "pulled no punches."	On Target
2. Increased number of posts use HRR in public diplomacy.	2. Strategy developed to increase number of posts using HRR for public diplomacy efforts.	2. Translations and other spin-off products for public diplomacy used worldwide, particularly in Africa and the Middle East.	
3. Choose pilot posts for human-rights-based program implementation plan.	3. Pilot posts chosen for human rights reporting-based HRDF program implementation plan.	3. Human Rights Democracy Fund projects were implemented in several countries in Central Asia and the Middle East in response to issues highlighted in corresponding reports.	
4. Develop focus on institutional change in HRR.	4. HRR focus on institutional change is developed.	4. HRR focus on institutional change was not developed.	
5. Translate HRR into Chinese and Russian.	5. HRR translated into Chinese and Russian.	5. Full reports or critical portions are translated into Chinese, Russian, Spanish, French, Arabic and Farsi. Over 50 individual posts' reports translated and posted on websites.	
6. More posts in Asia, Latin America, and Europe place the appropriate country reports in translated version on their websites.	6. Posts in China, the NIS/Central Asia, Latin America, and Europe post the appropriate country reports on their websites in the appropriate languages.	6. Posts in China, the NIS/Central Asia, Latin America, and Europe posted the appropriate country reports on their websites in the appropriate languages.	
7. N/A	7. Human Rights Strategy Report is published and distributed widely to illustrate ways in which U.S. government programs are having an impact worldwide.	7. Human Rights Strategy Report was published in June 2003. Portions translated into host-country, regional and world languages.	

Details of 2003 Results

- **Reason for Target Revision:** Increase specificity and incorporate launch of the new (congressionally mandated) human rights strategy report as a program tool.
- **Data Reliability:** Translations ordered or requested are monitored for completion; survey of State Department websites (including those of missions abroad) counted number of available translations.
- **Data Validation:** High standard monitored internally, by news media, and by independent, internationally respected NGOs such as Human Rights Watch, Amnesty International and the Lawyers' Committee on Human Rights, which produce commentaries on the HRR. Translation and web-posting coordinated and canvassed by DRL.

Strategic Goal 7 Democracy and Human Rights
 Performance Goal 2 Universal Human Rights Standards
 Initiative/Program #5 Promote International Religious Freedom

PERFORMANCE INDICATOR #5: 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)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Efforts in Eastern Europe result in more religion laws improved; fewer religious prisoners taken, more released; more inter-faith dialogue; more religious reconciliation programs implemented.	1. More IRF integration into policy and advocacy by senior U.S. officials abroad and executive and legislative branches, including better coordination with Congress. Special focus on Afghanistan and Iraq (both designated CPCs) for increased religious freedom, including through the constitution-drafting processes.	1. IRF concerns have been raised by the Department in bilateral and multilateral meetings.	On Target
2. N/A	2. Build coalitions through travel to like-minded countries which will strengthen ties and enlist broader-based advocacy in support of international religious freedom goals.	2. IRF officers have begun engagement on promoting religious freedom in Afghanistan and Iraq.	
3. N/A	3. Posts provide consistently high-quality reporting on religious freedom.	3. Posts have shown an increased engagement on IRF issues, producing for the most part excellent country reports for the International Religious Freedom Report to Congress.	
4. N/A	4. More IRF advocacy is undertaken by the Department in multilateral forums.	4. The IRF ambassador and officers have been instrumental in facilitating the removal of people persecuted for their faith from harm's way. The Ambassador-at-Large and staff have visited China, Vietnam, Saudi Arabia for repeated trips.	

- **Reason for Target Revision:** IRF indicators combined into "Quality and quantity of advocacy, monitoring, analysis and reporting by IRF and U.S. embassies abroad. Improved policies in target countries (e.g., constitutional protections, better religion laws, improved registration procedures, fewer religious prisoners, more inter-religious dialogue, less religion-based advocacy of violence)."
- **Data Reliability:** The Annual Report on International Religious Freedom covers international religious freedom in countries worldwide and will verify achieved targets. At least one country will be identified as moving forward with IRF legislation/implementation, due to pressure from ally nations, senior U.S. officials and Congress. The Ambassador and/or IRF Office staff will travel several times each to at least three high-priority countries to negotiate and review progress of target IRF goals with foreign government officials. Observations of non-USG sources of information such as the religious press, NGOs and faith-based organizations generally support USG reports of successes.
- **Data Validation:** Congress established the broad policy goals and reporting requirements in the International Religious Freedom Act. The performance indicators chosen and verification follow from the mandates of the law. Meetings, agreements and documented movement by the country toward greater IRF are concrete examples of progress toward IRF goals as established by Congress.
- **Partners:** We coordinate closely on these issues with the National Security Council, as well as with interested Members and staff in Congress.

Details of 2003 Results



Strategic Goal 7 Democracy and Human Rights
 Performance Goal 2 Universal Human Rights Standards
 Initiative/Program #5 Promote International Religious Freedom

PERFORMANCE INDICATOR #6: INTENSITY OF MONITORING, REPORTING, AND ANALYSIS ON BEHALF OF RELIGIOUS FREEDOM BY THE USG AND MULTILATERAL INSTITUTIONS IN KEEPING WITH FOREIGN POLICY DIRECTIVES SUCH AS THE INTERNATIONAL RELIGIOUS FREEDOM ACT

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. IRF reports recognized for high-quality reporting.	1. N/A	1. N/A, see "Other Issues" below.	■ N/A
2. Analysis expanded either in report introduction or in separate op-ed piece for major U.S. newspaper or other widely circulated publication.	2. N/A	2. N/A, see "Other Issues" below.	
3. New resolution or conference reporting on IRF or IRF-related issue agreed to by a multilateral institution due to U.S. intervention.	3. N/A	3. N/A, see "Other Issues" below.	

Details of 2003 Results

- **Other Issues:** Monitoring and advocacy functions are integral, separating the reporting function into a separate indicator divorced input and output from results and outcomes. Work pertaining to this indicator has been subsumed into indicator number five.



Strategic Goal 7 Democracy and Human Rights
 Performance Goal 2 Universal Human Rights Standards
 Initiative/Program #6 Labor Diplomacy and Advocacy for Worker's Rights

PERFORMANCE INDICATOR # 7: NUMBER OF PUBLIC-PRIVATE PARTNERSHIPS TO ADVANCE RESPECT FOR HUMAN RIGHTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<ol style="list-style-type: none"> 1. Conduct in-country VP workshops in Nigeria and Colombia with companies, host governments, and NGOs. Establishment of steering committee to foster continued implementation on the ground. Approach southern tier governments to gauge willingness to join VPs. 2. PESP pilot program developed to integrate worker and manager training to strengthen worker rights. Initiate discussion on harmonization of codes with public and private partners to increase effectiveness of factory compliance monitoring. 3. N/A 	<ol style="list-style-type: none"> 1. Develop program to improve work safety and health conditions in China. 2. Worker rights violations decrease in half the countries in which the Department has anti-sweatshop programs. 3. The number of overseas factories respecting business codes of conduct increases 20 percent. 	<ol style="list-style-type: none"> 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. 3. PESP projects showing progress in Central America. 	<p>■ Slightly Below Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: A better description of Department activity. ● Data Reliability: Data provided by Department. ● Other Issues: Once a labor violations tracking method is developed, the Department will be able to track progress and more fully report on target two. 			

PERFORMANCE INDICATOR # 8: STATUS OF WORKER RIGHTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<ol style="list-style-type: none"> 1. Increase implementation of ILO labor standards in Muslim countries. Increase in respect for worker rights in China. 2. N/A 	<ol style="list-style-type: none"> 1. Worker organizations established in one country in each of the following regions: Eastern Europe, the Caucasus, Central Asia, the Middle East, China, Central America, and Africa. Increase in implementation of International Labor Organization standards in the Muslim world. Increase in respect for workers' rights in China. 2. Include provisions to protect worker rights in the FTA under negotiation with five Central American nations, and in other FTAs and Trade & Investment Facilitation Agreements (TIFAs). 	<ol style="list-style-type: none"> 1. Significant HRDF and DOL/ILAB 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 ground-breaking labor law. Labor "committees" authorized in Saudi Arabia. Key ILO conventions ratified by Syria, Sudan and Lebanon. 2. Labor clauses in all initial versions of the trade agreements currently under negotiation: the Central American Free Trade Agreement (CAFTA), other agreements (FTAs) with Morocco, Australia, and the South African Customs Union. 	<p>■ 1. On Target</p> <p>■ 2. On Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: Sharper regional focus for worker organizations. Labor provisions in free trade agreements added as target. ● Data Reliability: Embassy reporting and analysis, and appropriately evaluated reporting from national and international NGOs, and intergovernmental organizations such as the ILO. ● Data Validation: Tracking the existence of independent and democratic worker organizations will measure a given country's respect for basic worker rights. Tracking the effectiveness of the provisions to protect internationally recognized worker rights provides a measure of the ability of the trade agreements and other agreements to contribute to broad-based economic development. ● Partners: Department of Labor, U.S. Trade Representative. 			





Strategic Goal 8 Economic Prosperity and Security
 Performance Goal 1 Economic Growth and Development
 Initiative/Program #1 Development Strategies

PERFORMANCE INDICATOR # 1: AVERAGE DEVELOPING COUNTRY GROWTH COMPETITIVENESS INDEX 1			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Increase in Average GCI.	N/A	Data not yet available	■ N/A
Details of 2003 Results <ul style="list-style-type: none"> ● Data Reliability: Data provided by the UN is reliable; Index is determined by the UN. ● Data Availability: Data is not yet available for 2002 nor 2003. 			
<i>¹This indicator was adapted from current indicator to be region-specific.</i>			
PERFORMANCE INDICATOR # 2: THE MILLENNIUM CHALLENGE ACCOUNT (MCA)			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Obtain Congressional support and legislative authorization for the MCA. Choose countries for initial MCA funding and establish an administrative mechanism.	N/A	Onset of program is delayed until congressional action.	■ Significantly Below Target
Details of 2003 Results <ul style="list-style-type: none"> ● Reason for Significant Performance Target Shortfall: Congress did not enact authorizing and implementing legislation for MCA in FY 2003, thus delaying initiation of the MCA program. ● Steps to be Taken to Improve Performance: The Department worked closely with congressional Members and staff on the MCA concept so as to enable passage by January 2004. The Department has also worked to ensure a quick start-up of the MCC once legislation has passed. ● Partners: USAID 			

Strategic Goal 8 Economic Prosperity and Security
Performance Goal 2 Trade and Investment
Initiative/Program # 2 Create Open and Dynamic World Markets

PERFORMANCE INDICATOR #1: STATUS OF NEGOTIATIONS ON OPEN MARKETS FOR SERVICES, TRADE, AND INVESTMENT			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Conclude Chile and Singapore FTAs. Conclude two new BITs. Begin new FTA negotiations with CAFTA, Morocco, SACU, and Australia.	Conclude Chile and Singapore FTAs. Continue WTO Doha Round negotiations and FTAA negotiations. Begin new FTA negotiations with CAFTA, Morocco, SACU and Australia. Conclude two new BITs.	Two FTA (Chile, Singapore) concluded. WTO and Free Trade of the Americas (FTAA) negotiations continue. FTA negotiations began with CAFTA, Morocco, SACU, and Australia. Due to the lack of inter-agency agreement on draft BIT language, no new BITs were concluded in FY 2003. Also, notified Congress of intent to initiate FTA talks with Dominican Republic and Bahrain.	■ On Target
<ul style="list-style-type: none"> ● Reason for Target Revision: Doha Round major Administration priority; lack of inter-agency agreement on language for model BIT has delayed BIT negotiations. ● Partners: State works closely with USTR, Commerce, NSC and other agencies on WTO, FTAA, and FTA issues; State works diligently with the inter-agency group to revise model BIT language. ● Other Issues: Impasse at September 2003 Cancun WTO Ministerial will slow efforts toward multilateral trade liberalization; lack of agreed model BIT delays negotiation of BITs. 			
PERFORMANCE INDICATOR #2: NUMBER OF MARKET OPENING TRANSPORTATION AGREEMENTS IN PLACE			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Conclude two bilateral Open Skies agreements (or Multilateral accessions).	1. Conclude three full Open Skies agreements (Jamaica, Albania, and Samoa).	1. Concluded three bilateral Open Skies agreements: Jamaica, Albania, and Thailand (all cargo Open Skies); and one multilateral accession: Samoa.	■ 1. On Target
2. Conclude three non-Open Skies	2. Conclude two non-Open Skies	2. Liberalized two (non-Open Skies agreements): Hong Kong and Thailand.	■ 2. On Target
<ul style="list-style-type: none"> ● Reason for Target #1 Revision: Reflects available negotiating opportunities. ● Reason for Target #2 Revision: Reflects available negotiating opportunities. ● Data Reliability: Public information through USG, ICAO, and private sector channels; 100% reliable. ● Partners: Departments of Transportation and Commerce. 			






Strategic Goal 8 Economic Prosperity and Security
 Performance Goal 2 Trade and Investment
 Initiative/Program # 2 Create Open and Dynamic World Markets

PERFORMANCE INDICATOR # 3: NUMBER OF COUNTRIES ALLOWING COMMERCIAL USE OF AGRICULTURAL BIOTECHNOLOGY AND GLOBAL ACREAGE OF BIOTECH CROPS UNDER CULTIVATION			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. The Philippines and Kenya commercialize ag-biotech.	1. The Philippines and Brazil commercialize ag-biotech.	1. The Philippines and Brazil commercialized ag-biotech.	1. On Target
2. N/A	2. Biotech acreage continues to expand.	2. Biotech acreage continued to expand.	2. On Target
Details of 2003 Results	<ul style="list-style-type: none"> Reason for Target Revision: Reflects actual negotiating opportunities. Kenya did not commercialize. Data Reliability: 2002 Global Biotech report (biotech acreage) – International Service for the Acquisition of Agri-biotech Applications Media Cables from post. Data Validation: The information has been cross-referenced with various sources. All information is widely reported in the media. Partners: USDA 		
PERFORMANCE INDICATOR # 4: NUMBER OF NEW ACCESSIONS TO THE WTO			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
2 new accessions for a total of 146 members.	N/A	Four new accessions (Armenia, Cambodia, Former Yugoslav Republic of Macedonia, and Nepal), bringing total to 148 new members.	Significantly Above Target
Details of 2003 Results	<ul style="list-style-type: none"> Reason for Significantly Exceeding Performance Target: The rate of accession for aspirant countries to the WTO depends on a number of factors, including WTO member concerns and domestic political considerations. It is difficult to predict exactly when a country will have satisfied accession requirements, although a general timeline is possible. In this instance, two countries progressed more rapidly than originally anticipated and were able to join the WTO earlier than expected. Data Reliability: 100% accurate (info supplied by WTO and pertinent countries). Partners: USTR, Commerce, and other USG agencies. 		
PERFORMANCE INDICATOR # 5: INTERNATIONAL TELECOMMUNICATIONS UNION (ITU) RECOMMENDATIONS ADOPTED			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
455	Adoption of 455 U.S. telecom, information technology (IT), radio communication proposals/positions, standards and recommendations favorable to U.S. businesses in International Telecommunications agreements and declarations.	472 U.S. telecom, information technology, radio communication proposals/positions, standards, and recommendations adopted.	Significantly Above Target
Details of 2003 Results	<ul style="list-style-type: none"> Reason for Significantly Exceeding Performance Target: The number of recommendations adopted at the ITU depends on a number of factors, including countries' perceived negotiating space and whether there are any counterproposals. U.S. Representatives were able to persuade ITU members to adopt a higher number of recommendations than originally predicted due to a successful negotiating strategy. Reason for Target Revision: The original target was not indicative of favorable business environment. Data Reliability: Provided by the ITU and member countries. Data Validation: ITU publications, U.S. telecom proposals/positions standards/recommendations of record. Partners: FCC, NTIA, DOD, NASA, NSF, Homeland Security. 		

Strategic Goal 8 Economic Prosperity and Security
 Performance Goal 3 Secure and Stable Markets
 Initiative/Program #3 Secure Energy Supplies

PERFORMANCE INDICATOR #1: WORLD EMERGENCY OIL STOCKS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Increase IEA and non-IEA emergency oil stocks above FY 2002 stock levels.	N/A	As of July 1, 2003, emergency reserves of IEA members stood at 116 days of net import coverage. Final data will not be available until sometime in FY 2004.	On Target 
Details of 2003 Results <ul style="list-style-type: none"> ● Data Reliability: Data provided by IEA. ● Data Availability: Latest data available is from April 2003. ● Partners: Department of Energy, IEA. 			


Strategic Goal 8 Economic Prosperity and Security
 Performance Goal 3 Secure and Stable Markets
 Initiative/Program #4 Stable Financial Markets

PERFORMANCE INDICATOR #2: PERCENTAGE OF DEBT CRISIS COUNTRIES ON IMF PROGRAMS SUCCESSFULLY REFORMING			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
60%	N/A	70%	Above Target 
Details of 2003 Results <ul style="list-style-type: none"> ● Data Reliability: Target data are from IMF and Paris Club and are reasonably reliable. ● Data Validation: The indicator is the percentage of countries with an active Paris Club agreement that are on or have successfully completed an IMF program. An active agreement with the Paris Club indicates when a country has suffered a debt crisis. Being on or having successfully completed an IMF program indicates that a country is or has undertaken economic reform. The relationship between the two is a measure of our success in persuading crisis countries to undertake reforms. ● Partners: Work closely with Treasury, USED's office at IMF, EXIM, USDA, USAID, DOD, OMB. 			




Strategic Goal 9 Social and Environmental Issues
 Performance Goal 1 Global Health
 Initiative/Program #1 Global Health

PERFORMANCE INDICATOR # 1: STATUS OF THE GLOBAL HEALTH SECURITY ACTION GROUP (GHSAG)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
The GHSAG clarifies its mission and membership considerations. The GHSAG forms technical working groups on key issues such as risk management, containment/isolation, pandemic influenza and support for a WHO smallpox vaccine reserve. GHSAG develops a formalized network of laboratories to enhance cooperation and collaboration.	N/A	GHSAG has formed technical working groups. In December 2002, GHSAG formed a new technical working group (TWG) 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 TWG. GHSAG has tested Incident Scale. GHSAG members are prepared to submit Terms of Reference for GHSAG Ministerial Meeting in November 2003.	 On Target

- **Data Reliability:** The U.S. is an active member of GHSAG, with representation and/or leadership in all its Technical Working Groups. Because of the active role the U.S. plays, we have great confidence in the GHSAG-generated and reported data. The data comes from GHSAG activities and member states (the U.S. is one of eight). It is maintained and tracked by the GHSAG Secretariat housed at Canada's Ministry of Health. The Department trusts the GHSAG data, and uses it in decision-making.
- **Data Validation:** Goal are about GHSAG's ability to be operational – and data indicates that the organization continues to grow and develop innovative activities.
- **Partners:** HHS is U.S. lead on GHSAG involvement. Close collaboration with Ministries of Health in other seven GHSAG nations.

PERFORMANCE INDICATOR # 2: COUNTRIES OR REGIONS WITH STABILIZED OR REDUCED RATES OF NEW HIV INFECTIONS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
A total six countries stabilize or reduce rates of new HIV infections.	N/A	Tanzania added as sixth country to have stabilized or reduced rates of new HIV infections.	 On Target

- **Data Reliability:** Data is preliminary and derives from the UN Joint Programme on HIV/AIDS (UNAIDS).
- **Data Validation:** The U.S. is devoting considerable resources, both financial and human, to the fight against AIDS. The purpose is to reduce illness and death; infection and prevalence rates are the demonstration of whether or not results are being achieved.
- **Partners:** Within the U.S. Government: USAID, HHS, Labor, Department of Defense.
- **Other:** UNAIDS, other bilateral donors, Global Fund to Fight AIDS, Tuberculosis and Malaria, World Health Organization.



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 1 Global Health
 Initiative/Program #1 Global Health

PERFORMANCE INDICATOR #3: STATUS OF INTERNATIONAL COLLABORATION, AND PARTNERSHIPS TO SUPPORT HEALTH, INCLUDING THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS, AND MALARIA

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Sign the first grant agreements for the Global Fund, which indicate agreement on the monitoring and evaluation framework.	1. N/A	1. All but one of the first round of grant agreements has been signed.	On Target
2. The Global Fund database to track country-level partnerships is in place, to ensure that country-level mechanisms are true public-private partnerships.	2. N/A	2. Database has not been established but a survey is evaluating country level mechanisms.	
3. Funding increases, including funds from one additional foundation, one commercial enterprise.	3. N/A	3. Pledges have increased, with more in-kind donations from both foundations and commercial enterprises.	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: The Global Fund web site is highly accurate on their spending and on grants agreements. The entire U.S. government uses their web site. There are no other databases. ● Data Availability: The Fund maintains an extensive web site and maintains a policy of transparency. However, information on country-level mechanisms is not as detailed as hoped. ● Data Validation: If the three major killers of AIDS, tuberculosis and malaria are to be dealt with, increasing funding will be required for prevention, treatment and care programs. We now have successful models to use; the Global Fund represents one mechanism for scaling-up successful programs so they reach more people. ● Partners: HHS, USAID. 			



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 1 Global Health
 Initiative/Program #1 Global Health

PERFORMANCE INDICATOR #4: NUMBER OF BILATERAL AND MULTILATERAL MEETINGS IN WHICH THE U.S. PLAYS A LEADERSHIP ROLE IN DEALING WITH HEALTH ISSUES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
The United States participates in UN meetings dealing with health issues, and in two bilateral meetings.	N/A	The United States participated in at least nine health-related multilateral meetings in FY 2003, e.g., World Health Organization, Pan American Health Organization, UNAIDS, International Agency for Research on Cancer, and two meetings to negotiate the WHO Framework Convention on Tobacco Control. Bilateral meetings on health held with India, Singapore, and Vietnam.	On Target
Details of 2003 Results	<ul style="list-style-type: none"> ● Data Reliability: Data is reliable. Department keeps track of all international meetings for which it accredits delegations. ● Data Validation: Records regarding accreditation of U.S. delegations to these types of meetings are maintained in the Department's Bureau of International Organization Affairs. ● Partners: HHS and USAID. ● Other Issues: Beginning in FY 2004, the Department will no longer report on this indicator because its validity as a measure of the Department's efforts and performance in the area of global health is limited. 		

PERFORMANCE INDICATOR #5: DEPARTMENT-WIDE AWARENESS OF GLOBAL HEALTH ISSUES AND USG POLICY

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Briefings for ambassadors and other USG personnel on health issues and USG policy.	N/A	Four regional U.S. chiefs of mission conferences on HIV/AIDS held in 2003 in Bangkok, Kiev, Moscow, and Port-of-Spain. Meetings included USG personnel from all relevant agencies, both from Washington and field offices. Briefings on health issues at meetings of regional Environment, Science, Technology and Health officers in Europe, Latin America, and Asia.	Above Target
Details of 2003 Results	<ul style="list-style-type: none"> ● Data Reliability: Internally generated; conferences supported by OES/IHA. ● Data Validation: AIDS programs depend on strong political leadership. U.S. diplomatic efforts are crucial to mobilizing and supporting such leadership. ● Partners: ONAP, HHS, DoD, USAID. ● Other Issues: Beginning in FY 2004, the Department will no longer report on this indicator because its validity as a measure of the Department's efforts and performance in the area of global health is limited. 		



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 1 Global Health
 Initiative/Program #1 Global Health

PERFORMANCE INDICATOR #6: STATUS OF MATERNAL MORTALITY RATE			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Five countries decrease maternal mortality rate by at least two percent.	N/A	N/A: No result to report, as the Department did no work in relation to this target in FY 2003.	■ N/A
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Partners: USAID, HHS, UNFPA. ● Other Issues: This indicator is not an appropriate measure of the Department's international population activities. The Department does not fund programs directly affecting maternal mortality. USAID does support programs directly affecting maternal mortality, and tracks related indicators. Performance planning and reporting on U.S. international population policy will be further coordinated through the joint State-USAID Strategic Planning Framework for FY 2004-2009. 			
PERFORMANCE INDICATOR #7: NUMBER OF UN POPULATION FUND (UNFPA) FIELD MONITORING TRIPS CONDUCTED			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Make three monitoring trips to UNFPA program countries.	N/A	Department special teams conducted two monitoring trips to China, a UNFPA program country, in FY 2003.	■ Slightly Below Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason For Performance Shortfall: Ability to conduct monitoring trips was limited by staffing shortfalls. Monitoring trips were time-intensive, with each lasting roughly 2 weeks, so that the number of trips was less significant. ● Steps Being Taken To Improve Performance: This indicator will be discontinued for FY 2005. However, the Department plans to increase human resources dedicated to population policy, which should improve monitoring of UNFPA program countries. ● Data Reliability: Results are based on reports/testimony by Department special teams that conducted field monitoring trips. ● Data Validation: Trip reports/testimony provide evidence of the number of trips conducted, as well as their impact. ● Partners: N/A ● Other Issues: Beginning in FY 2004, the Department will no longer report on this indicator because it does not effectively measure the Department's efforts and performance in the area of global health. 			



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 1 Global Health
 Initiative/Program #1 Global Health

PERFORMANCE INDICATOR #8: STATUS OF WORLD HEALTH ORGANIZATION (WHO) INTERNATIONAL HEALTH REGULATIONS (IHR)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Work continues to ensure surveillance and reporting on man-made as well as natural disease outbreaks.	N/A	WHO strengthened its activities related to global and national-level disease surveillance and undertook major efforts with governments in limiting and controlling SARS. Work also continued on revising the WHO International Health Regulations with the target for adoption in 2005 of revised regulations.	On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data is reliable. Material on these issues is maintained by HHS (lead USG agency) and the Department of State. Also, information on the status of IHR revision and WHO's disease surveillance (e.g., on SARS) is available through WHO. ● Partners: HHS is the lead USG agency on infectious disease control and on the process of revising the International Health Regulations. 			

PERFORMANCE INDICATOR #9: COUNTRIES WITH SMALLPOX VACCINE AND DRUG STOCKPILES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Two countries agree to establish stockpiles.	N/A	Baseline: Several countries now reporting development or expansion of national smallpox vaccine stockpiles. In March 2003, Germany reported a build-up of their smallpox vaccine stockpile. As of March 2003, Germany had amassed 64 million doses, with a target of an eventual 100 million doses. This stockpile will also include Vaccinia Immune Globulin (VIG) and antiviral medications. Italy also reported plans to increase their national stockpile of smallpox vaccine. Japan has 2.5 million doses stockpiled of an attenuated vaccine (LC16M8), with plans for further procurement.	On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: The U.S. is an active member of GHSAG, with representation and/or leadership in all its Technical Working Groups. All GHSAG members have reported regularly on their smallpox preparedness plans, with updates on vaccine stockpiles and vaccination strategies. The data comes from direct reports from other GHSAG member states. The Department trusts the data reported within GHSAG, and uses it in decision-making. ● Data Validation: From country reports at GHSAG meeting in March, 2003. ● Partners: HHS 			



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 2 Environmental Protection
 Initiative/Program #2 Sustainable Development

PERFORMANCE INDICATOR #1: PARTNERSHIPS TO BUILD CAPACITY AND SECTORAL POLICIES, AND PROMOTE SUSTAINABLE DEVELOPMENT, PROTECT MARINE RESOURCES AND TERRESTRIAL ECOSYSTEMS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>1. Increase contributions to the World Bank Fund for Sustainable Fisheries by \$2 million. Increase contributions to FAO Fish CODE. GEF institutes environmental performance measures and establishes an independent monitoring unit. Approximately \$600 million is available for project funding through GEF.</p>	<p>1. Increase contributions to the World Bank Fund for Sustainable Fisheries by \$2 million. Increase contributions to FAO Fish CODE.</p>	<p>Results Set #1</p> <ul style="list-style-type: none"> ● The UN Fish Stocks Agreement has 36 parties. ● Japan rejoins negotiations on highly migratory fish stocks in the central and western Pacific. ● The Polar Bear Treaty and amendments to the U.S.-Canada Albacore Treaty and the eastern Pacific tuna convention are submitted to Congress for advice and consent to ratification. Senate consents to ratify amended South Pacific Tuna Access Treaty. Protocol Concerning Specially Protected Areas and Wildlife in the Wider Caribbean Marine Environment (SPA-W Protocol) is ratified. ● Three new States become Party to the Inter-American Sea Turtle Convention. U.S. tightens domestic fisheries rules relating to sea turtles; pushes for comparable changes by foreign governments. ● Three new marine species are listed under the Convention on International Trade in Endangered Species of Fauna and Flora (CITES). CITES rejected proposals to relax restrictions on whale and other marine species. International Whaling Commission (IWC) renewed bowhead whale quota. ● FAO adopts strategy for improving data collection and reporting in fisheries, and work plan on eco-labeling and other non-tariff trade measures. World Bank initiates projects with targeted sustainable fisheries components in developing countries. 	<p>■ 1. On Target</p>

Continued





Strategic Goal 9 Social and Environmental Issues
 Performance Goal 2 Environmental Protection
 Initiative/Program #2 Sustainable Development

PERFORMANCE INDICATOR #1: PARTNERSHIPS TO BUILD CAPACITY AND SECTORAL POLICIES, AND PROMOTE SUSTAINABLE DEVELOPMENT, PROTECT MARINE RESOURCES AND TERRESTRIAL ECOSYSTEMS *Continued*

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
2. N/A	2. GEF institutes environmental performance measures and established an independent monitoring unit. Approximately \$600 million is available for project funding through GEF.	2. GEF adopted strong environmental performance measures and established an independent monitoring unit. Over \$600 million was made available for project funding in FY 2003.	2. Above Target
3. N/A	3. Launch partnerships, agreements, and implementation efforts to protect forests, migratory birds, coral reefs and other ecosystems.	<p>Result Set #3</p> <ul style="list-style-type: none"> Department launches the President's Initiative Against Illegal Logging (PIAL); and signs Tropical Forest Conservation agreement (TFCA) with Panama. Eleven major landscapes designated for protection pursuant to the Congo Basin Forest Partnership (BFP). The 12-country Montreal Process report on the State of Forests is released. The Western Hemisphere Migratory Bird Conference generated support to develop a hemispheric strategy for conservation of migratory species. Senior Officials of the Asia-Pacific Economic Cooperation Forum (APEC) agree to support workshop on invasive species—to be hosted by China in 2004. International Coral Reef Initiative (ICRI) workshop supported development of a best practices guide to coral reef assessment and management. 	3. On Target

Continued

Strategic Goal 9 Social and Environmental Issues
 Performance Goal 2 Environmental Protection
 Initiative/Program #2 Sustainable Development

PERFORMANCE INDICATOR #1: PARTNERSHIPS TO BUILD CAPACITY AND SECTORAL POLICIES, AND PROMOTE SUSTAINABLE USE OF THE MARINE ENVIRONMENT *Continued*

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
4. N/A	4. Key institutions and processes highlight energy, water, and domestic good governance issues and adopt approaches that support the implementation of sustainable development projects.	Results Set #4 <ul style="list-style-type: none"> ● UN Commission on Sustainable Development (CSD) adopts reforms to focus on implementation in priority sectors, specifically water, sanitation, and human settlements in 2004-2005 and energy-related issues in 2005-2006. ● The Water for the Poor Initiative, launched at the World Summit on Sustainable Development (WSSD), improved water and/or sanitation services for more than 16 million people, The Global Village Energy Partnership to improve access to energy in developing countries grew from 70 to 246 government, civil society and international organization partners. ● Shenyang, China legislature considers landmark legislation on environmental public participation and information, access, and Thailand launches wildlife enforcement initiative, recovering more than 33,000 animals, after Department-sponsored capacity-building efforts. ● White Water to Blue Water Initiative (announced at the World Summit on Sustainable Development) includes a focus on domestic good governance practices for integrated management of fresh water and marine resources in the wider Caribbean region. 	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> 4. On Target </div>

Continued



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 2 Environmental Protection
 Initiative/Program #2 Sustainable Development

PERFORMANCE INDICATOR #1: PARTNERSHIPS TO BUILD CAPACITY AND SECTORAL POLICIES, AND PROMOTE SUSTAINABLE USE OF THE MARINE ENVIRONMENT *Continued*

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
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- **Reason for Target #1 Revision:** U.S. programs are succeeding in modest ways to improve fisheries law enforcement, marine science, and management capabilities of developing countries. However, sufficient resources to engender needed long-term changes to fisheries management in most developing countries have yet to be available to be applied to this sector. The level of funding required to substantially improve capacity of many developing countries to conserve and manage their fish stocks is beyond the abilities of bilateral assistance; it requires engagement from IFIs. However, the resources to make contributions to the institutions and programs specifically identified in the Target have not become available. With respect to making contributions to the institutions and program specifically identified in the Performance Target, the U.S. will continue to explore options and opportunities for accomplishing this goal, taking other performance targets and priorities into account.
- **Reason for Target #3 Revision:** First element of performance target #3 was added to reflect two achievements during FY 2003 that contribute substantially to the indicator. Third element revised due to opportunity to use OESI funding for a hemispheric conference. Fifth element of target #3 accounts for the use of a new tactic in generating interest in regional action plans for invasive species.
- **Data Reliability: Target #1:** Reliable quantitative data is available on the number of States that have signed or deposited instruments of ratification for multilateral agreements and data on the quantity and kind of development assistance provided by international financial and multilateral institutions and donor countries is generally reliable and available. **Target #2:** collected by the World Bank, UN Environment Program, and UN Development Program. **Target #3:** N/A. **Target #4:** Data is based on direct experience or observation of State Department staff.
- **Data Validation: Target #1:** The data is useful/appropriate to demonstrate or measure progress towards achievement of the targets because becoming party to global treaties and initiatives is an indicator of States' commitment to addressing marine conservation issues at the global and national levels. **Target #2:** Past experience with the World Bank and UN agencies gives strong confidence in validity of the data. **Target #3:** N/A. **Target #4:** Data demonstrates increased multilateral and bilateral focus on implementation of sustainable development at the national and subnational level, and growing recognition of the importance of good domestic governance for environmental protection as a key prerequisite to sustainable development.
- **Partners: Target #1:** OMC coordinates and cooperates with a variety of other Federal agencies, state and tribal governments, non-governmental organizations and inter-governmental organizations in our work. Although DOS typically leads in negotiating new agreements, DOS and the Dept. of Commerce (NMGS) share the lead in working within existing regimes, particularly with respect to fisheries science. In addition, DOI (USFWS) has the lead on CITES issues, the U.S. Coast Guard works closely with us on enforcement issues, and USTR has the lead on some trade issues. **Target #2:** Treasury, EPA. **Target #3:** CBFP, USAID, National Park Service, USDA, Forest Service. **Target #4:** Department coordinates closely with DOI, EPA, DOI, USFWS, NOAA, USDA, USAID and other government agencies, and is working to develop partnerships with a wide range of U.S. and international NGO's and private sector organizations to promote a focus on implementation of sustainable development through partnerships and through domestic good governance.
- **Other Issues:** Beginning in FY 2004, the Department will no longer report on Target Set #1 because its validity as an accurate measure of Department efforts and performance in the area of oceans and fisheries is limited. The information contained in this years' report includes information relevant to the Department's efforts and performance in the area of oceans and fisheries which goes beyond the results specific to this Target Set. Likewise, Targets 3 and 4 are added to more fully capture the Department's performance on ecosystem protection and sustainable development.

Details of 2003 Results



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 2 Environmental Protection
 Initiative/Program #3 Trade and Environment


PERFORMANCE INDICATOR # 2: STATUS OF TRADE AGREEMENTS OR GUIDELINES THAT MINIMIZE ENVIRONMENTAL HARM

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. FTAs with Singapore and Chile are completed that have satisfactory environmental provisions.	1. N/A	1. Free Trade Agreements (FTAs) with Singapore and Chile are completed that have satisfactory environmental provisions.	1. On Target
2. OECD members agree to undertake formal discussions of environmental standards.	2. N/A	2. OECD members agree to undertake formal discussions of environmental standards.	2. On Target
3. U.S.-Jordan Environmental Forum agrees on workplan for environmental cooperation.	3. N/A	3. Discussions with Jordan expected early in new fiscal year. Substantial progress made on US-Morocco workplan for environmental cooperation.	3. On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data is highly reliable, based on direct experience and observation of State Department officials. ● Data Validation: Singapore, Chile and Jordan Free Trade Agreements provide useful model for pursuing environmental provisions in, and environmental cooperation to complement, future trade agreements. OECD discussions of environmental standards reflect growing practice of environmental impact evaluation and mitigation in the context of international financing. ● Partners: Department coordinates closely with USTR, EPA, DOI, DOJ, NOAA. 			



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 2 Environmental Protection
 Initiative/Program #4 Global Climate Change and Clean Energy

PERFORMANCE INDICATOR #3: STATUS OF BILATERAL, REGIONAL, AND GLOBAL CLIMATE CHANGE PARTNERSHIPS AND INITIATIVES¹

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>Establish and begin implementing new partnerships with additional countries including Russia, Kazakhstan, South Korea, Brazil, Mexico, and the United Kingdom. Identify key outcomes and deliverables, with associated timelines. Begin detailed implementation of partnerships with Australia, Canada, the EU, India, and China. For existing partnerships, the Department will meet timelines for deliverables established in 2002. Complete reviews of existing partnerships will take place.</p>	N/A	<p>Initiated partnerships with New Zealand, Russia, Mexico, and South Africa, and continued exploratory discussions with Kazakhstan and Brazil. Advanced a range of cooperative activities with Australia, Canada, Central American countries, China, the EU, India, Italy and Japan. Results were consistent with 2002 timelines, and existing partnerships were reviewed.</p>	<p>On Target</p> 
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data is primarily qualitative assessments of interaction with partner countries. ● Partners: Because climate change is an issue of such broad importance and complexity, OES works with a range of interagency partners including DOE, EPA, CEQ, CEA, NOAA, NASA, USAID, Treasury, USDA, NSF, DOC, DOI, DOT, and DOD. 			

¹ Climate change partnerships defined as officially established bilateral relationships on climate change.



Strategic Goal 9 Social and Environmental Issues
 Performance Goal 2 Environmental Protection
 Initiative/Program #5 Science and Technology Cooperation

PERFORMANCE INDICATOR #4: STATUS OF SCIENCE AND TECHNOLOGY AGREEMENTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>Touching on the full spectrum of OES issues (science-based decision-making; environmental and biodiversity protection; marine sciences; energy; climate; HIV/AIDS and other health issues, and science, technology and engineering for sustainable development), establish, renegotiate, as necessary, and implement S&T agreements that forge partnerships between USG agencies, foreign counterparts, public and private research institutions, and industry.</p>	<p>Establish, renegotiate, as necessary, and implement S&T agreements that forge partnerships between USG agencies, foreign counterparts, public and private research institutions, and industry.</p>	<ul style="list-style-type: none"> ● Established new S&T agreements in Bangladesh, Pakistan, and the Philippines. ● Renewed Ukraine S&T Agreement for 1 year to allow time to negotiate a new 5-year agreement. ● Conducted S&T assessments of Maghreb (Morocco, Algeria, and Tunisia). ● Initiated S&T dialogue with Baltic States (Estonia, Latvia, and Lithuania), Kazakhstan, Norway, and Switzerland. ● Expanded S&T relationships under existing agreements with Italy, Japan, South Korea, and Vietnam by adding new topics and partnerships. ● Achieved record levels for Embassy Science Fellows Program. ● Agreements with several additional states stalled due to lengthy negotiation over IPR negotiations, liability, and taxation issues. 	<p style="text-align: center;">■ Above Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: To make more concise. ● Data Reliability: Lack of database prevents accurate monitoring of C-175 processing time. 			



Strategic Goal 10 Humanitarian Response
 Performance Goal 1 Assistance for Refugees and Other Victims
 Initiative/Program #1 Refugee Assistance

PERFORMANCE INDICATOR #1: CRUDE MORTALITY RATES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1 Refugee crises do not exceed a CMR of 1/10,000 people per day.	1. N/A	1. Where data was available, crude mortality rates did not exceed 1/10,000 people per day in refugee crises.	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> On Target </div>
2 Expand pilot data collection to other countries.	2. N/A	2. Efforts to expand pilot data collection have been delayed; PRM implementing partner was behind schedule and did not reach the pilot stage of the project, but finalized guidelines and methodology for CMR surveys.	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data is reliable; however, standard collection and reporting methodology has not yet been implemented in the field. ● Data Validation: Excess mortality exists when the CMR is higher than the prevailing mortality level of the surrounding population in an emergency setting. In developing countries a CMR higher than 1/10,000 people per day has been the traditional definition of excess mortality. ● Partners: USAID, HHS, UNHCR, UNRWA, WFP, UNICEF, WHO, OCHA, ICRC, IOM, NGOs, Center for Research on the Epidemiology of Disasters. 			



Strategic Goal 10 Humanitarian Response
 Performance Goal 1 Assistance for Refugees and Other Victims
 Initiative/Program #1 Refugee Assistance

PERFORMANCE INDICATOR #2: NUTRITIONAL STATUS OF REFUGEE CHILDREN UNDER 5 YEARS OF AGE

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>1. In humanitarian crises, children under five have weight-for-height ratios that are 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.</p>	<p>1. In humanitarian crises, 90% of children under five have weight-for-height ratios that are 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.</p>	<p>1. Baseline: In humanitarian crises where Department funds were provided, at least 90% of children under 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. Kakuma refugee camp in Kenya is one exception where slightly less than 90% of children under 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 five suffered from acute malnutrition.</p>	<p>On Target</p>
<p>2. Improve and expand data collection and reporting.</p>	<p>2. N/A</p>	<p>2. PRM and USAID continued to support the development of tools and measures to improve data collection and reporting on nutritional status.</p>	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target #1 Revision: Although ideally no children would suffer from acute malnutrition (indicated by Z score of less than -2), population movements and possible limitations on humanitarian access in emergency situations may result in some cases of acute malnutrition. Prevalence of acute malnutrition in 10% or more of a population indicates a serious crisis and problems in the provision of humanitarian assistance. ● Data Reliability: Data is reported only from areas where PRM funds are provided, and therefore does not account for all humanitarian crises worldwide. Data is not yet collected and reported systematically, and is currently available only from selected partner organizations. Standard collection and reporting methodology has not yet been implemented in the field. ● Data Validation: Weight-for-height ratios that are greater than or equal to 2 standard deviations below the mean indicate an absence of acute malnutrition (wasting). Correction of wasting and edema reduces the risk of death. ● Partners: USAID, HHS, UNHCR, UNRWA, WFP, UNICEF, WHO, OCHA, ICRC, IOM, NGOs, Center for Research on the Epidemiology of Disasters. 			



Strategic Goal 10 Humanitarian Response
 Performance Goal 1 Assistance for Refugees and Other Victims
 Initiative/Program #2 Refugee Admissions to the U.S.


PERFORMANCE INDICATOR # 3: REFUGEES RESETTLED IN THE U.S., AS A PERCENTAGE OF THE ALLOCATED CEILING
(The ceiling is established by Presidential determination each year through consultations with voluntary agencies, Congress, the Immigration and Naturalization Service, and the Department of Health and Human Services)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
100%	N/A	Out of a ceiling of 70,000 refugees, 28,421 (or 41 percent) were resettled.	Significantly Below Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Significant Performance Target Shortfall: Refugee admissions to the U.S. continue to be affected by developments related to the events of September 11, 2001. Performance was contingent upon a number of external factors, such as unanticipated refugee approval rates, security constraints on processing overseas, and the capacity to expeditiously process security checks in coordination with other agencies. ● Steps Being Taken to Improve Performance: The Department is making significant efforts to improve performance, by: Identifying new populations in need of resettlement; Providing appropriate resources to UNHCR to develop resettlement referrals; Training NGOs to identify refugees for resettlement; and Expediting the transmission of Security Advisory Opinions for resettlement applicants. ● Data Reliability: Data are collected by the Department's Worldwide Refugee Admissions Processing System (WRAPS). ● Data Validation: Data show the extent to which refugee admissions have reached the allocated ceiling established by Presidential determination. ● Partners: UNHCR, IOM, NGOs, DHS, HHS. 			



Strategic Goal 10 Humanitarian Response
 Performance Goal 1 Assistance for Refugees and Other Victims
 Initiative/Program #3 Humanitarian Demining

PERFORMANCE INDICATOR #4: PERCENTAGE POINT CHANGE IN REPORTED LANDMINE CASUALTIES IN U.S. PROGRAM COUNTRIES¹

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
5%	N/A	6%	 Above Target

- **Data Reliability:** Final 2003 numbers are not yet available. Mine incidents in remote areas often go unreported and some countries do not maintain the statistics.
- **Data Reliability:** Figures reported by government agencies and NGOs are reliable in general, but do not necessarily represent a comprehensive picture of the countries casualty rate.
- **Data Validation:** The Landmine Monitor Report provides the most thorough, reliable, and comprehensive data available. It compiles statistics from many sources.
- **Partners:** USAID, DoD, NGOs, UN and regional organizations, other donor nations.


¹ Results are calculated on an annual, not fiscal, year basis.

PERFORMANCE INDICATOR #5: SQUARE METERS OF LAND CLEARED IN U.S. PROGRAM COUNTRIES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
230,000,000 m ²	72,000,000 m ²	103,319,920 m ²	 Above Target

- **Reason for Target Revision:** Due to confusion in planning process, global figure was used rather than limiting to only those projects to which the USG contributes.
- **Data Availability:** The 2003 figure is still an estimate because our partners have not yet finalized their production results (most of them use the calendar year not the U.S. fiscal year).
- **Data Reliability:** Information is drawn from reports received from our contractor and NGO grantees. Given our program oversight regime, it is considered reliable, however extrapolation of year-end totals may cause errors.
- **Data Validation:** Program Managers make field visits to work sites.
- **Partners:** UN, NGOs and DoD, UN and regional organizations, other donor nations.

PERFORMANCE INDICATOR #6: NUMBER OF U.S. PROGRAM COUNTRIES IN SUSTAINMENT OR END STATE (CUMULATIVE)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
13	N/A	19	 Above Target

- **Data Availability:** Highly Reliable. The end state determination is made by the Department and tracked in funding plans.
- **Partners:** USAID, DoD, CIA, CDC (our interagency partners), NGOs.





Strategic Goal 10 Humanitarian Response
 Performance Goal 1 Assistance for Refugees and Other Victims
 Initiative/Program #4 World Food Program Donor Base

PERFORMANCE INDICATOR #7: PERCENTAGE OF NON-U.S. DONORS TO THE WORLD FOOD PROGRAMME (WFP)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Increase the number of donors to WFP by four.	1. N/A	1. As of September 22, 2003, WFP had nine new donors. "New donors" are defined as those that did not contribute in either 2002 or 2001. They are: Cameroon, El Salvador, Greece, Kuwait, Malta, Marshall Islands, Qatar, Russia, and Vietnam.	On Target
2. Increase non-U.S. contributions by 4 percent over CY 2002.	2. N/A	2. As of September 22, 2003, non-USG contributions to WFP totaled \$877 million, compared to \$871 million as of December 31, 2002, an increase of 0.7 percent (short of the 4 percent target). By December 31, 2003, the percentage increase will likely be greater.	
<ul style="list-style-type: none"> ● Data Availability: This is an interim report, because WFP reports on a CY basis. ● Data Reliability: Data provided by WFP. ● Data Validation: Data gathered by WFP on contributions and donors is authoritative and directly related to reporting results for this indicator. ● Partners: The Department of State, USAID, and USDA all have substantial interest in and have dealings with WFP. WFP leadership, including the Executive Director himself, has done a great deal to attract new donors including private sector donors. ● Other Issues: Although the number of new donors was more than double the targeted number (see target/result #1), the percentage of non-USG dollar value contributions was lower than expected. (see Target/Result #2) 			
<p>Details of 2003 Results</p>			

Strategic Goal 10 Humanitarian Response
 Performance Goal 2 Disaster Prevention and Response
 Initiative/Program #5 Global Disaster Information Network

PERFORMANCE INDICATOR #1: STATUS OF GLOBAL DISASTER INFORMATION NETWORK (GDIN)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Establish a GDIN operations center	N/A	GDIN operations center not established, but a blueprint for an operations center has been created.	Slightly Below Target
<ul style="list-style-type: none"> ● Data Validation: GDIN progress is measured by the GDIN Executive Committee and the GDIN Fund Board, elected GDIN bodies. GDIN will post its results on the GDIN website (www.GDIN.org). ● Partners: GDIN is a voluntary, independent, self-sustaining, non-profit association of nations, organizations, and professionals, from all sectors of society including NGO's, Industry, academia, governments, and international organizations with an interest in sharing disaster information. The aim of GDIN is to provide the right information, in the right format, to the right people, in time to make the right decisions. 			
<p>Details of 2003 Results</p>			

Strategic Goal 11 Public Diplomacy and Public Affairs
 Performance Goal 1 International Public Opinion
 Initiative/Program #1 Reaching Out to Allies and Regional Powers

PERFORMANCE INDICATOR #1: LEVEL OF INTERNATIONAL PUBLIC UNDERSTANDING OF U.S. POLICIES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Baseline: Evidence shows that information provided has reached intended user.	N/A	<p>Speakers: Sent 846 speakers abroad, of which 168 traveled to the Middle East and South Asia.</p> <p>Digital Video Conferences: The Speakers program supplemented by 480 digital video and telephone conferences.</p> <p>Publications: Through Embassies worldwide, distributed over 500,000 copies of 16 new publications, approximately half of which dealt with counterterrorism or Iraq.</p>	<p>■ On Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Steps Being Taken to Improve Performance: The Department is conducting workshops and putting into place a system of incentives and disincentives to encourage greater and more appropriate use of the RESULTS database. The Department is also looking to alternative means for assessing specific program initiatives. ● Data Availability: Impact data was drawn from Embassy reporting into the RESULTS database, and from a May 2000 Field Survey of Public Diplomacy Programs. ● Data Reliability: The numeric output data came from the Tracker Database, and the anecdotal impact reporting came from the RESULTS database. Both are deemed reliable sources for this type of information. ● Data Validation: Anecdotal reporting from field officers indicates that the programs are successful in disseminating information about U.S. policies to target audiences. ● Partners: Speakers were drawn from throughout the U.S. Government, think tanks, NGOs and the academic community. 			

PERFORMANCE INDICATOR #2: NUMBER OF PAGE VIEWS TO DEPARTMENT'S INTERNATIONAL WEBSITE, MISSION WEBSITES AND LISTSERVS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
120,000 unique weekly users, 8,000 subscribers to listserv.	A total of 120,000 average daily pages read, 8,000 subscribers to listserv.	<p>Approximately 10% of users come for reference material on U.S. history, government. The USINFO website was rated by users as "above average" in customer satisfaction, slightly higher than what users give commercial websites. 10,153 subscribers to listservs targeting all of the geographic regions of the world in six languages.</p>	<p>■ Above Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: We have changed from counting "unique weekly users" to counting "average daily pages read." This is a more accurate tally. ● Data Availability: Although current web usage analysis software is good, we are further refining our web usage counts for USINFO by adopting an improved web analysis software package – Webtrends. ● Data Reliability: Current web analysis software meets the minimum standards for accuracy of results. ● Data Validation: Since the audiences for both the websites and the listservs are self-selecting, we have a high degree of confidence that information imparted in this manner is reaching the intended users. ● Partners: The contents of the websites and listservs were coordinated with all the appropriate government sources, including the White House, DOD, DOJ, USAID, etc. 			





Strategic Goal 11 Public Diplomacy and Public Affairs
 Performance Goal 1 International Public Opinion
 Initiative/Program #1 Reaching Out to Allies and Regional Powers

PERFORMANCE INDICATOR #3: THE LEVEL OF MEDIA PLACEMENT IN FOREIGN MARKETS IN BROADCAST AND PRINT			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Baseline: Evidence shows that information has reached intended user.	N/A	<p>Placement of Broadcast Media: Two short documentary films aired in 25 countries (<i>Rebuilding Afghanistan & Afghan Spring</i>); 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 FPC briefings, and 87 interviews.</p> <p>Actual op-ed/by-liner placement, by region: AF – 53; EAP-60; EUR 434; NEA-43; SA-78; WHA-238.</p>	<p>■ On Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Availability: 1) Embassies are often understaffed to monitor and record all placements – particularly electronic media placements. 2) Lack of financial resources has prevented the Department from conducting full-scale evaluations of impact. A limited media trends analysis on highly defined topics is available from our own in-house Media Reaction capability. ● Data Reliability: Extant placement data was captured in the RESULTS database and in a PA operated tracking database. The data we have is reliable, but provides an incomplete picture of our full placement, due to inadequate monitoring and reporting at the field level. ● Data Validation: Foreign media placements reflect, ipso facto, that USG policy material reached foreign audiences. ● Partners: DoS worked close cooperation with IBB to convey DoS television programming over the IBB satellite system. ● Other Issues: Television placements listed are FY 2003 new benchmarks, to be used to gauge effectiveness in media placements in future years. 			

Strategic Goal 11 Public Diplomacy and Public Affairs
 Performance Goal 2 Mutual Understanding
 Initiative/Program #2 Engaging Audiences More Deeply

PERFORMANCE INDICATOR #1: PERCENTAGE OF PARTICIPANTS WHO INCREASED THEIR UNDERSTANDING OF THE HOST COUNTRY IMMEDIATELY AFTER THEIR PROGRAM

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
92%	N/A	89%	On Target

- **Data Availability:** The data collection for 2003 is complete. Three data issues emerged: Some of the data was collected during the launch of the war with Iraq and we received a slightly lower response rate than expected. Part of the sample for 2003 involved a program that brings parliamentarians to the United States for 10 to 14 days with a focus on teaching about U.S. government structure. Cultural understanding is a lower priority of this program, which somewhat reflects the lower performance result. Resources for evaluations are limited, which affects the depth of the evaluations. One example is that we use a retrospective recall methodology instead of pre-program and post-program comparisons, which is a stronger methodology for measuring change of understanding. Current evaluation resources also do not allow us to evaluate in every country or region.
- **Data Reliability:** The data is reliable. Independent, external evaluators generated statistically valid samples. In 2003, 4,471 former program participants from 1993 – 2002 were surveyed with 2,782 responding for a response rate of 62 percent. Respondents represented a broad cross-section of exchange programs. Program managers can make sound decisions based on the findings from the data findings. Results are based on survey responses with a plus or minus 3 percentage points margin of error. Within this range of the target, the FY 2003 result is considered "On Target."
- **Data Validation:** The data is useful because it reflects the fundamental goal of ECA programs: to increase mutual understanding. Achievement of the target indicates effectiveness of ECA programs.
- **Partners:** The results were achieved with the assistance of over 100 non-profit organizations, the U.S. academic community, and over 80,000 American volunteers.

Details of 2003 Results

PERFORMANCE INDICATOR #2: PERCENTAGE OF PARTICIPANTS WHO REMAIN IN CONTACT WITH HOST COUNTRY PEOPLE MET ON THEIR PROGRAM ONE YEAR OR LONGER AFTER THEIR PROGRAM

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
75%	N/A	81%	Above Target

- **Data Availability:** The data collection for 2003 is complete. Three data issues emerged: Some of the data was collected during the launch of the war with Iraq and we received a slightly lower response rate than expected; yet it was still well in the majority of potential respondents. Part of the sample for 2003 involved Americans who host visitors or who act as a resource, generally for one to two hours. To track longer-term results, up-to-date contact information for former participants is necessary. Currently resources do not allow for the continued tracking and engagement of alumni to the extent needed to reach critical masses of alumni in various regions.
- **Data Reliability:** The data is reliable. Independent, external evaluators generated statistically valid samples. In 2003, 4,471 former program participants from 1993 – 2002 were surveyed with 2,782 responding for a response rate of 62 percent. Respondents represented a broad cross-section of exchange programs. Program managers can make sound decisions based on the findings from the data findings.
- **Data Validation:** The data is a valid indicator because it reflects the primary goal of exchange programs, building and maintaining relationships. The percent of participants who remain in contact demonstrates that exchange programs foster personal and professional linkages that form a foundation of trust to engage other countries on short-term policy issues as well as establishing long-term partnerships, thereby producing stronger international relations for the United States.
- **Partners:** The results were achieved with the assistance of over 100 non-profit organizations, the U.S. academic community, and over 80,000 American volunteers.

Details of 2003 Results



Strategic Goal 11 Public Diplomacy and Public Affairs
 Performance Goal 3 American Values Respected Abroad
 Initiative/Program #3 Communicate More Effectively With Global Publics

PERFORMANCE INDICATOR # 1: TARGETED PUBLICS RECEIVE INTENDED MESSAGE

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
<p>Baseline: Evidence shows that information provided has reached intended user.</p>	<p>N/A</p>	<p>Al Jazeera: The first three editions (totaling 150,000 copies) of "Al Jazeera" magazine, in Arabic, were issued and distributed throughout the Middle East. Production deadlines met. American Corners: Established 23 new American Corners. There are now 79 American Corners distributed as follows: EUR/NIS: 56; AF - 18; EAP: 4; SA Persian Website: The U.S. has no official presence in Iran, so the USINFO Persian website serves as a virtual Embassy and cultural center for thousands of Iranians who have access to the Internet but do not read English.</p>	<p>On Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Availability: Although monitoring and evaluation is planned for each of these initiatives, they are too new for us to be able to collect much useful data as yet. ● Data Reliability: The anecdotal and output data listed above came from Embassies and from our RESULTS database, and is highly reliable. ● Data Validation: Although as yet scant, the anecdotal data provided above is valid in that it speaks to the effectiveness of these new initiatives. 			



Strategic Goal 11 Public Diplomacy and Public Affairs
 Performance Goal 4 Domestic Understanding of Foreign Policy
 Initiative/Program #4 Outreach to Expanded U.S. Audience

PERFORMANCE INDICATOR # 1: NUMBER OF INTERVIEWS AND CONTACTS WITH U.S. MEDIA			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
16,000 contacts/year.	N/A	Baseline: 120 daily press briefings; 15,000 calls from the press; 1,000 print, radio, and TV interviews, Opinion Editorials (Op-Eds) and major press conferences with Department principals.	On Target
Details of 2003 Results <ul style="list-style-type: none"> Data Reliability: Data collected because it is entered into database for media events, and telephone calls are tracked through an automated system. 			
PERFORMANCE INDICATOR # 2: INCREASE IN THE NUMBER OF OUTREACH ACTIVITIES TO TARGETED U.S. AUDIENCES			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Evidence shows that information provided has reached intended user.	N/A	Baseline: Distributed 14,000 curriculum video packages to U.S. educators; conducted over 1500 outreach activities; reached over 12,000 students through in-house briefings and other programs; conducted 23 student town meetings at high schools and colleges; conducted over 600 Washington and regional events for Department's speakers program; and delivered over 70 presentations at State and National Governmental conferences.	On Target
Details of 2003 Results <ul style="list-style-type: none"> Data Reliability: Data collected because it is entered into database for media events, and telephone calls are tracked through an automated system. 			
PERFORMANCE INDICATOR # 3: INCREASE IN "HITS" ON THE DEPARTMENT'S DOMESTIC WEBSITE			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
4.5 million hits per month.	N/A	5 million hits per month.	On Target
Details of 2003 Results <ul style="list-style-type: none"> Data Reliability: Data collected through Webtrends software. 			





Strategic Goal 11 Public Diplomacy and Public Affairs
 Performance Goal 4 Domestic Understanding of Foreign Policy
 Initiative/Program #5 Historical Research and Publications

PERFORMANCE INDICATOR # 4: NUMBER OF HISTORICAL, RESEARCH, AND EDUCATIONAL PUBLICATIONS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Make progress in meeting mandated compliance.	Publish four (4) FRUS volumes.	Baseline: Published six (6) Foreign Relations of the United States (FRUS) volumes.	Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Reason for Target Revision: Target changed to become quantifiable. Partners: Central Intelligence Agency. 			

Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 1 Human Resources and Training
 Initiative/Program #1 Recruit and Hire Talented, Diverse Employees

PERFORMANCE INDICATOR #1: NUMBER OF INDIVIDUALS TAKING THE FOREIGN SERVICE WRITTEN EXAM (FSWE)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
20,000	N/A	20,342	Above Target
Details of 2003 Results <ul style="list-style-type: none"> Data Validation: This indicator demonstrates the effectiveness of recruiting and outreach efforts. 			

PERFORMANCE INDICATOR #2: NUMBER OF APPLICANTS TO FOREIGN SERVICE SPECIALIST POSITIONS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
3,300	N/A	4,800	Significantly Above Target
Details of 2003 Results <ul style="list-style-type: none"> Reason for Significantly Exceeding Performance Target: The Department has closed hiring deficits in key specialist fields and developed strong human resource "skill banks" available for future hiring purposes. Data Validation: This indicator demonstrates the effectiveness of targeted recruiting to specialist fields. 			

PERFORMANCE INDICATOR #3: APPLICANTS TO THE STUDENT PROGRAMS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1,530	N/A	6,000	Significantly Above Target
Details of 2003 Results <ul style="list-style-type: none"> Reason for Significantly Exceeding Performance Target: Post 9/11 surge in interest in international affairs and public service. Data Validation: This demonstrates our ability to interest people early in the Department and improves the likelihood that they will consider the Department for future employment. A high percentage of new hires were interns. Partners: Conducted "Intern Summit" for second year; invited all DC Federal interns to State Department. 			

PERFORMANCE INDICATOR #4: NUMBER OF MINORITY INDIVIDUALS TAKING THE FOREIGN SERVICE WRITTEN EXAM (FSWE)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
10,700; 34% of total exam takers	N/A	6,238; 31% of total exam takers.	On Target
Details of 2003 Results <ul style="list-style-type: none"> Data Validation: This demonstrates the effectiveness of targeted recruiting strategies. 			



Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 1 Human Resources and Training
 Initiative/Program #1 Recruit and Hire Talented, Diverse Employees

PERFORMANCE INDICATOR #5: HIRING LEVELS			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Hire 400 above normal intake and for security and consular needs, as required.	Hire 400 above attrition.	Hired 399 above attrition plus 51 border security and 134 diplomatic security employees.	On Target
Details of 2003 Results <ul style="list-style-type: none"> Data Validation: This measure demonstrates the effectiveness of the hiring process. 			
PERFORMANCE INDICATOR #6: LEVEL OF CIVIL SERVICE HIRING			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Reduce CS vacancies by half.	N/A	Reduced CS vacancies by half.	On Target
Details of 2003 Results <ul style="list-style-type: none"> Data Validation: This measure demonstrates the effectiveness of hiring processes and ability to replace attrition hires and make up ground in vacancies. 			



Strategic Goal 12 Management and Organizational Excellence
Performance Goal 1 Human Resources and Training
Initiative/Program #2 Diplomatic Readiness and Other Priority Training

PERFORMANCE INDICATOR #7: MANDATORY LEADERSHIP TRAINING PARTICIPATION

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Correct number of offerings support Department's hiring plan.	1. N/A	1. 3,752 course offerings provided. Senior Executive Training Seminar course initiated.	Above Target
2. Mandatory Leadership/Management training provided for 1,725 employees.	2. N/A	2. Mandatory Leadership/Management training provided for 1,754 employees.	

- **Data Availability:** The data is generated from the Student Training Management System (STMS) and is compiled on an annual basis.
- **Data Reliability:** The data is based on actual course sessions held and actual enrollments in those sessions, as recorded in the Department's corporate training database and is complete and reliable as of the date the aggregate data is compiled. Data rectification can result in change to overall enrollment totals. However, such change would be minimal and unlikely to radically alter the overall reported result.
- **Data Validation:** The data is useful to demonstrate the level of training provided that is responsive to the Department's hiring plan, assignments process, management initiatives (e.g., mandatory Leadership/Management training), and other identified training requirements.
- **Partners:** Other federal agencies and the armed service branches enroll in FSI training programs and periodically provide information useful in determining the amount of training delivered that is necessary to support demand.

Details of 2003 Results

PERFORMANCE INDICATOR #8: ENROLLMENT IN FOREIGN LANGUAGE/AREA STUDIES RELATING TO "ENDURING FREEDOM," "IRAQI FREEDOM," AND POST-9/11 INITIATIVES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Meet increased demand resulting from assignments to language designated positions (LDPs) in target languages.	1. N/A	1. 81,864 hours of training, 228 enrollments in Arabic, Dari/Persian/Afghan, Pashtu, Persian/Farsi/Iranian, Tajiki, Urdu, and Uzbek.	On Target
2. Rebuild dormant language training programs in Dari, Kurdish, Pashtu, and Farsi.	2. N/A	2. In Dari, Farsi and Pashtu, FSI developed a range of updated course materials including short-term survival/familiarization modules, and consular and/or military professional modules in addition to basic course materials. Developed a capacity to deliver Kurdish training, including development of some materials, in the expectation of future State assignments.	

- **Data Availability:** The data is generated from the Student Training Management System (STMS) and is compiled on an annual basis.
- **Data Reliability:** The data is based on actual course sessions held and actual enrollments in those sessions, as recorded in the Department's corporate training database and is complete and reliable as of the date the aggregate data is compiled. Data rectification can result in change to overall enrollment totals. However, such change would be minimal and unlikely to radically alter the overall reported result.
- **Data Validation:** The data is useful to demonstrate the level of training provided that is responsive to the Department's priority requirements in critical national security languages.
- **Partners:** Other federal agencies and the armed service branches enroll in FSI training programs and periodically provide information useful in determining the amount of training delivered that is necessary to support demand.

Details of 2003 Results



Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 1 Human Resources and Training
 Initiative/Program #3 Core Training Programs

PERFORMANCE INDICATOR #9: PERCENTAGE OF EMPLOYEES ASSIGNED TO LANGUAGE DESIGNATED POSITIONS (LDPS) WHO MEET THE REQUIREMENT OF THE POSITION			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Maintain or improve CY 2002 percentage.	Maintain or improve CY 2002 percentage.	Statistic is computed on a calendar year basis; not yet available for CY 2003.	■ N/A
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: Statistic is computed on a CY basis. ● Data Reliability: The data is generated from the Student Training Management System (STMS) and is compiled on an annual basis. The data is based on actual test scores as recorded in the Department's corporate training database and is complete and reliable as of the date the aggregate data is compiled. Requests for reviews of proficiency tests completed at the end of the reporting period could result in change in some test scores. However, such changes would be minimal and unlikely to alter the overall reported result figure. ● Data Validation: The data is useful to demonstrate if the number of LDPS identified by posts as requiring language proficiency are being adequately staffed with qualified persons. 			
PERFORMANCE INDICATOR #10: PERCENT OF LANGUAGE STUDENTS ATTAINING SKILL OBJECTIVES WHEN ENROLLED FOR AT LEAST THE RECOMMENDED AMOUNT OF TRAINING			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Maintain or improve CY 2002 percentage.	Maintain or improve CY 2002 percentage.	78%	■ On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for Target Revision: Data is collected on a CY basis. ● Data Reliability: The data is based on actual test scores as recorded in the Department's corporate training database and is complete and reliable as of the date the aggregate data is compiled. Requests for reviews of proficiency tests completed at the end of the reporting period could result in change in some test scores. However, such changes would be minimal and unlikely to alter the overall reported result figure. The data is generated from the Student Training Management System (STMS) and is compiled on an annual basis. ● Data Validation: The data is useful to assess the FSI's success in bringing students up to the identified required level of proficiency within the period(s) of time deemed pedagogically necessary. ● Partners: Other federal agencies and the armed service branches enroll in FSI training programs. 			



Strategic Goal 12 Management and Organizational Excellence
Performance Goal 1 Human Resources and Training
Initiative/Program #4 Quality of Life

PERFORMANCE INDICATOR #11: RESULTS OF EMPLOYEE SATISFACTION SURVEY		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
Use employee survey results to evaluate and develop programs.	N/A	<div style="display: flex; align-items: center;"> <div style="flex: 1;">Survey was not performed in FY 2003.</div> <div style="flex: 0.2; text-align: center;">■</div> <div style="flex: 0.7; text-align: center;">N/A</div> </div>

Strategic Goal 12 Management and Organizational Excellence
Performance Goal 1 Human Resources and Training
Initiative/Program #5 Americans Employed By UN System Organizations

PERFORMANCE INDICATOR #12: PERCENTAGE OF UN SYSTEM ORGANIZATIONS' WORKFORCE (POSITIONS SUBJECT TO GEOGRAPHICAL DISTRIBUTION) THAT ARE AMERICAN CITIZENS		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
12.2% (CY 2002)	N/A	<div style="display: flex; align-items: center;"> <div style="flex: 1;">11.6% (CY 2002)</div> <div style="flex: 0.2; text-align: center;">■</div> <div style="flex: 0.7; text-align: center;">Slightly Below Target</div> </div>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason for New Indicator: This initiative is important and should be reported by the Department. Last year, although not an indicator, we reported results in the Department's Performance and Accountability Report. Including an indicator this year formalizes past practice. ● Reason for Performance Shortfall: Performance was slightly below target because employment of American citizens did not increase as fast as did total employment in posts subject to geographical distribution in the targeted organizations. American citizens occupied a smaller percentage of available posts in target organizations (even though the actual number increased). This is a concern because Americans bring knowledge and skills to organizations that translate into increased efficiency and effectiveness and better value for our contributions to these organizations. ● Steps Being Taken To Improve Performance: More pressure will be placed on international organizations to hire Americans, especially where they are currently not employed in equitable numbers. The Department will increase staffing dedicated to this initiative, expand outreach, and use a newly established interagency taskforce to identify candidates from outside the USG and facilitate transfers of government staff to UN agencies. ● Data Availability: Data was available but sometimes only after multiple attempts to obtain it. Problems existed in collecting accurate data—we must rely on organizations' data to be accurate and comprehensive. Not all international organizations' personnel records are fully computerized and hand calculations sometimes are needed to assemble the information we request. UN System organizations gather their information on a Calendar Year basis. Because of the delay in gathering and reporting the performance data, each fiscal year's targets report on the previous calendar year. The annual targets and results shown are averages among those international organizations where the U.S. is most inequitably employed or which attract a high level of interest, (i.e., for CY 2001 – CY 2002, the UN, ILO, ITU, ICAO, FAO, UNHCR, and WHO.) ● Data Validation: Data is an objective, easy to understand measure of progress toward achieving the target. ● Data Reliability: Although accuracy of data cannot be entirely certain, it seems reliable within reasonable tolerances. Reliability depends on efforts by international organizations to be accurate and thorough. Data is examined for consistency with data obtained for previous years and for trends. We continue to provide clear instructions specifying the type of data we are seeking and to emphasize the need for accurate, comprehensive reporting. ● Partners: Other USG agencies help identify good candidates for IO employment (i.e., FAA, NRC). They also allow employees on transfer to international organizations to extend their absence. Agencies other than State have access to pools of technical experts on their staff and in the private sector that might meet the qualifications for international organization employment. 		





Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 1 Human Resources and Training
 Initiative/Program #6 Locally Employed Staff

PERFORMANCE INDICATOR #13: PERCENT OF ELIGIBLE FAMILY MEMBERS EMPLOYED IN LOCAL ECONOMIES OVERSEAS THROUGH SPOUSE NETWORKING ASSISTANCE PROGRAM (SNAP)		
Initial FY 2003 Target	Revised Target	FY 2003 Result
4%	N/A	4%
Details of 2003 Results <ul style="list-style-type: none"> Data Validation: The ability of the Department to assist in outside employment is critical to retention as hiring has increased, reducing internal mission-related jobs for family members. 		

Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 2 Information Technology
 Initiative/Program #7 Ready Access to International Affairs Applications and Information

PERFORMANCE INDICATOR #1: STATUS OF COMMERCIAL NETWORKING FACILITIES AVAILABLE FOR UNCLASSIFIED AND CLASSIFIED PROCESSING COMPLETED		
Initial FY 2003 Target	Revised Target	FY 2003 Result
1. (ON+): Extended to all existing global OpenNet sites.	1. N/A	1. ON+: Department employees worldwide now have desktop internet access and a consolidated program office has been established to modernize the Department's entire infrastructure (classified and unclassified) on a four-year cycle.
2. A cumulative total of 125 VPNs installed.	2. N/A	2. VPN: A cumulative total of 125 VPNs installed, thus providing a reliable and efficient backup for 48% of the Department's posts should primary network connections fail. The remaining 135 posts are scheduled for VPN installation in FY 2004 and FY 2005 under this multi-year project.
Details of 2003 Results <ul style="list-style-type: none"> Data Reliability: ON+: OpenNet Plus PMO reported monthly to CIO and Under Secretary for Management on progress towards milestones and performance measures. VPN: ENM uses Business Engine Software Corp's MPM to manage contract and project performance and generate comprehensive reports to senior management on status of VPN and network availability. Data Validation: ON+: Completion of ON+ project, which enabled over 43,000 users to have desktop internet access, is the most appropriate data to measure achievement of the target. VPN: Completion and successful operation of all 127 VPN installations scheduled for FY 2003 is the most appropriate data to measure achievement of the target. Partners: ON+: Users include representatives of the overseas Interagency community who currently have access to the existing network at post. ON+ is connected to the unclassified interagency Open Sources Information System (OSIS) system and the classified interagency SIPRNET system. VPN: Provides the backup infrastructure for an integrated network system for use by up to forty other USG agencies represented at posts depending on the size and scope of the mission. Other Issues: VPN Provides the backup infrastructure for an integrated network system used by State and forty other USG agencies represented at various overseas posts. 		

Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 2 Information Technology
 Initiative/Program #7 Ready Access to International Affairs Applications and Information

PERFORMANCE INDICATOR #2: PROGRESS TOWARD REPLACING CLASSIFIED AND UNCLASSIFIED DESKTOP COMPUTERS MORE THAN FOUR YEARS OLD

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Expand CCP to all 224 eligible overseas posts.	1. N/A	1. CCP installed at 224 scheduled posts.	Above Target
2. Establish consolidated program office to modernize Department's classified and unclassified infrastructure on a four-year cycle.	2. N/A	2. A consolidated program office was established to modernize the Department's entire infrastructure (classified and unclassified) on a four-year cycle.	
3. Establish and maintain an equipment refresh program to ensure no equipment is older than four years. No significant number of desktops are more than four years old.	3. N/A	3. Accomplishment of CCP installation and the completion of OpenNet Plus: No significant number of Department desktops is more than four years old.	
Details of 2003 Results <ul style="list-style-type: none"> ● Data Reliability: CCP PMO reported monthly to CIO and Under Secretary for Management on progress towards milestones and performance measures. ● Data Validation: Completion of CCP project, which enabled 224 posts to access the classified intranet and SIPRNET, is the most appropriate data to measure achievement of the target. ● Partners: CCP is not a multi-agency initiative, but through this program the Department provided SIPRNET access to thirty other USG agencies with a presence at overseas posts. The Department partnered with the Defense Intelligence Agency to provide procurement and deployment support to approximately 130 overseas agencies where there are Defense Attaché Offices. 			

Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 2 Information Technology
 Initiative/Program #8 Secure Global Network and Infrastructure

PERFORMANCE INDICATOR #3: GLOBAL NETWORK AVAILABILITY

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
98%	N/A	98%	On Target
Details of 2003 Results <ul style="list-style-type: none"> ● Data Reliability: ENM used and continues to use Business Engine Software Corp's MPM to manage contract and project performance and report status to senior management. ● Data Validation: Achievement of greater than 99% network availability is the most appropriate validation measure that foreign affairs information is reaching its intended recipients. ● Partners: ENM provided the infrastructure for an integrated network system for use by up to forty other USG agencies represented at posts depending on the size and scope of the mission. 			





Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 2 Information Technology
 Initiative/Program #8 Secure Global Network and Infrastructure

PERFORMANCE INDICATOR #4: CERTIFICATION AND ACCREDITATION (C&A) OF MAJOR APPLICATIONS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
C & A of 33% of the identified major applications in the Department.	N/A	33% of the identified major applications and general support systems received C & A.	On Target ■
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Major IT applications and general support systems were certified and accredited using the Department's Systems Authorization Plan (SAP) derived from National Institute of Standards and Technology (NIST) guidance and the National Information Assurance Certification and Accreditation (NIACAP) documents. ● Data Validation: The Department's SAP incorporated then prevailing draft NIST, and NIACAP guidance, the prescribed certification and accreditation standards for federal agencies. ● Partners: The identified applications and support systems that were certified and accredited benefited the agencies that rely on the Department's IT assets and those that connect to the Department in separate but trusted networks. The Department worked closely with NIST and other organizations to take advantage of lessons learned and best security practices. The Department used these organizations and the Federal CIO Council to share information with other agencies concerning effective methodologies, secure technologies, and lessons learned. 			

Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 2 Information Technology
 Initiative/Program #9 Modern, Worldwide, Integrated Messaging

PERFORMANCE INDICATOR #5: ELIMINATION OF THE LEGACY CABLE SYSTEM- & STATUS OF SMART DEPLOYMENT

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Test prototype. Determine final requirements, and complete system design.	N/A	Prototype evaluated. Acquisition strategy changed by Steering Committee from time and material contract to design demonstration competition. Request for Quotation for design demonstration deployment and operations drafted and released. Evaluation of vendor proposals begun and project on target under revised acquisition strategy.	Slightly Below Target ■
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: The SMART Steering Committee chaired by a career Ambassador and reporting to the Under Secretary for Management, provides project oversight. Its primary responsibility ensures the inclusion of Department-wide perspective and user participation in the project. It is also responsible for ensuring coordination with all agencies with an overseas presence that will be potential users of SMART. The Program Management Office (PMO) has established and manages the SMART Project Plan, Acquisition Plan, a Risk Management Plan and other key documents to ensure the sound management of this initiative.. ● Data Validation: The evaluation of the prototype, and the release of the RFQ for SMART development, deployment, and operations are formal procedures that align with the sound project management practices embodied in the Department's Managing State Projects (MSP) methodology. ● Partners: SMART will support the personnel of all other USG agencies located at approximately 260 overseas posts in 150 countries. The SMART PMO completed an MOU with NARA on data sharing and USAID has endorsed the SMART concept for messaging. The SMART OMB Business Case submission was coordinated with NARA and USAID. 			

Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 3 Diplomatic Security
 Initiative/Program #10 Secure Employees

PERFORMANCE INDICATOR #1: INSTALLATION OF TECHNICAL SECURITY UPGRADES (100% = 133 POSTS)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
TSUs completed at 104 posts.	N/A	TSUs completed at 111 posts.	■ Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: The data is reliable because on-site representatives of the mission are required to perform an acceptance inspection and closeout of the TSU. DS provides mid-term and final quality assurance inspections to ensure the projects meet the applicable standards. ● Data Validation: The data is useful to ensure that the project is complete and meets the intended need. 			

PERFORMANCE INDICATOR #2: DEPLOYMENT OF CHEMICAL WARFARE/BIOLOGICAL WARFARE COUNTERMEASURE MASKS TO POSTS ABROAD

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
120 Posts.	Eighty of 240 posts provided with Countermeasure masks.	Seventy-five of 240 posts provided with and trained in the use of countermeasure equipment; this includes 25,528 overseas personnel trained. 95 courses provided for security professionals being trained overseas.	■ On Target

<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason For Target Revision: Several factors: Most importantly, was the requirement to refocus efforts entirely on the Middle East and South Asia due to the conflict in Iraq. Second, almost 20 posts cancelled scheduled training due to specific terrorist threats, senior staff reassignments or the outbreak of the SARS epidemic. ● Data Reliability: This program has essentially two types of deliverables – training and equipment. The data on both is routinely collected and is reliable. The lead trainers at each training venue collect training data. The program’s logistic unit maintains the equipment inventory of what is shipped and deployed. Program statistics are maintained by a coordinating program analyst in Washington, D.C. ● Data Validation: The data collected and maintained by the program is important because ensuring all personnel at all posts have the necessary equipment and training will save lives in the event of an attack of this type. ● Partners: Coordination and collaboration among other Federal agencies is crucial for program success. The Bureau of Medical Services and DS are partners in this effort in the Department. The various agencies of the intelligence community assist the program in evaluating threats, vulnerabilities and resulting risks that each overseas post faces. Coordination is also actively maintained with the FBI, CIA, DoD and other members of the Technical Support Working Group (TSWG), an interagency forum of Federal agencies that promotes effective information transfer, coordinated Research and Development requirements and funds advanced technology development. 			
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PERFORMANCE INDICATOR #3: REPLACEMENT OF ARMORED VEHICLES (AVs)

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
72 armored vehicles replaced.	48 armored vehicles replaced.	Baseline: 48 armored vehicles replaced.	■ On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason For Target Revision: Extended life cycle from 5 years to 7 years to meet other urgent AV requirements. ● Data Reliability: Data is reliable. Based on review of comprehensive database. ● Data Validation: Direct measure of AVs fielded. 			




Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 3 Diplomatic Security
 Initiative/Program #10 Secure Employees

PERFORMANCE INDICATOR #4: INSTALLATION OF ACCESS CONTROL SYSTEMS (ACSS)		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
Access Control System is fully operational in HST building.	Complete ACS installation at HST by December, 2003.	<p>Completed, 100% of HST Perimeter ACS. 100% of HST Visitor ACS. 95% of HST Network required to support ACS. 25% of HST Infrastructure required to support ACS. 20% of HST ACS readers installation.</p> <p>■ Slightly Below Target</p>
<p>Reason For Target Revision: Delays of system development and design.</p> <p>Reason For Performance Shortfall: Unable to leverage contract performance through existing contract vehicle (Time & Material). Development project with high USG risk. First fully interoperable access control system with National Capitol Region Federal agencies.</p> <p>Steps Being Taken To Improve Performance: Put into action recommendations identified from a comprehensive program review, implement a new contracting strategy and enhance the project management team.</p> <p>Data Reliability: Data reliability and project control will increase as the DS management team assumes responsibility.</p> <p>Data Validation: With 100% design, DS will be able to fix the cost of the system installation.</p> <p>Partners: DS coordinated the "Smart Card" interoperability of the HST access control system with 11 Federal agencies. This includes data encryption, Public Key Infrastructure (PKI), biometrics and card design through Federal Identity Credential Committee.</p>		
<p>Details of 2003 Results</p>		
PERFORMANCE INDICATOR #5: PERIODIC SECURITY REINVESTIGATIONS OF STATE EMPLOYEES EVERY FIVE YEARS BY ATTAINING A RATE OF 300 PER MONTH		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
300 reinvestigations per month.	N/A	<p>364 reinvestigations per month.</p> <p>■ Above Target</p>
<p>Details of 2003 Results</p> <p>● Data Reliability: Data fully reliable. Taken from a simple count of periodic reinvestigations (PR) closed during FY 2003.</p> <p>● Data Validation: Maintaining the rate currently achieved will keep program on track to ensure all employees undergo reinvestigation on a 5-year cycle.</p>		



Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 3 Diplomatic Security
 Initiative/Program #11 Protect Critical Infrastructure

PERFORMANCE INDICATOR # 6: REMEDIATION OF IDENTIFIED CRITICAL INFRASTRUCTURE PROTECTION (CIP) VULNERABILITIES			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Olhey FEMA Federal Support Center reaches Initial Operating Capability (IOC) with half of BIMC redundant circuits installed and operational.	1. Alternate Communications Site reaches IOC with 50% of BIMC redundant circuits installed and operational.	1. Alternate Communications Site reaches Initial Operating Capability (IOC) with 50% of BIMC redundant circuits installed and operational.	 On Target
2. All Tier 1 vulnerabilities progress to green.	2. N/A	2. Tier 1 vulnerabilities progress to green.	
3. All Tier 2 and half of Tier 3 vulnerabilities progress to yellow. Tier 4 is red.	3. All Tier 2 and half of Tier 3 vulnerabilities progress to yellow.	3. All Tier 2 and 50% of tier 3 vulnerabilities progress to yellow.	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason For Target Revisions: Name change for FEMA FSC and Tier 4 was folded into Tiers 2 and 3. ● Data Reliability: Data is utilized by several departmental bureaus for funding and planning decision-making. ● Data Validation: Internal data specifically measures progress on this target. ● Partners: Department of Homeland Security; Federal Emergency Management Agency (FEMA). 			





Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 4 Overseas and Domestic Facilities
 Initiative/Program #12 Capital Security Construction

PERFORMANCE INDICATOR #1: NUMBER OF NEW SITES ACQUIRED FOR CAPITAL SECURITY CONSTRUCTION PROJECTS		
Initial FY 2003 Target	Revised Target	FY 2003 Result
7	4	5
<p>Reason For Target Revision: The Department plans to use three (3) sites (Accra, Rangoon, Algiers) that it already owns on which to construct new capital security construction projects as scheduled in the LROBP. As such, the initial requirement to "acquire" sites at 7 posts was reduced to 4. Those, and another capital project site for an additional post, were acquired in fiscal year 2003.</p> <p>Data Reliability: Data on acquisition of new sites, as verified in purchase contracts and lease agreements, is reliable as a means of accurately determining program performance.</p> <p>Data Validation: The data is useful and appropriate as it demonstrates actual acquisition of the new sites and therefore progress in achieving this initiative and also denotes progress in the overall program goal.</p> <p>Partners: Coordination is conducted with certain Federal agencies and offices, e.g., intelligence and security, and the U.S. Congress to determine appropriate capital construction site locations.</p>		
<p>■ Above Target</p>		
PERFORMANCE INDICATOR #2: NUMBER OF CAPITAL PROJECTS AWARDED IN ACCORDANCE WITH LROBP		
Initial FY 2003 Target	Revised Target	FY 2003 Result
7	N/A	9
<p>Data Reliability: Data can be relied upon in assessing program performance, as the award of capital construction contracts is a definite event that is accurately determined.</p> <p>Data Validation: Data is valid and useful as a means of demonstrating achievement of the specific performance target and also solid progress towards the overall program goal (secure, safe, and functional facilities).</p> <p>Partners: Coordination, during the planning and programming of capital security construction projects, occurs with all Federal agencies and offices that will occupy the Department's diplomatic/consular facilities overseas.</p>		
<p>■ Above Target</p>		

Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 4 Overseas and Domestic Facilities
 Initiative/Program #13 Foggy Bottom Renovation/Consolidation

PERFORMANCE INDICATOR # 3: RENOVATION OF THE HARRY S TRUMAN BUILDING (HST)			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Begin Phase 1A of State renovations.	N/A	<p>State Renovations – Key Achievements: 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.</p>	<p>■ On Target</p>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Data is collected/based on General Services Administration and Department of State on-site inspection, reviews and approvals. ● Data Validation: The data measures each phase of the renovation project allowing prevention of shortfalls and continuation of projects on schedule. ● Partners: General Services Administration and National Capital Planning Commission. 			
PERFORMANCE INDICATOR # 4: FOREIGN AFFAIRS CONSOLIDATION			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Owner/developer secures approval of reviewing agencies for Apha building addition.	N/A	Owner/developer secures approval of reviewing agencies for American Pharmaceutical Association building addition.	<p>■ On Target</p>



Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 4 Overseas and Domestic Facilities
 Initiative/Program #14 New Office Building for U.S. Mission to United Nations

PERFORMANCE INDICATOR #5: USUN NEW CONSTRUCTION			
Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Obtain IOB funding.	1. N/A	1. \$14 million IOB funding obtained.	■ Significantly Below Target
2. Award IOB lease.	2. N/A	2. GSA not able to finalize IOB lease in FY 2003.	
3. Complete IOB build-out.	3. N/A	3. As a result, lease signing and IOB build-out are delayed to FY 2004.	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Reason For Significant Performance Target Shortfall: DOS did not receive its IOB FY 2003 funding until the 3rd Quarter. GSA failed to meet its target of IOB lease award in 3rd Quarter of FY 2003. ● Steps Being Taken To Improve Performance: GSA has assigned new staff to complete an IOB lease at an alternative site with the goal of occupying the space in June 2004. ● Data Reliability: Although data based on schedules that are still underway, it provides a reasonable guide for estimated outcomes. ● Data Validation: Data represents a series of milestones required for the completion of the project. ● Partners: The General Services Administration is the design and construction agent for this project. GSA is and will continue to be the landlord for the property. 			



Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 5 Resource Management
 Initiative/Program #15 Integrate Budget and Performance

**PERFORMANCE INDICATOR #1: BUDGET AND PERFORMANCE INTEGRATION
 (PRESIDENT'S MANAGEMENT AGENDA, OMB SCORING)**

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Status: Yellow	1. N/A	1. Status: Red (Yellow status achieved after fiscal year 2003 ended)	■ Slightly Below Target
2. Progress: Green.	2. N/A	2. Progress: Green	

PERFORMANCE INDICATOR #2: IMPLEMENTATION OF CENTRAL FINANCIAL PLANNING SYSTEM (CFPS) MODULES

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Complete development of pilot testing and phased deployment of the Mission Performance Plan Module, the Bureau Performance Plan Module, and the Statement of Net Cost module.	1. N/A	1. Mission Performance Plan, Bureau Performance Plan and statement of Net Costs modules completed and implemented.	■ On Target

PERFORMANCE INDICATOR #3: STATUS OF ANNUAL ACCOUNTABILITY AND PERFORMANCE REPORTS

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Issue the FY 2002 Combined Performance and Accountability Report on time.	1. N/A	1. FY 2002 Performance and Accountability Report issued on time.	■ On Target
2. Report receives the CEAR award.	2. N/A	2. Report received the CEAR award.	



- Strategic Goal 12 Management and Organizational Excellence
- Performance Goal 5 Resource Management
- Initiative/Program #16 Improve Financial Performance

**PERFORMANCE INDICATOR 4: IMPROVED FINANCIAL PERFORMANCE
(PRESIDENT'S MANAGEMENT AGENDA, OMB SCORING)**

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Status: Yellow.	1. N/A	1. Status: Red (yellow status achieved after fiscal year 2003 ended)	■ Slightly Below Target
2. Progress: Green.	2. N/A	2. Progress: Green	

PERFORMANCE INDICATOR #5: FINANCIAL SERVICES CONSOLIDATION

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Relocate domestic processing for American payroll and Foreign Service Pension to FSC Charleston.	1. N/A	1. Domestic processing for American payroll and Foreign Service Pension is now operating in Charleston.	■ On Target
2. Fully convert all posts serviced by FSC Paris to FSC Charleston and FSC Bangkok.	2. N/A	2. All overseas posts serviced by former FSC Paris are now serviced by Charleston and Bangkok.	



Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 6 Administrative Services
 Initiative/Program #17 Worldwide Logistics

PERFORMANCE INDICATOR #1: PERCENTAGE OF SERVICE CONTRACT DOLLARS THAT ARE PERFORMANCE-BASED

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
Begin implementation of a performance-based contract program.	N/A	Program implemented; through the third quarter of CY 2003, 8% of Department's contract dollars are performance-based.	On Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Steps Being Taken To Improve Performance: In-depth training of program office personnel is essential for progress. We will continue to seek funding for technical support contractors. We will examine the feasibility of assigning one or more staff members to gain the expertise needed to serve as hands-on consultants available full-time to bureaus/program offices in helping rewrite existing statements of work into performance-based work statements. ● Partners: Coordination with OMB's Office of Federal Procurement Policy is ongoing. 			

PERFORMANCE INDICATOR #2: LOGISTICS IN THE AREAS OF ACQUISITION, DISTRIBUTION, TRANSPORTATION, TRAVEL AND DIPLOMATIC POUCH AND MAIL

Initial FY 2003 Target	Revised Target	FY 2003 Result	FY 2003 Performance Ratings
1. Deploy Perfect Order Performance for Secure Logistics (i.e., ILMS).	1. N/A	1. ILMS: Operational in four domestic bureaus and one overseas regional procurement facility. Asset Management module piloted at one overseas post. Diplomatic Pouch and Mail module fully deployed and operational in both the unclassified and classified pouch facilities.	On Target
2. Implement the Balanced Score Card (BSC) system in all business units.	2. N/A	2. Logistics Management-Balanced Score Card (BSC): Conducting a "bottom up" review and developing scorecard initiatives and performance indicators within each Directorate, Division and Branch. These scorecards and initiatives will then be incorporated into the BSC.	
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: ILMS data is reliable since information from one supply chain module is automatically sent to the other modules. ● Data Validation: The data between ILMS and CFMS (Central Financial Management System) have validation reports. However, the "End of Fiscal Year" report for FY 2003 is still in progress. 			



Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 6 Administrative Services
 Initiative/Program #18 Overseas Schools Accreditation

PERFORMANCE INDICATOR # 3: ACCREDITATION OF OVERSEAS SCHOOLS		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
A total of 152 accredited schools.	A total of 162 accredited schools.	Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Reason For Target Revision: We were above target in FY 2002 and adjusted the FY 2003 target upward. Data Validation: Accreditation is a major factor in determining school quality. The Office of Overseas Schools gives grants to U.S. accrediting agencies to promote the accreditation of overseas schools, and staff members promote and assist accreditation in the field. Partners: USG agencies, international schools, diplomatic community, educational associations 		

Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 6 Administrative Services
 Initiative/Program #19 Records and Publishing Services

PERFORMANCE INDICATOR # 4: FREEDOM OF INFORMATION ACT REQUEST BACKLOG		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
Forty Percent Reduction in the FY 2001 level by July 2003.	N/A	Significantly Above Target
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> Reason for Significantly Exceeding Performance Target: As the Office of Records and Publishing Services works to reduce the FOIA backlog, it is also improving business processes. Better use of and investments in technology have significantly improved responses to requesters. Data Validation: Performance indicators are based on internal tracking and external reporting and relate directly to information access by customers, including the general public. Partners: NARA, GAO, GPO, OMB, and other foreign affairs agencies. 		



Strategic Goal 12 Management and Organizational Excellence
 Performance Goal 6 Administrative Services
 Initiative/Program #20 Allowances

PERFORMANCE INDICATOR #5: STATUS OF eALLOWANCES SYSTEM		
Initial FY 2003 Target	Revised Target	FY 2003 Performance Ratings
Complete preliminary work and development on eAllowances System.	N/A	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> On Target </div>
<p>Details of 2003 Results</p> <ul style="list-style-type: none"> ● Data Reliability: Reliable. Project Management contractor has collected and sized systems requirements and conducted extensive alternatives analysis. eAllowances project coordinated extensively with interagency Customer Focus Team (CFT). ● Data Validation: Systems Requirements Specifications extensively validated with CFT. Submitted OMB Exhibit 300 to OMB after extensive discussions with variety of bureaus within the Department of State. ● Partners: Briefed representatives of most USG civilian agencies. Extensive coordination with key stakeholders – DoD and CIA. 		<p>FY 2003 Result</p> <p>Customer Focus Team Meeting held and Alternative Analysis completed. Systems Requirements Specifications and Per Diem Business Processing Re-engineering (BPR) completed; User requirements completed. OMB Exhibit 300 developed. Statement of Work in draft.</p>



COMPLETED PROGRAM EVALUATIONS FOR FY 2003

The following provides detailed information on major findings, recommendations, and actions the Department has taken or will take as a result of selected Program Evaluations completed during FY 2003.

Strategic Goal 3	
HOMELAND SECURITY	
Title or Topic Evaluator Department Contact	Review of Nonimmigrant Visa Issuance Policy and Procedures (ISP-1-03-26) Office of Inspector General, Department of State Leo Wollemborg, Senior Management Advisor, Bureau of Consular Affairs
Major Findings	<ul style="list-style-type: none"> ◆ The post-9/11 era witnessed immediate efforts to effect dramatic changes in CA's direction of the visa process. However, Department leadership has not universally accepted this fundamental readjustment regarding visa issuance. The Department, as a whole, still does not fully use the consular function as part of a coordinated national effort to manage border security and implement the Immigration and Nationality Act, in order to prevent the travel of those who might present risks to the United States and its citizens and also to facilitate legitimate travel. CA has begun to address shortcomings identified after the events of 9/11, that include: (1) lack of uniformity in visa processing from mission to mission, and (2) lack of a planning staff to develop and advance options for consular input into border security initiatives and directions. ◆ Visa adjudicators should be able to interview applicants in their native language and be familiar with local culture and conditions, but they are often sent to post without language training or area studies. ◆ The Department intentionally restricts language training for first- and second-tour officers, because it is reluctant to invest much time and money in an untenured officer who might not make the Foreign Service a career. ◆ Many language-trained consular officers have reported that the training was not tailored to their needs, particularly interviewing. Little or no training is given in making effective use of an interpreter, although Foreign Service National visa clerks often translate on the visa line. ◆ Area studies courses, which familiarize students with the social and political cultures of a region, generally do not provide the information visa officers most need. Post-specific language insights and interviewing techniques, acquired during a two- or three-year assignment, are rarely passed on to successors because of pervasive staffing gaps.
Major Recommendations	<ul style="list-style-type: none"> ◆ OIG recommended that the Department assess and reallocate consular workloads worldwide, determine where consular workloads do not require a full-time consular position, and create regional consular positions to handle the workload at missions with a limited demand for consular services. ◆ The Department should require language training for consular positions, and all consular officers should be required to be able to communicate at least at the basic level (S-2/R-2). ◆ The Department should finalize and implement plans to adapt language training to serve better the needs of consular officers, including interviewing techniques.
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ On September 26, Secretary Powell and Secretary Ridge signed a Memorandum of Understanding (MOU) setting the terms under which Department of State and Department of Homeland Security officers will work together in the granting or refusal of visas. ◆ CA reviewed the one-officer posts worldwide and developed a list of candidates for the regionalization of the nonimmigrant visa (NIV) function. These posts included those with the lowest NIV workload, and many for which the immigrant visa (IV) function had already been regionalized. The response from the regional bureaus was universally negative, citing political concerns, inconvenience to the applicants, and the value of knowledge of local conditions to the visa adjudication as factors arguing against consolidation. CA is prepared to pursue this discussion further, if the regional bureaus are willing. ◆ CA established new supervisory Regional Consular Officer (RCO) position in Cairo to cover primarily the Gulf States. The first permanent incumbent arrived in August. CA believes a third RCO for Africa is warranted, but should be based in Johannesburg, as travel logistics from Frankfurt are difficult. CA intends to create this position in FY 2004.



Strategic Goal 3		HOMELAND SECURITY <i>continued</i>
Title or Topic	Review of Nonimmigrant Visa Issuance Policy and Procedures (ISP-I-03-26) <i>continued</i>	
Evaluator	Office of Inspector General, Department of State	
Department Contact	Leo Wollebomg, Senior Management Advisor, Bureau of Consular Affairs	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The Department has revamped its standard operating procedures so as to provide a step-by-step, uniform, unambiguous guide for all of visa related procedures. This will enable consular officers abroad to properly review visa applications and effectively fulfill their critical national security responsibilities. ◆ The Visa Office has restructured to create a planning staff, additional Regional Consular Officer positions were created and the Department is focusing on training to screen out terrorists. CA is taking and will continue to take steps to strengthen management controls via the issuance of standard operating procedures (SOPs), certifications that management controls are in place at consular offices, and sending Consular Management Assistance Teams (CMATs) to work collaboratively with posts toward our common goal of protecting homeland security and our borders. The CMATs will assess the integrity of management controls, effective resource utilization and space allocation, and the extent to which Department mandated SOPs have been well understood and implemented. ◆ The Department raised "hard" language training threshold for Junior Officers from 23 to 36 weeks and up-graded many "hard" language positions to require competency at the basic level. ◆ Language curricula now includes specialized modules geared toward consular personnel. ◆ Language students assigned to consular positions are provided the opportunity to work with consular modules in topics including interview practice. ◆ FSI is updating consular tradecraft material in Arabic, with plans to expand consular tradecraft training through the language school. 	
Expected Result	<ul style="list-style-type: none"> ◆ The Department will make the visa process more secure and thereby contribute to enhanced homeland security. ◆ Consular officers better trained to detect fraud and refuse visas to potential terrorists and criminals. Improved border security. 	
Title or Topic	Visa Process Should Be Strengthened as an Antiterrorism Tool GAO-03-132 (October 21, 2002)	
Evaluator	U.S. General Accounting Office	
Department Contact	Edward Dickens, Press Officer, Bureau of Consular Affairs	
Major Findings	<ul style="list-style-type: none"> ◆ Since 9/11, CA has introduced changes to strengthen the visa process, but there continues to be a divergence of opinions concerning visa policies and procedures that are appropriate given the need for heightened border security. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Develop a clear policy on the priority attached to addressing national security concerns connected with the visa process; develop more comprehensive guidance on how posts should use the visa process to screen against potential terrorists; assess staffing requirements for visa operations; and expand consular training. (GAO-03-132NI) 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Issued a "visa roadmap" outlining new visa priorities and policies. ◆ Issued over 40 standard operating procedures to ensure that consular officers abroad properly review visa applications, effectively fulfill their critical national security responsibilities, and have a step-by-step, unambiguous guide for all procedures. ◆ Added staff, including a Senior Advisor for Strategic Planning, in the Visa Office and established 39 new overseas positions funded by visa fees and 51 new consular positions under the Diplomatic Readiness Initiative in FY 2003. Additional positions are planned for FY 2004. ◆ Introduced new training on interviewing techniques, with additional emphasis on ethics and terrorism and expanded Chief of Mission, DCM and Principal Officer training. In FY 2004 five days will be added to the 26-day basic consular course. 	
Expected Result	<ul style="list-style-type: none"> ◆ MOU between DHS and DOS provides a framework for better coordination of border security; integrated entry/exit/tracking systems with DHS; series of instructions specifying standard operating procedures (SOP) contributes to implementation of Visa Roadmap. Consular Management Assistance Teams will reinforce SOPs and sound management practices. 	



Strategic Goal 4		WEAPONS OF MASS DESTRUCTION
Title or Topic	Review of Department of State's End-Use Monitoring of Munitions Exports (AUD/PR-03-31)	
Evaluator	Office of Inspector General, Department of State	
Department Contact	David Trimble, Chief, Bureau of Political and Military Affairs	
Major Findings	<ul style="list-style-type: none"> ◆ Annually, the Bureau of Political-Military Affairs, Directorate of Defense Trade Controls (PM/DDTC) targets a small number of export license applications and approved licenses for end-use monitoring under the Blue Lantern Program. ◆ In four of the nine countries OIG visited, no site visits were conducted as part of the relatively significant number of end-use monitoring checks assigned by PM/DDTC. In FY 2002, these nine countries accounted for \$6 billion out of total of \$16 billion dollars of approved licenses for munitions exports. ◆ Improved guidance to Blue Lantern Coordinators overseas and better reporting and communication are needed on the results of end-use checks. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ OIG recommended the use of an analytical approach to increase the number of end-use checks performed annually. ◆ OIG recommended that PM/DDTC specify in its cables to Blue Lantern Coordinators overseas when a site visit or physical inspection is required as part of a requested end-use check. ◆ OIG recommended that PM/DDTC clarify in its annual report to Congress the limitations of its trend analysis of illegal export diversions given the small scope of its Blue Lantern Program. 	
Major Actions Taken or That Will be Taken	<p>PM/DDTC agreed with OIG's major recommendations and has provided a plan with milestones to address outstanding areas. Specifically, the Directorate plans to:</p> <ul style="list-style-type: none"> ◆ Increase the number of end-use checks using an enhanced targeting approach. ◆ Specify in cables when a site visit is necessary to Blue Lantern Coordinators overseas. ◆ Update the Blue Lantern Program guidance and annual worldwide cable to address some of OIG's suggestions. ◆ Clarify to Congress the statistical basis behind the highlighted trends in its annual report. 	
Expected Result	<ul style="list-style-type: none"> ◆ The State OIG program evaluation was conducted in conjunction with five other statutory OIGs, reporting as mandated to Congress in the April 2003, <i>Interagency Review of Federal Export Enforcement Efforts</i>. The result of the individual and joint reviews is expected to increase the effectiveness of federal programs to detect and prevent the illegal export of munitions and dual-use items. 	

Strategic Goal 5		INTERNATIONAL CRIME AND DRUGS
Title or Topic	Drug Control – Specific Performance Measures and Long-Term Costs for US Programs in Colombia Have Not Been Developed (GAO-03-783)	
Evaluator	U.S. General Accounting Office	
Department Contact	Thomas Martin, Director, Bureau of International Narcotics and Law Enforcement	
Major Findings	<ul style="list-style-type: none"> ◆ Colombia is a long term ally facing a long term insurgency and insurgent links to illicit drug trade. Neither COLAR nor Colombian National Police have the capacity to manage ongoing counternarcotics programs without continued US funding and support. Colombia with limited resources will need US assistance for the foreseeable future. Departments of State and Defense have not developed estimates of future program costs, defined their future roles in Colombia, identified an end state or determined how to do it. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ The Secretary of State, in consultation with Secretary of Defense, must establish clear objectives for the program to the COLAR and Colombian National Police and estimate future funding requirements for US support. There should be performance measures, clear roles for US personnel and contractors and a time line for achieving our goals. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ State concurred and will do a comprehensive review of US programs with COLAR and Colombian National Police and will address these key recommendations. This effort will begin with the FY 2005 appropriation cycle. Defense would work with State and collect information to measure progress. 	
Expected Result	<ul style="list-style-type: none"> ◆ It is expected that this review will produce the estimates for program costs defined roles and defined end state that will comply with GAO requests. 	



Strategic Goal 6		AMERICAN CITIZENS
Title or Topic	Review of Domestic Passport Operations Phase II: Fraud Prevention Program, (Report No. ISP-CA-03-25)	
Evaluator	Office of the Inspector General, Department of State	
Department Contact	Charles E. Sparks, Office Director, Bureau of Diplomatic Security	
Major Findings	<ul style="list-style-type: none"> With improved support from bureau management, the passport fraud prevention operation could become a model border security program. At both headquarters and regional levels, support for fraud programs has been inconsistent. There is no model to match staffing levels against workloads. Internal training does not include formal feedback to passport specialists on the disposition of each fraud referral. Because acceptance agents execute about 80% of the passport applications for those who must personally appear, they would benefit from regularly scheduled training programs and on-site visits. DS has noted that U.S. attorneys are more interested in prosecuting passport fraud cases. However, U.S. attorneys cannot prosecute cases unless DS investigates and presents them to individual U.S. attorney offices. The Bureau of Consular Affairs (CA) and Diplomatic Security need to expand data sharing with each other and with the Immigration and Naturalization Service (INS), Social Security Administration (SSA) and the El Paso Intelligence Center (EPIC). Personnel need to be assigned to implement coordination and data sharing activities. 	
Major Recommendations	<ul style="list-style-type: none"> The annual Domestic Passport Fraud Detection reports should be evaluated and categories listed defined as precisely as possible. The regulatory exemption that allows children under age 14 not to appear personally to apply for a U.S. passport should be eliminated. The appropriate staffing requirements for both bureaus should be determined to include sufficient staff to maximize access to INS, SSA and EPIC's interagency databases. Training schedules for all acceptance agents should be developed. Definitive written guidance on who manages the passport antifraud program should be written. DS must investigate individual cases fully and promptly. Expand efforts with U.S. attorney's offices to establish prosecution guidelines that bring about a greater number of, and a more consistent nationwide standard for, acceptances for prosecution. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> Comprehensive action plans have been developed, federal prosecutors are increasing focus on border security and accepting and prosecuting passport and visa fraud cases. Efforts are continuing to establish a performance metrics that would validate establishment of a permanent presence or alternatives in proposed sites such as EPIC. A Memorandum of Agreement is being developed with SSA to engage in information sharing. DS and CA have established regular/monthly meetings to share information. The development and implementation of an integrated, worldwide investigations database will establish a central index to manage all DS criminal cases investigations, electronically store and pass case-related information, provide direct access for all DS domestic and overseas investigative components, provide investigative/intelligence analysis and analytical processing and two-way data sharing with CA and other U.S. law enforcement agencies. 	
Expected Result	<ul style="list-style-type: none"> DS and CA are collaborating in an unprecedented manner at all levels to protect the integrity of our passport and visa issuance processes. A robust intake of DS agents has resulted in a significant improvement in our responsiveness to the passport agencies and our overall investigative performance. DS has embarked on an aggressive case closing initiative to reduce the number of backlogged cases. The deployment of 23 agents to high fraud posts overseas will allow the Department to expand its investigative targets and work with the respective host government law enforcement, immigration and airport authorities to improve our capability to detect, deter and apprehend fraudulent document vendors/brokers and rings operating overseas. Development of investigative timelines and case categories for all types of investigations under DS purview will streamline the passport fraud investigation. Development of the worldwide investigations database will enhance the gathering, storage and dissemination of investigative information. DS and CA are participating in the newly formed Vulnerability Assessment Unit that will dramatically improve its ability to reduce vulnerabilities in these processes. 	



Strategic Goal 8		ECONOMIC PROSPERITY AND SECURITY
Title or Topic	Free Trade of the Americas: Negotiations Progress, but Successful Ministerial Hinges on Intensified U.S. Preparations (GAO-03-560)	
Evaluator	U.S. General Accounting Office	
Department Contact	E. Anthony Wayne, Assistant Secretary, Bureau of Economic and Business Affairs	
Major Findings	<ul style="list-style-type: none"> ◆ April 2003 GAO Report on Free Trade Area of the Americas; negotiations progress but successful Ministerial hinges on intensified U.S. preparations. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Official recommendations directed at the US Trade Representative (USTR) as host of November 2003 Ministerial meeting in Miami and lead US trade agency. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Senior State Department officials have instructed staff to do as much as possible, bearing in mind the Department's resource constraints, to support USTR and the Administration's ambitious trade agenda. State is working with USTR on a regular basis to try and determine where State assistance is possible. 	

Strategic Goal 10		HUMANITARIAN RESPONSE
Title or Topic	Humanitarian Assistance: Protecting Refugee Women and Girls Remains a Significant Challenge (GAO-03-663)	
Evaluator	U.S. General Accounting Office	
Department Contact	Margaret Pollack, Office Director, Bureau of Population, Refugees and Migration	
Major Findings	<ul style="list-style-type: none"> ◆ UNHCR and international organizations have developed guidelines, best practices, and other measures to improve protection of refugee women and girls. ◆ Despite these efforts, women continue to face significant protection problems, including sexual exploitation by relief workers. ◆ Weaknesses in UNHCR's staffing process and training limit the effectiveness of these measures. ◆ The number of protection staff in some high-risk countries is insufficient and impeded protection efforts. ◆ The U.S. government, through the Department of State, supports the protection of refugees and other vulnerable populations primarily through its funding to international organizations. It is also a strong advocate at the United Nations, within international organizations, and at the country level to increase protection efforts. 	
Major Recommendations	<p>The Secretary of State should work with member states to reform UNHCR's staffing system by,</p> <ul style="list-style-type: none"> ◆ Creating a strategic workforce plan, and ◆ Developing a staff assignment and rotation system. <p>The Secretary of State should work with other UN member states to,</p> <ul style="list-style-type: none"> ◆ Expand training opportunities so that international and nongovernmental staff in positions of contact with refugee populations are fully versed in protection policies and practical protection techniques. ◆ Encourage development of protection partnering arrangements between and among UN agencies and nongovernmental organizations. ◆ Ensure continued focus on efforts to prevent sexual exploitation of refugee women and girls by making the issue an annual agenda item at refugee policy forums. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The Bureau of Population, Refugees and Migration instituted requirement that all organizations receiving PRM funds adopt codes of conduct regarding prevention and response to exploitation of refugees and other victims of conflict. ◆ Ongoing consultations with UNHCR on reform of its staffing system. ◆ Funding provided to UNHCR to increase protection staffing, and to the International Rescue Committee in support of the Surge Protection Capacity Project. ◆ Funding provided to the Reach Out Initiative to support protection training for international and nongovernmental humanitarian relief workers. ◆ Statements on protection delivered at UNHCR's Executive Committee meetings. ◆ Ongoing participation in NGO working group on protection. 	
Expected Result	<ul style="list-style-type: none"> ◆ Improved protection for refugee women and children. ◆ Increased awareness and sensitization of humanitarian partners regarding sexual abuse and exploitation of refugee women and children through codes of conduct and preventative action in the field. 	



Strategic Goal 10		HUMANITARIAN RESPONSE <i>continued</i>
Title or Topic	Integrated Mine Action Services (IMAS) Contract (AUD/PPA-03)	
Evaluator	Office of Inspector General, Department of State	
Department Contact	Dennis Hadrick, Program Manager, Bureau of Political and Military Affairs	
Major Findings	<ul style="list-style-type: none"> ◆ No systemic contract weaknesses. ◆ Areas of concern related to administrative costs factors and hazardous duty pay indicated. ◆ Embassy designated demining officers were not carrying out full administrative responsibilities as described in the Humanitarian Demining Program (HDP) policy and procedures manual. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Review the issues of the rates and fees of the cost-reimbursable portions of the IMAS contract. ◆ Review the cost and benefits of retaining or removing the requirement that the IMAS contractor must submit new items. ◆ Review language related to the terms "post differential" and the "hazardous duty pay" in the IMAS contract. ◆ Take steps to ensure that participating embassies are conforming to the HDP policy and procedures manual. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Contract was modified to clearly state that administrative costs are fixed for the life of the contract, to eliminate auxiliary schedule of items, to authorize contract reimbursement for equipment, etc at purchase price and to clarify eligibility for hazardous duty pay. ◆ Increased frequency of Program Manager visits to post. 	
Expected Result	<ul style="list-style-type: none"> ◆ Elimination of any ambiguity concerning allowed administrative and hazardous duty pay through the IMAS contract. ◆ Improved understanding of post responsibilities at post and increased activity of demining officers in regards to their administrative duties as outlined in the HDP policy and procedures manual. 	

Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS
Title or Topic	American Corners	
Evaluator	U.S. Department of State	
Department Contact	Cynthia Borys, Office Director, Bureau of International Information Programs	
Major Findings	<ul style="list-style-type: none"> ◆ American Corners are the logical, market driven, cost-effective "reinventions" for the information age of the American library network that had been so popular abroad. For this new initiative posts identify a non-USG public space (libraries, universities, etc.) to provide a multifunctional programming platform to tell America's story, especially to the young. They are staffed by the host institution and allow interaction with the public without compromising mission security concerns. ◆ There are now 79 American Corners abroad with another hundred in various stages of development. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ From <i>Changing Minds Winning Peace: A New Strategic Direction for U.S. Public Diplomacy in the Arab & Muslim World</i>, October 1, 2003: "A rapid expansion of the scope of the American Corners program for local institutions should be undertaken, especially given the decreased access to American facilities." ◆ Continue funding to help support the spread of American Corners through post initiatives. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Develop accepted standards that can be modified to meet local needs and that allow for accurate measurements of success. ◆ Regularize the sharing of information through a central clearinghouse to which 79 American Corners have already contributed data. 	
Expected Result	<ul style="list-style-type: none"> ◆ The development of fully functioning American corners can repair the harm cited in <i>Changing Minds Winning Peace</i>: " In the mid-1990s, after the fall of the Berlin Wall, the United States abandoned many of the tools of public diplomacy that had helped win the Cold War. ... Until the past decade, easily accessible facilities housed our public diplomacy activities ... (which) served as a venue for a wide range of activities, including reference services, book circulation and presentation, ...lectures, film and television screenings, ...satellite television reception and Internet access. ... The Advisory Group has heard abundant testimonials from foreign opinion makers on the positive impact of these institutions on their education and outlook in formative years." ◆ American Corners can restore that public presence and the trust and understanding which they brought and which was lost over the past decade. They can go a long way toward providing an antidote to international hostility towards the U.S. 	

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Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>	
Title or Topic	"hi" Magazine		
Evaluator	U.S. Department of State		
Department Contact	Christopher J. Datta, Assistant Deputy Coordinator, Bureau of International Information Programs		
Major Findings	<ul style="list-style-type: none"> ◆ Launched in July, 2003, the monthly magazine "hi," and its associated website, seek to establish a constructive interactive dialogue with a young Arab readership as part of our broader agenda of developing civil society and engaging younger audiences. The magazine is designed to serve as a "window on America," highlighting American culture, values and lifestyles. ◆ The magazine is for sale in Lebanon, Jordan, West Bank/Gaza Strip, Israel, Iraq, Morocco, Egypt, United Arab Emirates, Bahrain, Qatar, Kuwait, Oman, Yemen, Cyprus and Greece, with an initial print run of 50,000 copies. As of the end of FY 2003, we are still awaiting permission to distribute in Saudi Arabia, Syria, Tunisia, Algeria and Sudan. ◆ Initial sales figures will not be available until January 2004 due to the absence of computer inventory sales systems in the Middle East. As a start up venture, we anticipate it will take a minimum of a year and a half to determine how well the magazine sells in the market. Even in the U.S., start-up magazines take two years to determine true market penetration. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Constantly review and adjust content with a view to attracting the widest possible audience. ◆ Develop a strategy to engage Arab youth in a debate on issues of concern to them. ◆ Enhance website capabilities to better respond to e-mail messages from readers. ◆ Invest more in a marketing/promotion campaign in a bid to inform and attract more readers. ◆ Send the publisher/editor, The Magazine Group, to the Middle East on an assessment trip and to develop new story ideas. ◆ Develop and evaluate strategy to determine whether the magazine is accomplishing its goals through regular market studies and focus groups. ◆ Develop a CD to be included in every issue of hi with games and information on the United States geared for 15- to 18-year olds. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Marketing/Promotion campaign launched in late September 2003. ◆ Additional marketing/promotion campaign to be organized in 2004. ◆ Content to be enhanced by giving the magazine more depth, diversity and controversy. ◆ Use focus groups or some other evaluation mechanism to ensure that the magazine is having an impact on target readership's perception of American culture and values. 		
Expected Result	<ul style="list-style-type: none"> ◆ <i>hi</i> magazine influences Arab youth to have a more positive perception of American culture and values. ◆ Readership (paper and Internet versions) of the magazine grows. 		

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Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>
Title or Topic	INFOCENTRAL	
Evaluator	Computer Technologies Consultants, Inc.	
Department Contact	Joel Fischman, Senior Policy and Planning Officer, Bureau of International Information Programs	
Major Findings	<ul style="list-style-type: none"> ◆ INFOCENTRAL, a joint initiative of the State Department's Bureaus of International Information Programs and Public Affairs (IIP and PA), was launched in FY2003 as a "one-stop" source of information, updated daily, for USG foreign affairs and security officials working with the public. The passworded (restricted access) website is the first single source ever developed for quick, up-to-the-moment official guidance, texts, reference sources and media reaction, readily available to the official foreign affairs community. ◆ Currently, dedicated pages within the INFOCENTRAL site focus on Iraq, the War on Terrorism, Plan Colombia and Cuba. Over 2,500 subscribers are regular users to INFOCENTRAL, an impressive figure given the narrowly defined universe, and growing daily. INFOCENTRAL delivers instantly and efficiently, what overseas posts once had to ask colleagues in Washington to deliver. ◆ INFOCENTRAL uses the evaluation software Webtrends to provide data on user access, demographics, usage, etc., for management analysis of the site. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ A full time content manager ensures that all content in the relatively large website is kept current, critical for synchronized around the world accuracy in official public statements. INFOCENTRAL's continued success depends upon at least one permanent FTE for this function. This would have to be augmented by a surge capability, adding additional staff during times of crisis. ◆ We need to examine other major international issues for INFOCENTRAL focus, including the Middle East peace process and reaching out to Arab and Muslim communities around the world. ◆ Re-evaluate Webtrends to ensure we are getting sufficient data for informed site development. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ A search engine has been purchased to facilitate efficient user interface with the entire website and its contents. This will overcome the largest current weakness of INFOCENTRAL, providing for an aggregated search across InfoCentral content, including its links. 	
Expected Result	<ul style="list-style-type: none"> ◆ Informed officers in the field and in Washington, including those at high levels, with a menu of all the proprietary information they need to engage international publics at their fingertips. This is an efficient means of compensating for insufficient staffing. ◆ InfoCentral subscribers are being provided with up to the minute information critical to the decision making process. 	
Title or Topic	Persian Website	
Evaluator	U.S. Department of State	
Department Contact	William Armbruster, Deputy Office Director, Bureau of International Information Programs	
Major Findings	<ul style="list-style-type: none"> ◆ In the few months since the Department's website in Persian was launched on May 12, we have evidence of a steady 2,000 viewers daily. We have reports that Iranian journalists monitor the site and have seen articles published based on material only available on the site. ◆ With no official presence in Iran, the site serves in many ways as a virtual U.S. Embassy and cultural center for the growing number of Iranians who have Internet access. ◆ The website includes both current policy texts and extensive publications on topics such as democracy, human rights, American institutions, and culture. Although the government in Tehran is critical of U.S. engagement in the Middle East and U.S. policies, its population is clearly open to learning more about the U.S., its democratic processes, open deliberation and free media and institutions. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Broader interest needs to be kept through increased posting of new materials and supporting graphics. ◆ With additional funding, the Department could explore developing more creative and interactive Internet appropriate techniques that serve US interests while addressing specific questions from our audience. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ We are developing a system to look at readership for individual pages and categories of pages to better target our resources. We are beginning to translate major publications on the issues facing a new federal government and discussions on the meaning of democracy, human rights and how American institutions developed. ◆ We are developing a companion listserv to the site. 	
Expected Result	<ul style="list-style-type: none"> ◆ A 40% Increase during FY 2004 in page views and placement of links and articles on other sites dealing with Iranian-American politics and Iranian discussions of democracy, human rights, and future political structures. Analysis will also be applied to the nature of users. ◆ This site may well be the basis for a more open and unrestrained American-Iranian dialogue. 	

Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>	
Title or Topic	Content Management System for Public Diplomacy Websites		
Evaluator	U.S. Department of State		
Department Contact	Martha Chaconas, Acting Office Director, Bureau of International Information Programs		
Major Findings	<ul style="list-style-type: none"> ◆ IIP's Content Management System project (CMS) is the vehicle by which IIP's core mission is delivered: "To get the right information, to the right people, at the right time". The CMS uses specially designed content management software to provide the delivery platform and infrastructure that facilitates the development, maintenance, and hosting of a centralized multilingual content management system to streamline the creation and delivery of high quality public diplomacy content for intended users. ◆ Until the CMS was implemented, the process of using and repurposing information was labor intensive and highly inefficient -- economies of scale and leveraging resources were non-existent. The CMS now enables the efficient and effective creation, management and delivery of web-based content, currently over 70,000 web pages on the Department's international website (http://usinfo.state.gov) and enhances the timeliness of daily syndication of foreign policy news of almost 100 articles per day, to embassy affiliates (over 200 embassies) worldwide on a 24x7 operation. The CMS also enables users to create and deploy new products with the turn-around time demanded by quick response to world events. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ By centralizing all publications and textual and graphical material and storing it in fluid XML format, we can offer increased efficiencies in producing electronic and print publications. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Site conversion and new product implementations of Department and embassy websites, including foreign language websites, and new products. 		
Expected Result	<ul style="list-style-type: none"> ◆ Higher quality materials; ◆ Increased workloads without the need for increased resource levels; ◆ New products and services within days instead of weeks or months; ◆ Delivery of critical information to the right sources in a fraction of the time it currently takes; ◆ Syndicated content to embassies and missions thereby eliminating a significant part of their workload in repurposing content; and ◆ A readily available infrastructure for embassy websites with easy access to ready-to-use content from a central data repository. 		

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Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>
Title or Topic	Outcome Assessment of the Institute for Representative Government (IRG)	
Evaluator	American Institutes for Research (AIR)	
Department Contact	Ted Kniker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs	
Major Findings	<ul style="list-style-type: none"> ◆ IRG Alumni reported an increased understanding of U.S. democracy and democratic principles (80%) and the U.S. government and U.S. Congressional structure (73%). ◆ 82% reported that the IRG program experience helped provide them with a more informed and broader perspective of the United States, and 60% indicated the program helped them develop a greater appreciation of alternative opinions and political processes. ◆ Alumni indicated sharing what they learned about the United States and its government and people with professional colleagues (97%), family and friends (90%), and their community (85%). ◆ Alumni who maintained contact with their delegation members (83%) and with people in the United States (76%) indicated these contacts helped them reinforce or sustain democratic practices in their country. ◆ Alumni reported sustained contacts from the United States helped them inform their colleagues and community about the U.S. system of democracy (77%), initiate or develop democratic practices in their country (65%), and open or sustain political dialogue with the United States (60%). ◆ Alumni reported successfully legislating or enacting policies at the national level (39%) and at the regional or local level (18%) that were partly influenced by what they learned during the IRG program. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Encourage and facilitate communication among program alumni. ◆ Make the program schedule more flexible so participants can explore the United States on their own. ◆ Consider a variety of factors in choosing program participants (delegates). ◆ Encourage a more open atmosphere between delegates and U.S. professional contacts during lectures, presentations, and tours. ◆ Make the program content more specific and less comprehensive. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The IRG organization was being reorganized, following the death of the Executive Director, just as the evaluation was concluded. ◆ The evaluation has been given to the IRG Board Members and to the re-organized IRG organization and program adjustments will be made based upon the recommendations cited above. 	
Expected Result	<ul style="list-style-type: none"> ◆ The evaluation results and recommendations are expected to inform the future directions and focus of the IRG program, improve the administration of the program, and contribute to the successful implementation of the IRG program in the future. 	
Title or Topic	Evaluation of the Freedom Support Act (FSA) Undergraduate Program	
Evaluator	Aguirre International, Inc.	
Department Contact	Ted Kniker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs	
Major Findings	<p>Note: Each percentage is reported with alumni first, followed by semi-finalists and the random cohort of university undergraduates</p> <ul style="list-style-type: none"> ◆ Alumni give significantly stronger self-assessments on a battery of life skills associated with leadership abilities than either the semi-finalists or the random cohort. ◆ Alumni are significantly more active in community service (43%, 30%, 20%) and significantly more likely to be employed (75%, 69%, 58%) following the program. ◆ Alumni are significantly more likely to be working in the international arena (64%, 16%, 4%). ◆ Alumni believe they have a much better understanding of U.S. politics (95%), culture (100%), and economics (89%) as a result of the exchange. ◆ Alumni are significantly more likely to support equal rights for all citizens (74%, 71%, 61%). ◆ Alumni are more likely to be in contact with Americans (64%, 48%, 15%), U.S. businesses (41%, 25%, 3%), and significantly more likely to use U.S. websites for information (93%, 76%, 29%). ◆ Within the last year, 90% of alumni received a letter from an American friend and 76% received more than 10 letters. Twenty-four percent of alumni hosted one American visitor and 4% hosted more than 10 visitors. 	

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Strategic Goal 11	
PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>	
Title or Topic	Evaluation of the Freedom Support Act (FSA) Undergraduate Program
Evaluator	Aguirre International, Inc.
Department Contact	Ted Kniker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs
Major Recommendations	<ul style="list-style-type: none"> ◆ Further review to ensure that the community colleague component of the program provides sufficient academic experience for participants. ◆ When matching students to institutions, place a high priority on ensuring that the institution provides a strong program in the student’s field of study. ◆ As part of new alumni programming, consider involving program alumni as volunteers to assist the grant organization in planning program orientations and debriefings in order to better ensure participants are well prepared for the program and post-program return to their country. ◆ Provide participants more pre-program English language training, with specific focus on those students with lesser competency. ◆ Enhance communications and coordination between program coordinators and students/alumni to better ensure that the needs of students and alumni are being addressed. ◆ Consider offering students an opportunity to express their living/housing preferences, while being clear about the options/limitations; be more selective with potential host families for homestays. ◆ Provide more information on the U.S. health care system and practices during orientations, and develop/distribute informational brochures advising of common illnesses and medications. ◆ Regarding the internship component, better guide students in the selection of their internship site and provide them with more information about the organization they will intern with; possibly develop a database of past intern organizations to incorporate vital organizational information. ◆ Consider making the internships longer and to be undertaken when classes are not in session. ◆ To ensure that the community service component is observed, program coordinators should check with participants periodically for the specifics of their community service activities. ◆ Consider providing more support, resources and funding for alumni’s professional development, job fairs and a job bank. In addition, consider incorporating semi-finalists in alumni activities. ◆ Make an ongoing effort to ensure that more student participants will have the coursework completed in the United States recognized as formal academic study meriting college credit at their home institutions.
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Reviewed last year’s community colleges being used, specifically looking at academic capacity, and recruited academically stronger community colleges for current year. ◆ Reviewed host university/college’s fields of study for potential new fields (non-duplicative of fields at home institutions); added criminal justice as a community college field and are better scrutinizing fields where material already received at home institution may be repeated in U.S. host institution. ◆ Held re-orientation in-country seminars this summer for students returning home – to help them better assimilate back into their home countries/institutions. Alumni were used in recruitment for this fall’s participants and in the pre-departure in-country orientations – to give current students a real view of the program and studying/living in the United States. ◆ Continuation of providing additional English language training to students who need it, including ESL classes at the host or a nearby university/college. ◆ A special program was started for alumni this year that allows alumni direct access to the alumni coordinator at the grantee organization in Washington, D.C. In addition, a print/electronic journal was developed to increase the outreach to both alumni and current students. ◆ This year more students were placed in dorms versus host families. Host families are now required to sign diversity statements that they will respect students’ religious preferences and cultures. ◆ A list of common ailments and over-the-counter medication names have been included in the orientation materials. ◆ Detailed information about internships is now provided via the FSA Ugrad listserv, including details about potential internship sites (also covered in the fall issue of the FSA Ugrad newsletter). ◆ New reporting mechanism requires students to submit brief reports upon completion of their community service projects, including photos. ◆ This past summer, semi-finalists were invited to attend Welcome Home Receptions for the returning students – hosted by the program organization and involving the Public Affairs Section.

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Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>
Title or Topic	Evaluation of the Freedom Support Act (FSA) Undergraduate Program <i>continued</i>	
Evaluator	Aguirre International, Inc.	
Department Contact	Ted Kniker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs	
Expected Result	<p>Increased program administrative efficiencies through:</p> <ul style="list-style-type: none"> ◆ Increase in number and quality of community colleges. ◆ Improved student-institution matching with a focus on placing students in fields of study not already available to them at their home institution. ◆ Improved engagement and use of program alumni to better benefit both the alumni and current student participants. ◆ Students will increasingly be better prepared to study and live in an English-speaking environment, and thus, acclimate better in their program and being in the United States. ◆ Increased outreach to and engagement of current students and alumni through direct and indirect methods. ◆ Improved selection and monitoring of host families and increased living/housing options for students. ◆ More informed student participants regarding health/medicine. ◆ More informed students in selected internship sites. ◆ Increased monitoring of student compliance with the community service component. ◆ Increased engagement of semi-finalists which also allows them to meet and network with program participants and alumni. 	
Title or Topic	Evaluation of the Russia-U.S. Young Leadership Fellows for Public Service Program	
Evaluator	Aguirre International, Inc.	
Department Contact	Ted Kniker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs	
Major Findings	<ul style="list-style-type: none"> ◆ Program alumni seemed to understand the important elements of civil society, but only 80% of Russians and 72% of Americans interviewed have continued their participation in public service. ◆ Those that have continued their public service, however, appear to be very active, with 80% of those Russians and 70% of those Americans who have continued public service activities reporting themselves as more active than before the program. ◆ 84% of Russians and 82% of Americans supported equal rights for all citizens regardless of ethnicity or circumstance. ◆ Alumni overwhelmingly believe the program improves their leadership abilities (91% of Russians and 81% of Americans) and helps them acquire new skills for professional development (95%; 82%). ◆ Almost all alumni (100% of Russians and 97% of Americans) agreed that they better understand the host country's culture as a result of the program. ◆ The program successfully engenders lasting ties between the alumni and host country natives and institutions. Over 90% of Russians and 95% of Americans had monthly or more frequent email contact with friends in the other country. ◆ Alumni taught their hosts about the culture of their home country and arguably reached a much wider audience than other programs that do not mandate significant public service. ◆ Many alumni moved from their home communities following their program (42% of Russians and 45% of Americans), however, some Russian alumni who relocated were still maintaining contact with their home communities and several were sponsoring community-building projects. 	

Continued



Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>	
Title or Topic	Evaluation of the Russia-U.S. Young Leadership Fellows for Public Service Program		
Evaluator	Aguirre International, Inc.		
Department Contact	Ted Kniker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs		
Major Recommendations	<ul style="list-style-type: none"> ◆ Many Russian alumni recommended that the program result in the receipt of a diploma or a Master’s degree. Alternatively, they would like to see the program expanded to a 2-year program so they can earn a Master’s degree. ◆ Review the selection criteria and the preparation of academic advisors; and consider allowing the students to choose the university that they will attend based on a “short list” provided to them by program organizers. ◆ All participating universities should provide an in-depth orientation and debriefing session for participants to better prepare them for the start of their program and their transitioning back into their home country and culture. Develop an appropriate checklist of topics and issues that should be covered at each critical time period. ◆ Re-examine the appropriateness of the computer science and business/corporate affairs fields of study options. Also, public and community service and internship organizations should be more carefully vetted to ensure that those chosen stress volunteer service in response to community and that the community service activities undertaken can be applied to the development of the public sector. ◆ The community service and internship components of the program should be well planned, take place in an organization that complements the student’s field of study, and clearly be designed as a service component to the program and not as work. ◆ The American side of the program was not meeting all of its legislative and programmatic goals. Some changes would need to be made to the U.S. program to make it more useful and applicable. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The decision to eliminate American participants from the program was made while the evaluation was in process – in part due to some of the preliminary findings of the evaluation. ◆ Medical illness and over-the-counter medication names are now included in the orientation. ◆ In-depth orientations were held in August 2003 for the Russian students. Some sessions focused specifically on what is community service and how to find community service projects in the United States. 		
Expected Result	<ul style="list-style-type: none"> ◆ With the elimination of the U.S. portion of the program, there will be a better focus on the Russian participants and their needs and the implementation of their programs. ◆ Russian participants are better prepared for their U.S. program experience, and as a result, will have a more successful program. 		

Continued



Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>	
Title or Topic	Outcome Assessment of International Professional Exchange Programs in a U.S. Community (Philadelphia)		
Evaluator	T.E. Systems, Inc.		
Department Contact	Ted Kniker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs		
Major Findings	<ul style="list-style-type: none"> ◆ 94% of U.S. host/resource respondents reported having “basic to advanced knowledge” about the culture and country of the foreign visitors immediately after the hosting experience, compared to 75% before the experience. ◆ 80% reported that the hosting experience allows them to share U.S. values and beliefs with foreigners. ◆ 86% of respondents shared information about their hosting experience with family, friends and/or colleagues, and as a result, family/friends (72%) and colleagues (67%) developed a greater appreciation of foreign visitors and countries. ◆ 97% of respondents reported the hosting experience promotes mutual understanding among Americans and foreigners. ◆ 87% reported the hosting experience increases their appreciation of foreign exchange visitors and countries. ◆ 82% of respondents reported that hosting promotes peaceful relations between the United States and other countries. ◆ For every dollar allocated in Fiscal Year 2001 by the State Department to support these exchange programs, an additional \$2.64 was generated by the Philadelphia hosts/resources in monetary and in-kind contributions. This \$1.00 to \$2.64 ratio is the most conservative baseline calculation. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Develop a more comprehensive and thorough analytic methodology to better determine the economic impact on a local community. ◆ Expand outreach activities while concentrating on a core group of host/resources. ◆ Schedule more informal or social meeting time to promote interactions between foreign exchange visitors and U.S. hosts/resources. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ A follow-on study will be initiated in FY2004 to more rigorously collect, analyze and report on the economic benefits that these exchange programs bring to the Greater Philadelphia area. This methodology will then be applied to other communities. ◆ A second follow-on study is in process in three Iowa cities to assess the impact of seven ECA exchange programs in a multiple-city geographic area. Lessons learned from the Philadelphia study are informing the design and methodology of the more complex study in Iowa. ◆ A more streamlined host/resource database – comprised of updated contact information for the local hosts/resources located during this study – has been forwarded to the the International Visitors Council of Greater Philadelphia. ◆ ECA’s Office of Policy and Evaluation, the two ECA Program Offices involved in this study, and ECA’s private sector partner organizations (the IVC of Greater Philadelphia and the National Council for International Visitors (NCIV)) have all been involved in a variety of outreach activities since the completion of this study in March 2003. Copies of the final report summaries have been distributed at national and regional conferences (NCIV conferences and NAFSA conferences), and information about this study and its findings has also been incorporated into ECA presentations at these conferences. ◆ Study information and products have also been included in ECA promotional materials distributed at training sessions for a variety of ECA’s private sector partner organizations. The study’s products have also been widely disseminated to and used by the 95 Councils for International Visitors in approximately 45 states to better promote the three ECA programs included in this study (the International Visitors Program, Community Connections Program and the partially ECA-funded Sister Cities Program) and to improve the level of support for international exchanges, in general, in their communities. ◆ Information from the study has been used to design follow-on exchange programming to further promote the interaction of American resources and visitors they host. ◆ ECA is working with partner organizations to better track a wider range of private sector cost-sharing. 		

Continued



Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS <i>continued</i>	
Title or Topic	Outcome Assessment of International Professional Exchange Programs in a U.S. Community (Philadelphia)		
Evaluator	T.E. Systems, Inc.		
Department Contact	Ted Kniker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs		
Expected Result	<ul style="list-style-type: none"> ◆ The more rigorous economic impact study in the Philadelphia area will provide ECA with better and more sophisticated evidence of the impact of ECA exchange programs on a community's local economy. ◆ The expanded and more complex study in Iowa will provide ECA with key information about the impact of multiple ECA exchange programs on multiple cities in Iowa. This study will also allow ECA to better assess a broader view of why individuals, organizations and communities are supportive of international exchange activities in their communities and how ECA programs help advance international activities already in place in communities. ◆ A more streamlined host/resource database will allow the IVC of Philadelphia to contact and engage their local constituents in a more efficient and effective manner. ◆ Continued outreach activities and dissemination of study products by several ECA offices and ECA's private sector partner organizations will reach and engage a higher volume ECA and CIV stakeholders, and a broader portion of the general public. ◆ ECA stakeholders and the general public are more informed of ECA exchange activities and the impact and benefits of these activities to U.S. communities, hopefully resulting in more support and understanding of ECA exchanges and/or international exchanges in general. ◆ Further promotion of mutual understanding through enhanced exchange follow-on activities. ◆ Increased cost-sharing and cost-leveraging from private sector organizations. 		



Strategic Goal 12		MANAGEMENT AND ORGANIZATIONAL EXCELLENCE	
Title or Topic	Domestic Travel Card Program (AUD/FM-03-022)		
Evaluator	Office of Inspector General, Department of State		
Department Contact	Cameron Weber, Chief, Financial Oversight, Bureau of Resource Management		
Major Findings	<ul style="list-style-type: none"> ◆ Although the Department had instituted a number of initiatives to improve oversight of the travel card program, OIG found that it did not have a process in place to address delinquencies in the 60-day past due category before the cards are automatically suspended. ◆ OIG found that the Department had not done enough to prevent and detect misuse of the cards but was working to establish a process to notify the Bureaus of Human Resources and Diplomatic Security and OIG about misuse and delinquency so that these bureaus could take appropriate action. ◆ OIG found that the Department did not have controls in place to ensure that the administrative oversight of the travel card program was adequate. For instance, the Department needed to ensure that the program coordinators were managing the appropriate number of accounts, transferring or canceling accounts as needed, and identifying multiple accounts. ◆ Also, the Department had not developed measurable performance goals specific to the travel card program. Although performance goals are not required for this program, developing objectives and identifying performance measures are useful management tools. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ OIG recommended that RM develop guidelines to address travel card delinquencies in the 60-day past due category, provide program coordinators with clear written guidance on an Intranet site and through formal training, and improve the oversight of the travel card program by checking for multiple accounts and transferring or canceling travel cards when an employee leaves a bureau. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The Department has already implemented several of OIG's recommendations. The Department has developed written policies and procedures for bureau program coordinators and cardholders and has made them centrally available on an Intranet site. The Department has also developed guidelines for addressing individually billed travel card accounts that are in the 60-day past due category and guidance on when and how to transfer cardholders from one bureau to another or to an overseas mission. 		
Expected Result	<ul style="list-style-type: none"> ◆ If the Department implemented all of OIG's recommendations, it would significantly increase the controls over this high-profile area. 		
Title or Topic	Audit Of The U.S. Department Of State 2002 And 2001 Principal Financial Statements (AUD/FM-03-18)		
Evaluator	Office of Inspector General, Department of State		
Department Contact	Christopher Flagg, Deputy Chief Financial Officer, Bureau of Resource Management		
Major Findings	<ul style="list-style-type: none"> ◆ The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. ◆ Four reportable conditions related to internal controls, of which one is a material weakness regarding information system security. ◆ The Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996. ◆ Instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management systems. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ This is an opinion on the Department's financial statements and does not include formal recommendations. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ As a result of OIG's efforts and the work of its contractor, the Department was able to meet the accelerated due date of February 1, about one month earlier than the previous year. Also, because of this work, the Department is focusing additional attention on computer security issues. 		
Expected Result	<ul style="list-style-type: none"> ◆ As a result of these annual audits, the Department is significantly improving the accuracy, reliability, and availability of its financial information. In addition, the Department is focusing efforts to address several significant internal control and non-compliance issues, including system security. 		



OMB PART SUMMARIES FOR FY 2004 BUDGET YEAR BY STRATEGIC GOALS

The results from the PART reviews conducted by OMB are detailed as follows by strategic goal. Only the FY 2004 PARTs are addressed as the "major finding/recommendations" and "major actions taken or that will be taken" for the FY 2005 PARTs were not yet final at the time of publication.

Strategic Goal 1	
REGIONAL STABILITY	
Title or Topic Evaluator Department Contact	Peacekeeping Operations - OSCE Office of Management and Budget Program Assessment Rating Tool (PART) Elizabeth Jones, Assistant Secretary, Bureau of European and Eurasian Affairs
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Results Not Demonstrated ◆ FY 2005: Moderately Effective
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Does not contain adequate annual targets or baseline information. ◆ Performance goals are overly broad and dependent on numerous factors. ◆ Information in performance reports is not linked to performance plan measures or compared against baseline data. ◆ Program managers not held accountable for program performance.
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ USOCE, EUR and PM developed detailed performance indicators for PKO-funded OSCE Missions and Activities. ◆ Performance indicators developed for OSCE-brokered political settlements in Moldova, Nargorno-Karabakh conflict between Armenia and Azerbaijan and U.S. initiatives to improve financial management of the OSCE Secretariat. ◆ FY2005 USOCE Mission Performance Plan (MPP) praised by OMB as a model for clarity of performance-based foreign policy objectives.
PART Performance Measures	<p>Long Term Measures:</p> <ul style="list-style-type: none"> ◆ Number of countries in the Balkans where OSCE field presences can be downsized or closed as a result of contributing effectively to stability, democratization and economic reform. ◆ Extent to which OSCE field presences in the Caucasus and Central Asian regions are effectively contributing to stability. ◆ Change in number of qualified Americans engaged in OSCE missions and programs. <p>Annual Measures:</p> <ul style="list-style-type: none"> ◆ Percentage change in U.S. secondees in Bosnia, Kosovo and the Former Yugoslav Republic of Macedonia (FYRoM). ◆ Percentage change in PKO funds expended in Bosnia, Kosovo and FYRoM.



Strategic Goal 1		REGIONAL STABILITY <i>continued</i>
Title or Topic	Military Assistance to New NATO and NATO Aspirant Nations	
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)	
Department Contact	Elizabeth Jones, Assistant Secretary, Bureau of European and Eurasian Affairs	
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Moderately Effective ◆ FY 2005: Moderately Effective 	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ There is no regularly scheduled evaluation of program effectiveness by independent parties. ◆ Department of State and Department of Defense differ on priorities and do not produce coinciding budget schedules. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ USEUCOM Inspector General conducts annual inspections independent of the Unified Command. ◆ DoD goals are discussed in interagency meetings to balance DoD requirements with Department goals. This produces a single, agreed upon recommendation. 	
PART Performance Measures	<p>Long Term Measures:</p> <ul style="list-style-type: none"> ◆ The proportion of allied nations (new NATO and aspirant countries) that spend at least 2% of GDP on military budget. ◆ FY 2003-70%. Up from 60% in FY 2002. <p>Annual Measures:</p> <ul style="list-style-type: none"> ◆ Percentage of countries that contribute military equipment, (e.g., equipment, units, and forces) or infrastructure (e.g., airfields) for contingencies when requested by the United States. ◆ Twelve of the thirteen countries (92%) provided assistance when requested. 	
Title or Topic	Security Assistance to Sub-Saharan Africa	
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)	
Department Contact	Charles R. Snyder, Acting Assistant Secretary for African Affairs	
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Results Not Demonstrated ◆ FY 2005: Moderately Effective 	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Program did not specify between annual and long-term goals, or include targets and baseline information. ◆ Performance goals are overly broad and dependent on numerous factors. ◆ Information in performance reports is not linked to performance measures or compared against baseline data. ◆ Program managers not held accountable for program performance. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Provided proposed measures to OMB for review. ◆ Provided performance data for use in Department's Performance and Accountability Report. ◆ Incorporated responses to recommendations in FY 2005 BPP. 	
PART Performance Measures	<p>Long Term Measure:</p> <ul style="list-style-type: none"> ◆ U.S. trained African military units are available for global duty in support of peacekeeping/humanitarian response situations. <p>Annual Measures:</p> <ul style="list-style-type: none"> ◆ FY 2003: Number of military and civilian personnel who receive training in IMET programs. ◆ FY 2003: Percent of African military units deployed that have been trained by the United States. 	



Strategic Goal 2		COUNTERTERRORISM
Title or Topic Evaluator Department Contact	Anti-terrorism Assistance Office of Management and Budget Program Assessment Rating Tool (PART) Cofer Black, Assistant Secretary, Counterterrorism Francis X. Taylor, Assistant Secretary, Bureau of Diplomatic Security	
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Moderately Effective ◆ FY 2005: Effective 	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Long-term goals do not have performance indicators or other long-term targets. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Establish long-term goals and targets ◆ Establish measures to gauge progress towards long-term goals. 	
PART Performance Measures	<p>Long Term Measure:</p> <ul style="list-style-type: none"> ◆ Anti-terrorism capabilities of participant countries are sufficient to deter, detect, and counter terrorist organizations and threats in support of the Global War on Terrorism. ◆ Strengthen bi-lateral ties of the U.S. with participating countries through engagement in counterterrorism policy development and coordination efforts and by providing anti-terrorism assistance. ◆ Increase respect for human rights by sharing with civilian law enforcement authorities modern, humane and effective anti-terrorism techniques. <p>Annual Measures:</p> <ul style="list-style-type: none"> ◆ Number of planned anti-terrorism courses. ◆ Number of program reviews conducted to ensure that skills taught continue to be retained and used after training is completed. 	

Strategic Goal 3		HOMELAND SECURITY
Title or Topic Evaluator Department Contact	Visa and Consular Services Program/Border Security Office of Management and Budget Program Assessment Rating Tool (PART) Maura Harty, Assistant Secretary, Bureau of Consular Affairs	
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Adequate ◆ FY 2005: Moderately Effective 	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Annual goals and targets do not adequately link to the long-term goals or provide relevant performance data. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ CA is making a concerted effort and working with OMB to ensure that annual goals and targets link to the long-term goals and provide relevant performance data. 	
PART Performance Measures	<p>Long-Term Measure:</p> <ul style="list-style-type: none"> ◆ The Department fully uses the consular function as part of a coordinated national effort to manage border security and implement the Immigration and Nationality Act, in order to prevent the travel of those who might present risks to the United States and its citizens and also to facilitate legitimate travel. <p>Annual Measure:</p> <ul style="list-style-type: none"> ◆ Number of other Agencies with access to the Consular Consolidated Database. ◆ Development of a Biometrics Collection Program for U.S. visas. 	



Strategic Goal 10		HUMANITARIAN RESPONSE	
Title or Topic	Refugee Admissions to the U.S.	Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)
Department Contact	Kelly Clements, Deputy Director, Bureau of Population, Refugees, and Migration	Department Contact	Kelly Clements, Deputy Director, Bureau of Population, Refugees, and Migration
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Adequate ◆ FY 2005: Moderately Effective 		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Program managers at the Department closely collaborate with grantees and state governments to ensure effective use of funds. ◆ Management should focus on strategic planning. 2003 and prior performance plans had overly broad goals that made it difficult to measure effectiveness. ◆ Overlap was found between functions of DoS and HHS programs. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ OMB will review the relationship between the Refugee Admissions program at the Department of State and the Office of Refugee Resettlement at HHS. ◆ The Department will continue ongoing efforts to improve strategic planning and ensure that goals are measurable and mission-related. 		
PART Performance Measures	<p>Long Term Measure:</p> <ul style="list-style-type: none"> ◆ The refugee admissions ceiling is established based on real assessment of need and thus includes no more than a 5% unallocated reserve by 2005. ◆ The USG identifies the regions/countries from where all refugees will be arriving. <p>Annual Measure:</p> <ul style="list-style-type: none"> ◆ Percentage of sponsoring agencies (grant recipients) that provide standardized essential services (including decent housing, employment opportunities, and education for children) during the period of refugees' initial resettlement in the U.S. ◆ Assist UNHCR to strengthen its capacity to identify appropriate durable solutions (ensuring a safe place to live) including third-country resettlement, for refugees. Measured by number of referrals to U.S. government. 		
Title or Topic	Humanitarian Migrants to Israel	Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)
Department Contact	Kelly Clements, Deputy Director, Bureau of Population, Refugees, and Migration	Department Contact	Kelly Clements, Deputy Director, Bureau of Population, Refugees, and Migration
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Adequate ◆ FY 2005: Moderately Effective 		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Program needs continued focus on strategic planning; needs more ambitious targets. ◆ The agency has been working with the United Israel Appeal and the Jewish Agency for Israel to create annual performance goals that meaningfully reflect the program purpose. ◆ The program is making some progress toward achieving its long-term and short-term goals. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Long-term and annual goals agreed with United Israel Appeal in 2003. 		
PART Performance Measures	<p>Long Term Measure:</p> <ul style="list-style-type: none"> ◆ Percentage of humanitarian migrants that are self-sufficient members of Israeli society (Measured by: 100% of humanitarian migrants receive necessary services to help acclimate them to Israeli society). <p>Annual Measure:</p> <ul style="list-style-type: none"> ◆ Percentage of humanitarian migrants from Ethiopia that are assisted in becoming self-sufficient in Israel through provision of effective vocational training (Measured by: percentage employed within four months of receiving training). ◆ Percentage of humanitarian migrants that are assisted in becoming self-sufficient in Israel through provision of effective Hebrew language training by advancing a full grade level (5 mos. for refugees from former Soviet Union, 10 mos. for Ethiopians). 		



Strategic Goal 11		PUBLIC DIPLOMACY AND PUBLIC AFFAIRS
Title or Topic	Educational Exchanges in Near East Asia and South Asia	
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)	
Department Contact	Ted Knicker, Chief, Evaluation Section, Bureau of Educational and Cultural Affairs	
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Results Not Demonstrated ◆ FY 2005: Effective 	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Program needs to strengthen Strategic Planning by taking the following actions: 1. Set long-term goals relative to baseline, 2. Clearly define targets and timeframes for which to measure annual progress, 3. Create regional long-term goals, 4. Tailor its planning by regional/ country to effectively reach target audiences. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Department to provide proposed performance measures and goals as well as a proposed planning process to OMB for review. ◆ Long-term and annual goals are set to established baselines, targets and timeframes now included in performance indicators. ◆ Regional goals established through coordination with regional bureaus. ◆ Program planning tailored by region/ country and target audience. ◆ Partnerships for learning initiative launched. ◆ Performance measurement system, based on PART recommendations in development, FY 2003 pilot testing includes NEA and SA exchanges. ◆ The Department hired an exchanges coordinator, started an exchange working group, and hired a Middle East Initiatives evaluation officer. 	
PART Performance Measures	<p>Long Term Measure:</p> <ul style="list-style-type: none"> ◆ South Asia: Improve US and South Asian democracy, education and development efforts by increasing engagement with important Muslim populations so that these populations better understand US society and values. ◆ Near East Asia: Engender more positive attitudes toward and understanding of the United States and its democratic values and foster the healthy exchange of ideas through expanded exchanges with Arab youth. <p>Annual Measure:</p> <ul style="list-style-type: none"> ◆ Increase the annual number of participants from Near East Asia and South Asia. ◆ The percentage of NEA and SA participants who increase or change their understanding of the host country immediately following their program experience. 	

Strategic Goal 12		MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Title or Topic	Capital Security Construction	
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)	
Department Contact	Charles E. Williams, Director, Office of Building Operations	
Scores and Ratings	<ul style="list-style-type: none"> ◆ FY 2004: Moderately Effective ◆ FY 2005: Effective 	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ At the time of the FY 2004 PART review, the effects of management changes in OBO were not yet known. However, these effects were fully documented in the FY 2005 PART and were shown to be highly successful, as evidenced by outstanding results demonstrated by the Capital Security Construction Program. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The Department developed annual and long-range performance goals, which are closely integrated with the budget—one of the positive results from management changes made over the past two years in OBO. 	



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John D. Negroponte – United States Permanent Representative to the United Nations

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Alan P. Larson - *Under Secretary*

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- Bureau of Oceans and Environmental and Scientific Affairs – *John F. Turner*
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DEPARTMENT OF STATE LOCATIONS

AMERICAN
EMBASSIES

Abidjan, Côte d'Ivoire	Bogota, Colombia	Hanoi, Vietnam
Abu Dhabi, United Arab Emirates	Brasilia, Brazil	Harare, Zimbabwe
Abuja, Nigeria	Bratislava, Slovak Republic	Helsinki, Finland
Accra, Ghana	Brazzaville, Republic of the Congo	Islamabad, Pakistan
Addis Ababa, Ethiopia	Bridgetown, Barbados	Jakarta, Indonesia
Algiers, Algeria	Brussels, Belgium	Kabul, Afghanistan
Almaty, Kazakhstan	Bucharest, Romania	Kampala, Uganda
Amman, Jordan	Budapest, Hungary	Kathmandu, Nepal
Ankara, Turkey	Buenos Aires, Argentina	Khartoum, Sudan
Antananarivo, Madagascar	Bujumbura, Burundi	Kiev, Ukraine
Apia, Samoa	Cairo, Egypt	Kigali, Rwanda
Ashgabat, Turkmenistan	Canberra, Australia	Kingston, Jamaica
Asmara, Eritrea	Caracas, Venezuela	Kinshasa, Democratic Republic of the Congo (formerly Zaire)
Asuncion, Paraguay	Chisinau, Moldova	Kolonia, Micronesia
Athens, Greece	Colombo, Sri Lanka	Koror, Palau
Baku, Azerbaijan	Conakry, Guinea	Kuala Lumpur, Malaysia
Bamako, Mali	Copenhagen, Denmark	Kuwait, Kuwait
Bandar Seri Begawan, Brunei	Cotonou, Benin	La Paz, Bolivia
Bangkok, Thailand	Dakar, Senegal	Libreville, Gabon
Bangui, Central African Republic	Damascus, Syria	Lilongwe, Malawi
Banjul, The Gambia	Dar es Salaam, Tanzania	Lima, Peru
Beijing, China	Dhaka, Bangladesh	Lisbon, Portugal
Beirut, Lebanon	Dhaka, Bangladesh	Ljubljana, Slovenia
Belgrade, Yugoslavia	Dili, East Timor	Lome, Togo
Belize City, Belize	Djibouti, Djibouti	London, England, United Kingdom
Berlin, Federal Republic of Germany	Doha, Qatar	Luanda, Angola
Bern, Switzerland	Dublin, Ireland	Lusaka, Zambia
Bishkek, Kyrgyzstan	Dushanbe, Tajikistan	Luxembourg, Luxembourg
	Freetown, Sierra Leone	Madrid, Spain
	Gaborone, Botswana	Majuro, Marshall Islands
	Georgetown, Guyana	
	Guatemala City, Guatemala	



Managua, Nicaragua	Praia, Cape Verde	Vienna, Austria
Manama, Bahrain	Pretoria, South Africa	Vientiane, Laos
Manila, Philippines	Quito, Ecuador	Vilnius, Lithuania
Maputo, Mozambique	Rabat, Morocco	Warsaw, Poland
Maseru, Lesotho	Rangoon, Burma	Wellington, New Zealand
Mbabane, Swaziland	Reykjavik, Iceland	Windhoek, Namibia
Mexico City, Mexico	Riga, Latvia	Yaounde, Cameroon
Minsk, Belarus	Riyadh, Saudi Arabia	Yerevan, Armenia
Monrovia, Liberia	Rome, Italy	Zagreb, Croatia
Montevideo, Uruguay	San Jose, Costa Rica	
Moscow, Russia	San Salvador, El Salvador	
Muscat, Oman	Sanaa, Yemen	
N'Djamena, Chad	Santiago, Chile	
Nairobi, Kenya	Santo Domingo, Dominican Republic	
Nassau, The Bahamas	Sarajevo, Bosnia-Herzegovina	
New Delhi, India	Seoul, Korea	
Niamey, Niger	Singapore, Singapore	
Nicosia, Cyprus	Skopje, Macedonia	
Nouakchott, Mauritania	Sofia, Bulgaria	
Oslo, Norway	St. George's, Grenada	
Ottawa, Canada	Stockholm, Sweden	
Ouagadougou, Burkina Faso	Suva, Fiji	
Panama City, Panama	Tallinn, Estonia	
Paramaribo, Suriname	Tashkent, Uzbekistan	
Paris, France	Tbilisi, Georgia	
Phnom Penh, Cambodia	Tegucigalpa, Honduras	
Port Louis, Mauritius	Tel Aviv, Israel	
Port Moresby, Papua New Guinea	The Hague, Netherlands	
Port-au-Prince, Haiti	Tirana, Albania	
Port Louis, Mauritius	Tokyo, Japan	
Port Moresby, Papua New Guinea	Tunis, Tunisia	
Port-au-Prince, Haiti	Ulaanbaatar, Mongolia	
Port-of-Spain, Trinidad and Tobago	Valletta, Malta	
Prague, Czech Republic	Vatican City, The Holy See	



CONSULATES GENERAL

Amsterdam, Netherlands
 Auckland, New Zealand
 Barcelona, Spain
 Belfast, Northern Ireland, United Kingdom
 Calcutta, India
 Calgary, Alberta, Canada
 Cape Town, South Africa
 Casablanca, Morocco
 Chengdu, China
 Chennai, India
 Chiang Mai, Thailand
 Ciudad Juarez, Mexico
 Curaçao, Netherlands Antilles
 Dhahran, Saudi Arabia
 Dubai, United Arab Emirates
 Durban, South Africa
 Düsseldorf, Federal Republic of Germany
 Edinburgh, Scotland, United Kingdom
 Florence, Italy
 Frankfurt Am Main, Federal Republic of Germany
 Guadalajara, Mexico
 Guangzhou, China
 Guayaquil, Ecuador
 Halifax, Nova Scotia, Canada
 Hamburg, Federal Republic of Germany
 Hamilton, Bermuda
 Ho Chi Minh City, Vietnam
 Hong Kong, China
 Istanbul, Turkey
 Jeddah, Saudi Arabia
 Jerusalem, Israel
 Johannesburg, South Africa
 Karachi, Pakistan
 Krakow, Poland
 Lagos, Nigeria

Leipzig, Federal Republic of Germany
 Marseille, France
 Melbourne, Australia
 Milan, Italy
 Monterrey, Mexico
 Montreal, Quebec, Canada
 Mumbai, India
 Munich, Federal Republic of Germany
 Naha, Okinawa, Japan
 Naples, Italy
 Osaka-Kobe, Japan
 Perth, Australia
 Quebec, Quebec, Canada
 Rio de Janeiro, Brazil
 São Paulo, Brazil
 Sapporo, Japan
 Shanghai, China
 Shenyang, China
 St. Petersburg, Russia
 Strasbourg, France
 Surabaya, Indonesia
 Sydney, Australia
 Thessaloniki, Greece
 Tijuana, Mexico
 Toronto, Ontario, Canada
 Vancouver, British Columbia, Canada
 Vladivostok, Russia
 Yekaterinburg, Russia

CONSULATES

Adana, Turkey
 Bordeaux, France
 Fukuoka, Japan
 Hermosillo, Mexico
 Lahore, Pakistan
 Lille, France
 Lyon, France

Matamoros, Mexico
 Merida, Mexico
 Nagoya, Japan
 Nogales, Sonora, Mexico
 Nuevo Laredo, Mexico
 Peshawar, Pakistan
 Podgorica, Yugoslavia
 Ponta Delgada, Portugal
 Recife, Brazil
 Rennes, France
 Toulouse, France

BRANCH OFFICES OF EMBASSIES

Alexandria, Egypt
 Banja Luka, Bosnia-Herzegovina
 Cluj-Napoca, Romania
 Douala, Cameroon
 Mostar, Bosnia-Herzegovina

U.S. INTEREST SECTION

Havana, Cuba (USINT)

U.S. OFFICE

Pristina, Serbia and Montenegro

U.S. MISSIONS

U.S. Mission to the United Nations, *New York, New York*
 U.S. Mission to the Organization of American States, *Washington, D.C.*



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 Program,
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. Observer Mission to the United
Nations Educational, Scientific, and
Cultural Organization,
Paris, France

CONSULAR AGENCIES

Acapulco, Mexico

Antigua & Barbuda, Antigua

Bali, Indonesia

Barranquilla, Colombia

Belém, Brazil

Bremen, Federal Republic of Germany

Cabo San Lucas, Mexico

Cancun, Mexico

Cebu, Philippines

Ciudad Acuna, Mexico

Cochabamba, Bolivia

Cozumel, Mexico

Cuzco, Peru

Fortaleza, Brazil

Funchal, Portugal

Galapagos, Equador

Geneva, Switzerland

Genoa, Italy

George Town, Cayman Islands

Haifa, Israel

Honiara, Solomon Islands

Ixtapa, Mexico

La Coruña, Spain

Las Palmas, Spain

Malabo, Equatorial Guinea

Malaga, Spain

Manaus, Brazil

Maracaibo, Venezuela

Martinique, France

Mazatlan, Mexico

Montego Bay, Jamaica

Nice, France

Oaxaca, Mexico

Palermo, Italy

Palma de Mallorca, Spain

Piedras Negras, Mexico

Porto Alegre, Brazil

Poznan, Poland

Puerta Plata, Dominican Republic

Puerto Vallarta, Mexico

Reynosa, Mexico

Salvador da Bahia, Brazil

Salzburg, Austria

San Luis Potosi, Mexico

San Miguel de Allende, Mexico

San Pedro Sula, Honduras

Santa Cruz, Bolivia

Seville, Spain

Trieste, Italy

Valencia, Spain

Victoria, Seychelles

Zurich, Switzerland

PASSPORT AND VISA CENTERS

National Passport Center,
Portsmouth, New Hampshire

National Visa Center,
Portsmouth, New Hampshire

Kentucky Consular Center,
Williamsburg, Kentucky

Boston Passport Agency

National Passport Center,
Charleston, South Carolina

Chicago Passport Agency

Honolulu Passport Agency

Houston Passport Agency

Los Angeles Passport Agency

Miami Passport Agency

New York Passport Agency

New Orleans Passport Agency

Norwalk Passport Agency

Philadelphia Passport Agency

San Francisco Passport Agency

Seattle Passport Agency

Special Issuance Agency

Washington Passport Agency



MAJOR DEPARTMENT OF STATE PUBLICATIONS

Annual Budget Requests

Summary and Highlights provides information about the International Affairs category of the federal budget, called Function 150, which includes funding for the programs and activities of four cabinet departments, seven independent agencies, three foundations, and numerous other international organizations. Budget in Brief provides more specific information about the Department of State budget. Congressional Budget Justification provides detailed information about the Foreign Operations portion of Function 150.

Battling International Bribery

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).

Consular Notification and Access

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

These handy guides provide information on a country's leaders, politics, economy, and relations with the U.S.
Note: Background Notes appear on the Department's web site before they are sent to press for GPO subscribers.

Country Commercial Guides

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 Economic Policy and Trade Practices

Annual report submitted to the Congress with economic policy and trade practices of countries with which the United States has significant economic or trade relationships.



Country Reports on Human Rights Practices

Annual report submitted to the Congress by the Department of State regarding the status of internationally recognized human rights practices.

Diplomatic List

This publication contains the names of the members of the diplomatic staffs of all missions and their spouses. Members of the diplomatic staff are the members of the staff of the mission having diplomatic rank. These persons, with the exception of those identified, enjoy full immunity under provisions of the Vienna Convention on Diplomatic Relations.

Foreign Consular Offices in the U.S.

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

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

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

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

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. Only available on the Internet.



Patterns of Global Terrorism

Annual report submitted to the Congress on 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).

Testimony

Collection of transcripts from testimony by Department Officials appearing before the Congress.

State Magazine

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 Great Seal of the United States

A publication on the history and official use of The Great Seal of the United States. This publication, No. 10411, is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The U.S. Department of State: A Guide to Doing Business

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.



GLOSSARY OF ACRONYMS

A/LM	Logistics Management	CBP	Customs and Border Protection
AACR	African Armed Conflicts Resolved	CBW	Chemical and Biological Weapons
AAMVA	American Association of Motor Vehicle Administrators	CCD	Consular Consolidated Database
ABM	Anti-Ballistic Missile	CCP	Classified Connectivity Program
ACDA	Arms Control and Disarmament Agency	CD	Community of Democracies
ACOTA	African Contingency Operations Training and Assistance Program	CDC	U.S. Center for Disease Control
ACI	Andean Counterdrug Initiative	CSD	U.N. Commission on Sustainable Development
ACS	Access Control Systems	CEA	Council of Economic Advisors
ADB	Asian Development Bank	CEAR	Certification of Excellence in Accountability Reporting
AF	African Affairs	CEQ	Council on Environmental Quality
AGA	Association of Government Accountants	CFE	Conventional Forces in Europe
AIDS	Acquired Immune Deficiency Syndrome	CFMS	Central Financial Management System
APEC	Asia-Pacific Economic Cooperation Forum	CFO	Chief Financial Officer
AphA	American Pharmaceutical Association	CFP	Common Fisheries Policy
API	Advance Passenger Information	CFPS	Central Financial Planning System
ASEAN	Association of Southeast Asian Nations	CFT	Customer Focus Team
ATA	Anti-Terrorism Assistance	CGSS	Consultative Group on Strategic Security
AU	African Union	CHR	Commission on Human Rights
AV	Armored Vehicle	CIA	Central Intelligence Agency
BBG	Broadcasting Board of Governors	CIO	Chief Information Officer
BCC	Border Crossing Card	CIP	Critical Infrastructure Protection
BCBP	Bureau of Customs and Border Protection	CIS	Commonwealth of Independent States
BIC	Bilateral Implementation Commission	CIS	Consular Information Sheets
BII	Bioindustry Initiative	CITEL	Inter-American Telecommunications Commission
BIMC	Beltsville Information Management Center	CITES	Convention on International Trade in Endangered Species of Fauna and Flora
BITs	Bilateral Investment Treaties	CJCS	Chairman of the Joint Chiefs of Staff
BPP	Bureau Performance Plan	CMR	Crude Mortality Rates
BPR	Business Process Reengineering	CNC	CIA Crime and Narcotic Center
BSC	Balance Score Card	COE	Council of Europe
BW	Biological Weapons	CPA	Certified Public Accounting
BWC	Biological Weapons Convention	CPDF	Central Personnel Data File
C&A	Certification and Accreditation	CPPNM	Physical Protection Convention
CA	Consular Affairs	CRDF	U.S. Civilian Research & Development Foundation
CAFTA	U.S.-Central American Free Trade Agreement		
CBM	Confidence Building Measures		



CRMS	Central Resource Management System	ECOWAS	Economic Community of West African States
CS	Civil Service	EIPC	Enhanced International Peacekeeping Capabilities
CSBMs	Confidence and Security Building Measures	EOD	Explosive Ordnance Detection
CSCS	Capital Security Cost Sharing	EPA	Environmental Protection Agency
CSD	United Nations Commission on Sustainable Development	ERMA	Emergency Refugee & Migration Assistance
CSG	Counter-Terrorism Security Group	ESDI	European Security and Defense Initiative
CSH	Child Survival & Health Programs Fund	ESDP	European Security and Defense Program
CSI	Container Security Initiative	ESF	Economic Support Fund
CT	Counterterrorism	EU	European Union
CW	Chemical Weapons	EUR	Bureau of European and Eurasian Affairs
CWC	Chemical Weapons Convention	EX	Executive Office
CY	Calendar Year	EXIM	Export Import Bank
D&CP	Diplomatic and Consular Programs	FAIR Act	Federal Activities Inventory Reform Act
DA	Development Assistance	FAO	United Nations Food and Agriculture Organization
DEA	Drug Enforcement Agency	FAS	Foreign Agricultural Service
DHHS	Department of Health and Human Services	FASAB	Federal Accounting Standards Advisory Board
DHS	Department of Homeland Security	FATF	Financial Action Task Force
DIA	Defense Intelligence Agency	FBI	Federal Bureau of Investigations
DOC	Department of Commerce	FCC	Federal Communications Commission
DoD	Department of Defense	FDD	Forces for the Defense of Democracy
DOE	Department of Energy	FEMA	Federal Emergency Management Agency
DOI	Department of the Interior	FEST	Foreign Emergency Support Team
DOJ	Department of Justice	FFMIA	Federal Financial Management Improvement Act
DOL	Department of Labor	FISMA	Federal Information Security Management Act
DoPs	Declaration of Principles	FMF	Foreign Military Financing
DOS	Department of State	FMFIA	Federal Managers' Financial Integrity Act
DOT	Department of Transportation	FMFS	Fissile Material Storage Facility
DPRK	Democratic Peoples Republic of Korea (North Korea)	FOIA	Freedom of Information Act
DRC	Democratic Republic of the Congo	FOTA	Future of the Alliance
DRI	Diplomatic Readiness Initiative	FPC	Foreign Press Center
DRL	Bureau of Democracy, Human Rights and Labor	FR	Facial Recognition
DS	Diplomatic Security	FROG	Free Rocket Over Ground
DSM	Domestic Staffing Model	FRUS	Foreign Relations of the United States
DTRA	Defense Threat Reduction Agency	FS	Foreign Service
EAP	Bureau of East Asian and Pacific Affairs	FSA	Assistance for the Independent States of the Former Soviet Union
EC	Economic Community		
ECA	Education and Cultural Affairs		



FSAT	Financial Systems Assessment Teams	HSC	Homeland Security Council
FSC	Financial Service Center	HST	Harry S Truman Building
FSI	Foreign Service Institute	I/P	Initiative/Program
FSRA	Foreign Service Retirement Actuarial	IAA	Inter-country Adoption Act of 2000
FSRDF	Foreign Service Retirement and Disability Fund	IACAC	Continued Implementation of the Inter-American Anticorruption Convention
FSWE	Foreign Service Written Exam	IAEA	International Atomic Energy Agency
FTA	Free Trade Agreements	IBB	International Board of Broadcasting
FTAA	Free Trade of the Americas	IBWC	International Boundary and Water Commission
FTO	Foreign Terrorist Organizations	IC	Intelligence Community
FY	Fiscal Year	ICAO	The International Civil Aviation Organization
G-8	Group of Eight (major industrialized nations)	ICASS	International Cooperative Administrative Support Services
GAAP	Generally Accepted Accounting Principles	ICCAT	International Commission for the Conservation of Atlantic Tunas
GAO	U. S. General Accounting Office	ICOC	International Code of Conduct
GCA	Global Coalition for Africa	ICRC	International Committee of the Red Cross
GCI	Growth Competitiveness Index	ICRI	International Coral Reef Initiative
GDIN	Global Disaster Information Network	IDPs	Internally Displaced Persons
GEF	Global Environmental Facility	IEA	International Energy Agency
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria	IFIs	International Financial Institution
GGCL	Government -to-Government Communications Links	IG	Inspector General
GHSAG	Global Health Security Action Group	IHR	International Health Regulations
GIF	Generation IV International Forum	ILEAs	International Law Enforcement Academies
GMRA	Government Management Reform Act	ILMS	Integrated Logistics Management System
GPO	Government Printing Office	ILO	International Labour Organization
GPRA	Government Performance and Results Act	IMET	International Military Education & Training
GSA	General Services Administration	IMF	International Monetary Fund
GWOT	Global War on Terrorism	INA	Integrated Notification application
HACU	Hispanic Association of Colleges & Universities	INCLE	International Narcotics Control and Law Enforcement
HBCU	Historically Black Colleges & Universities	INS	Immigration and Naturalization Service
HCI/Base	Pure Cocaine	IO	International Organizations
HHS	Health and Human Services	IO&P	International Organizations & Programs
HIV	Human Immunodeficiency Virus	IOB	Interim Office Building
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome	IOC	Initial Operating Capability
HMA	Humanitarian Mine Action	IOM	International Organization for Migration
HR	Human Rights	IPR	Intellectual Property Rights
HRDF	Human Rights and Democracy Fund	IRF	International Religious Freedom
HRR	Human Rights Report	IRFA	International Religious Freedom Act



ISTC	International Science and Technology Center	NADR	Nonproliferation, Anti-Terrorism, Demining and Related Programs
IT	Information Technology	NAFTA	North American Free Trade Agreement
ITU	International Telecommunication Union	NAPHSIS	National Association for Public Health Statistics and Information Systems
IUCN	International Union for Conservation of Nature and Natural Resources	NARA	National Archives and Records Administration
IUU	Illegal, Unregulated, and Unreported	NAS	Narcotics Affairs Section
IWC	International Whaling Commission	NASA	National Aeronautics and Space Agency
JCG	Joint Consultative Group	NATO	North Atlantic Treaty Organization
JCIC	Joint Compliance and Inspection Commission	NCCT	Non-Cooperative Countries and Territories
JCS	Joint Chiefs of Staff (DoD)	NCMEC	National Center for Missing and Exploited Children
JFMIP	Joint Financial Management Improvement Program	NEA	Bureau of Near Eastern Affairs
KCC	Kentucky Consular Center	NEC	New Embassy Compound
KFOR	Kosovo Force	NED	National Endowment for Democracy
KM	Knowledge Management	NEPAD	The New Partnership for Africa's Development
LACP	League of American Communications Professionals	NGO	Nongovernmental Organizations
LDPs	Language Designated Positions	NIACAP	National Information Assurance Certification and Accreditation Program
LOC	Lines of Control	NIS	New Independent States
LROBP	Long-Range Overseas Buildings Plan	NIST	National Institute of Standards and Technology
LTTE	Liberation Tigers of Tamil Eelam	NISTCAP	National Institute of Standards and Technology Certification and Accreditation Program
MANPADS	Shoulder-fired Missiles	NIV	Non-Immigrant Visa
MAP	Membership Action Plan	NOAA	National Oceanic and Atmospheric Association
MCA	Millennium Challenge Account	NORINCO	China North Industries Corporation
MCC	Millennium Challenge Corporation	NP	Bureau of Non Proliferation
MCGK	The Department's Chinese-language Internet Service Meiguo Cankao	NPAC TWG	Nonproliferation and Arms Control Technology Working Group
MCSC	Management Control Steering Committee	NPT	Nuclear Non-Proliferation Treaty
MD&A	Management's Discussion and Analysis	NRC	Nuclear Regulatory Commission
MEPI	Middle East Partnership Initiative	NRF	NATO Response Force
MFA	Ministry of Foreign Affairs	NRRC	Nuclear Risk Reduction Center
MOU	Memorandum of Understanding	NSA	National Security Agency
MOX	Mixed Oxide	NSC	National Security Council
MPP	Mission Performance Plan	NSF	National Science Foundation
MRA	Migration and Refugee Assistance	NSG	Nuclear Suppliers Group
MRTDs	Machine Readable Travel Documents	NSTISSI	National Security Telecommunications and Information Systems Security Instruction
MRV	Machine Readable Visa		
MSP	Managing State Projects		
MTCR	Missile Technology Control Regime		
N/A	Not applicable		



NTIA	National Telecommunications and Information Administration	PNR	Passenger Name Record
NTM	U.S. National Technical Means	PPRA	Plutonium Production Reactor Agreement
NVIS	Nuclear Verification Information System	PR	Periodic Reinvestigations
OAS	Organization of American States	PrepCom II	Preparation Communications
OBO	Bureau of Overseas Buildings Operations	PRISM	Passport Records Imaging System Management
OECD	Organization for Economic Cooperation and Development	PRM	Bureau of Population, Refugees and Migration
OES/IHA	Bureau of Oceans and International Environmental and Scientific Affairs/Office of International Health Affairs	PRTR	Pollutant Release and Transfer Register
OGE	Office of Government Ethics	PSI	Proliferation Security Initiative
OIG	Office of Inspector General	PSMC	Peace Support Missions Concluded
OMB	Office of Management and Budget	R&D	Research and Development
ON+	OpenNet Plus	RFMS	Regional Financial Management System
ONAP	Office of National AIDS Policy	RFP	Request for Proposal
ONDCP	Office of National Drug Control Policy	RM	Resource Management Bureau
OP Eds	Opinion Editorials	ROK	Republic of Korea (South Korea)
OPCW	Organization for the Prohibition of Chemical Weapons	S&T	Science and Technology
OPIC	Overseas Private Investment Corporation	S/CT	Coordinator for Counterterrorism
OPM	Office of Personnel Management	SA	Bureau of South Asian Affairs
OSAC	Overseas Security Advisory Councils	SACU	Southern African Customs Union
OSCE	Organization for Security and Cooperation in Europe	SADC	South African Development Community
OSD	Office of Secretary of Defense (DoD)	SALT	Strategic Arms Limitation Talks
OSIS	Open Sources Information System	SAP	Systems Authorization Plan
OSTP	Office of Science and Technology Policy	SARS	Severe Acute Respiratory Syndrome
P4L	Partnerships for Learning	SCI	Secure Compartmentalized Information
PA	Bureau of Public Affairs	SCUD	Short Range Liquid Propellant Surface to Surface Ballistic Missile
PAR	Performance and Accountability Report	SECI	South Eastern Europe Cooperative Initiative
PART	Program Assessment Rating Tool	SEED	Support for East European Democracy
PE	Program Evaluation	SENTRI	Secure Electronic Network for Travelers' Rapid Inspection
PESP	Partnership to Eliminate Sweatshops	SFOR	Stabilization Force
PIERS	Passport Information Electronic Retrieval System	SIPRNET	Secret Internet Protocol Router Network
PKI	Public Key Infrastructure	SMART	State Messaging and Archive Retrieval Toolset
PKO	Peacekeeping Operations	SNAP	Spouse Networking Assistance Program
PM	Bureau of Political-Military Affairs	SOP	Standard Operating Procedures
PM	Prime Minister	SPAW	Specially Protected Areas and Wildlife in the Wider Caribbean Marine Environment
PMA	President's Management Agenda	SSA	Social Security Administration
PMO	Program Management Office	SSPP	Systems Security Program Plan
		START	Strategic Arms Reduction Treaty



STCU	Science and Technology Center in Ukraine	UNSCR	United Nations Security Council Resolution
STMS	Student Training Management System	USAID	United States Agency for International Development
TASO	The AIDS Support Organization	USCG	United States Coast Guard
TBD	To Be Determined	USCIRF	United States Commission on International Religious Freedom
TC	IAEA Technical Cooperation Programs	USCS	U.S. Customs Service
TDA	U. S. Trade and Development Agency	USDA	United States Department of Agriculture
TFCA	Tropical Forest Conservation Agreement	USED	United States Executive Director
TIFA	Trade and Investment Facilitation Agreements	USFWS	U.S. Fish and Wildlife Service
TIP	Terrorist Interdiction Program	USG	United States Government
TOC	UN Convention Against Transnational Organized Crime	USIA	United States Information Agency
TOPOFF	National Level Top Officials	USINFO	United States Information
TSA	Transportation Security Administration	USMS	United States Marshal Service
TSUs	Technical Security Upgrades	USOSCE	United States Organization for Security and Cooperation in Europe
TSWG	Technical Support Working Group	USPS	United States Postal Service
TWG	Technical Working Group	USPTO	United States Patent and Trademark Office
U.S.	United States	USTR	U.S. Trade Representative
UIA	United Israel Appeal	USUN	United States Mission to the United Nations
UK	United Kingdom	VC	Bureau of Verification and Compliance
UN	United Nations	VIG	Vaccinia Immune Globulin
UNAIDS	United Nations Program on HIV/AIDS	VPN	Virtual Private Network
UNCHR	United Nations Commission on Human Rights	VP	Voluntary Principles for Security and Human Rights
UNCTAD	United Nations Conference on Trade and Development	WA	Wassenaar Arrangement
UNDP	United Nations Development Program	WAIS	Wassenaar Arrangement Information System
UNDPKO	United Nations Department for Peacekeeping Operations	WFP	World Food Program
UNEP	United Nations Environment Program	WHA	Bureau of Western Hemisphere Affairs
UNESCO	United Nations Educational, Scientific and Cultural Organization	WMD	Weapons of Mass Destruction
UNFPA	United Nations Population Fund	WMEAT	World Military Expenditures and Arms Transfers
UNFSA	United Nations Fish Stocks Agreement	WRAPS	Worldwide Refugee Admissions Processing System
UNHCR	United Nations High Commissioner for Refugees	WRC	World Radio Communication Conference
UNICEF	United Nations Children's Fund	WSSD	World Summit on Sustainable Development
UNITA	National Union for the Total Independence of Angola	WTO	World Trade Organization
UNMOVIC	United Nations Monitoring, Verification and Inspection Commission		
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East		



P H O T O C R E D I T S

Associated Press

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The *Performance and Accountability Report for Fiscal Year 2003* is published by the

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U.S. Department of State Publication 11089
Bureau of Public Affairs

December 2003



ACKNOWLEDGMENTS

This Performance and Accountability Report was produced with the energies and talents of Department staff in Washington, D.C., and our offices and posts around the world. To these dedicated individuals we would like to offer our sincerest thanks and acknowledgement.

In particular, we would like to recognize the following individuals for their contributions:

Nancy Babe, Kristin Byorick, Barbara Clark, Spring George, Carol Gower, Stephanie Holmes, Don Hunter, Ayana Jackson, Rick Keller, Matthew Johnson, Irwin Mazin, Cathy Roberts, Jerry Sharp and Van Tran.

Bruce Crippin, Malcolm Lawrence, Richard Sassoon and John Spears.

Ken Alms, John Barger, Marlene Baxter, Melanie Bixby, Monica Bradley, Jan Brambilla, Patty Cake, Deryck Chase, Paul Claussen, Kelly Clements, Nerissa Cook, Lynne Davidson, John Dudley, Benedict J. Duffy, Eric Falls, Jonathan Farrar, Brenda Ferry, Joel Fischman, Michael Foughty, Ron Gain, Nicole Green, Ellyn Hagy, Laura Hall, Janie Hatcher, Susan Holly, Jeffrey Jamison, Horace Johnson,

Hattie Jones, Bernadette Kilroy, Ted Kniker, Eliza Koch, Paula Lader, Duke Locca, Carol MacCurdy, Tracy Mahaffey, Stephanie Miley, Karen Mummaw, Tarik Obeidi, Wayne Oshima, Daniel Pappas, Pat Patierno, Diane Perry-Elby, Tammy Pomerleau, Susan Poulin, Lela Prophet, Wilna Ray, Janet Redfern, Catherine Russell, Sylvester Ryan, Daniel Schaub, Eloise Shouse, Susan Sikes, Karen Simpson, David G. Smith, Elizabeth Soyster, Larry Sperling, Paul Sutphin, Rob Tappan, Lisbeth Thompson, Tom Washburn, Karl Wycoff and Jamie Young.

Anthony Belliotti, Janet Brooks, Alvin Brown, Anne Cook, Cee Cee Cooper, Nancy Durham, Cheryl Easley, Lorna Kivlehan, Brian McCauley, Howard Renman, Lynette Richardson, Neila Sheahan, Frank Sullivan, Wardell Wanza and Cameron Weber.

We would also like to acknowledge the Office of Inspector General and Leonard G. Birnbaum and Company, LLP for the professional manner in which they conducted the audit of the Fiscal Year 2003 Financial Statements.

We offer our special thanks to The DesignPond, in particular Michael James and Sheri Beauregard, for their outstanding contributions to the design of this Report.



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