

**UNITED STATES
DEPARTMENT OF STATE**



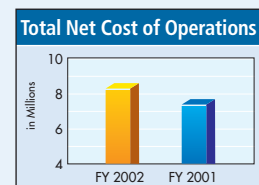
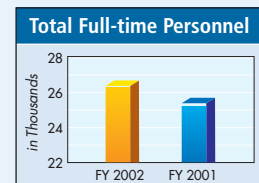
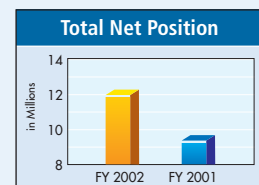
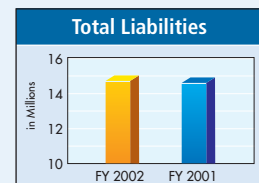
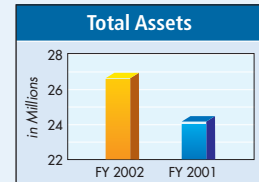
Performance and
Accountability Report
Fiscal Year 2002



SECURITY, DEMOCRACY,
AND PROSPERITY

FINANCIAL HIGHLIGHTS

(Dollars In Thousands)	% Change 2002 over 2001	2002	2001
At End of Year:			
Condensed Balance Sheet Data:			
Investments, Net	+5%	\$ 11,750,737	\$ 11,206,403
Fund Balance With Treasury	+17%	8,937,139	7,652,119
Property and Equipment, Net	+13%	5,499,850	4,870,466
Other	+32%	652,431	494,845
Total Assets	+11%	\$ 26,840,157	\$ 24,223,833
Foreign Service Retirement Actuarial ¹	+4%	\$ 12,211,800	\$ 11,766,900
Liability to International Organizations	-4%	1,065,172	1,650,006
Other	+11%	1,547,431	1,393,571
Total Liabilities	+1%	14,824,403	14,810,477
Unexpended Appropriations	+20%	7,154,023	5,961,844
Cumulative Results of Operations	+40%	4,861,731	3,451,512
Total Net Position	+28%	12,015,754	9,413,356
Total Liabilities and Net Position	+11%	\$ 26,840,157	\$ 24,223,833
Full-time Personnel:			
Civil Service	+6%	6,999	6,590
Foreign Service	+8%	9,931	9,162
Foreign Service National	-3%	9,526	9,852
Total Full-time Personnel	+3%	26,456	25,604
Foreign Service Annuitants¹	-3%	14,392	14,768
For the Year:			
Total Cost	+8%	\$ 10,837,835	\$ 9,986,843
Total Earned Revenue	-1%	(2,499,096)	(2,515,702)
Total Net Cost of Operations	+12%	\$ 8,338,739	\$ 7,471,141
On-Time Payments (%)	0%	96	96
EFT Payments (%)	+3%	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).

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:

Van Tran, Bruce Crippin, Mark Kelley, and Cathy Roberts.

Jody Buckneberg, Robert Hyams, Malcolm Lawrence, Richard Sassoon, John Spears, and, Tammy Wincup.

Ken Alms, John Barger, Judith Baroody, Marlene Baxter, Melanie Bixby, Matthew Bockner, Jan Brambilla, Scott Busby, Kelly Clements, Nerissa Cook, Rachel Dotter, John Dudley, Benedict J. Duffy, Chris Duvall, Joel Fischman, Michael Foughty, Nikki Grandrimo, Nicole Green, Laura Hall, Janie Hatcher, Eric Hembree, Don Hunter, Bob Hyams, Lisa Kaplan, Stephanie Kinney, Ted Kloth, Ted Kniker, Eliza Koch, Paula Lader, Duke Locca, Tracy Mahaffey, Frank Moss, Betsy Murphy, Ted Nist, Louise Oliver, Wayne Oshima, Daniel Pappas, Susan Poulin, Mary Ann Rashid, John Seddon, Dan Sheerin, Susan Sikes, Elizabeth Soyster, Larry Sperling, Jim Steele, Paul Sutphin, Lisbeth Thompson, Richard de Villa Franca, Tom Washburn, Jamie Young.

Gerda Bart, Anthony Belliotti, Alvin Brown, Carlton Brown, Cheryl Easley, Robert Obenstine, Lorna Kivlehan, Neila Sheahan, and Frank Sullivan.

We'd like to give special recognition to Ms. Troy Ann Scaptura, Deputy Director for Financial Reporting, Policy and Analysis. Without her diligent efforts, the financial statements would not have been possible.

We would also like to acknowledge the Office of Inspector General and Leonard G. Birnbaum and Company for the professional manner in which they conducted the audit of the Fiscal Year 2002 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.

UNITED STATES DEPARTMENT OF STATE

2201 C STREET, N.W.
WASHINGTON, D.C. 20520
(202) 647-4000

www.state.gov



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.

CERTIFICATE OF EXCELLENCE
2001



**CERTIFICATE OF
EXCELLENCE IN
ACCOUNTABILITY
REPORTING**

Presented to the

Department of State

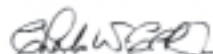
**In recognition of your outstanding efforts
in preparing the Department of State's
Accountability Report for the fiscal
year ended **September 30, 2001.****

A Certificate of Excellence in Accountability Reporting is presented
by the Association of Government Accountants to federal
government agencies whose annual Accountability Reports or
Performance and Accountability Reports achieve the highest
standards in presenting their programs and financial affairs.





John H. Hunsel, CGFM
Chair, Certificate of Excellence
in Accountability Reporting Board



Charles W. Culin Jr., CGFM
Executive Director

WWW.STATE.GOV/M/RM/RLS/PERFRPT/2002/

MESSAGE FROM THE SECRETARY	1
MESSAGE FROM THE ASSISTANT SECRETARY FOR RESOURCE MANAGEMENT & CHIEF FINANCIAL OFFICER	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
Mission and Organization	5
Performance Summary and Highlights	11
President's Management Agenda and Management Challenges	23
Management Controls, Systems and Compliance with Laws	28
Federal Managers' Financial Integrity Act	28
Federal Financial Management Improvement Act	31
Government Management Reform Act – Audited Financial Statements	35
Financial Highlights	38
PERFORMANCE SECTION	48
Introduction	51
Strategic Goal Chapters	52
Illustrative Examples	160
Resources by Strategic Goal	170
FINANCIAL SECTION	174
Independent Auditor's Report	176
Financial Statements	192
Principal Financial Statements	193
Notes to Principal Financial Statements	201
Required Supplementary Stewardship Information – Heritage Assets	240
Required Supplementary Information	245
Combining Schedule of Budgetary Resources	245
Intragovernmental Amounts	247
Deferred Maintenance	249
Working Capital Fund	250
Inspector General	252
Management Challenges Identified by the Inspector General	253
Inspector General Act Amendments – Management Follow-up to OIG Recommendations	257
Supplemental Information and Other Reporting Requirements	260
Federal Civil Penalties Inflation Adjustment Act	261
Debt Management	263
Payments Management	264
APPENDICES	266
■ Annual Performance Goal Results 1999 – 2002	267
■ FY 2002 Key Program Evaluations by Strategic Goal	342
■ Office of the Inspector General Performance Report	357
■ Directory of Key Officials and Senior Management	389
■ Department of State Locations	391
■ Major Department of State Publications	395
■ Glossary of Acronyms	398

MESSAGE FROM THE SECRETARY



I am pleased to present the Department of State's Performance and Accountability Report for Fiscal Year 2002. This year, for the first time, we combine in one report our audited financial statements and systematic assessments of our performance against the major objectives we set for our agency.

The Department of State's mission is to help the President 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 to build a better future for themselves and their children.

The men and women of the Department of State have played instrumental roles in the world-wide campaign against terrorism and in our government's efforts to end the proliferation of weapons of mass destruction. We have helped to strengthen our alliances in Europe, Asia and the Western Hemisphere to meet the challenges of the 21st century. We have worked with Russia and China to get beyond hostilities of the past and cooperated with them to help parties in war-torn regions like the Middle East find peaceful ends to conflicts. We continued to promote democracy and respect for human rights on every continent. We have been at the forefront of the global effort to stem the spread of HIV/AIDS. And we have worked to forge a new international consensus on how to help poor countries raise themselves out of poverty through good governance, sound economic, trade and environmental policies, and wise investments in their people.

In conducting our vital foreign policy mission, we have been effective and accountable stewards of the taxpayers' money.

For the sixth year in a row, independent auditors have given our financial statements an unqualified seal of approval. I am also proud to certify that the Department's management control systems meet the requirements of the Federal Managers' Financial Integrity Act. I cannot certify that the Department's financial systems fully comply with provisions of that Act because they do not yet conform to government-wide standards. We have, however, developed a remediation plan for reaching full compliance by Fiscal Year 2004.

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.

In last year's report, I noted that with the support of the President and broad bipartisan backing from Congress, we had made significant progress on building institutional capacity in three fundamental areas: human resources, information technology, and embassy construction and security. We must keep the focus on these key areas so that in the demanding years ahead the men and women of the State Department have the means they need to serve our country safely and successfully all across the globe on the front lines of freedom.

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

Colin L. Powell
Secretary of State

MESSAGE FROM THE ASSISTANT SECRETARY AND CHIEF FINANCIAL OFFICER

For the sixth consecutive year the independent CPA firm, selected by our Inspector General, has issued an unqualified ("clean") opinion on the Department's consolidated financial statements for fiscal year 2002. This is the best possible audit result, and should give confidence to the reader that the financial statements contain reliable information about the Department's accounts. Last year, in recognition of the exceptional quality of these statements along with the full Accountability Report, the Association of Government Accountants awarded the Department the prestigious Certificate of Excellence in Accountability Reporting.



This year for the first time ever, the Accountability Report is combined with the Department's Performance Report to form the *Performance and Accountability Report for Fiscal Year 2002* (Report). Within this document we present the accomplishments of the Department's greatest assets—its people. Working frequently in hostile environments on the forward edge of American foreign policy, these men and women face challenges ranging from protecting our nation's vital interests and securing peace to the new priority of combating and defeating terrorism. From the Report you will not only be able to see how we spend the money of our shareholders—the taxpayers of America—but also how effectively we spend this precious commodity.

Within President Bush's five-point Management Agenda is an aggressive strategy for improving the Federal government's financial management, integrating budget, strategy and performance, and ensuring the careful fiduciary stewardship of the people's money. In support of this, in January of 2002, Secretary Powell established the Resource Management Bureau (RM). Moving quickly, RM is building a new global financial and accounting system with full implementation planned at over 170 embassies worldwide by the end of fiscal year 2003. Financial operations from around the world are being consolidated in new State Department facilities in Charleston, South Carolina. By 2004 the Charleston Financial Service Center will serve as the Department's central location for all global financial operations. RM also has created the Office of Strategic and Performance Planning, with the primary goal of budget and performance integration. Under the leadership of that office, later this year, State and USAID will issue their first ever joint Strategic Plan for fiscal years 2004 to 2009.

The Department also maintains an effective management controls program, which includes clearly defined lines of responsibility, and requires annual assurance statements from our overseas Ambassadors and all Assistant Secretaries. A Management Control Steering Committee (MCSC) made up of senior leadership from the Department, oversees the program. This year the MCSC resolved the remaining three material weaknesses—a first for the Department since the passage of the Federal Managers' Financial Integrity Act. The MCSC did establish a reportable condition regarding the Department's visa process. The Department is working daily to improve all processes associated with the issuance of visas. The creation of a reportable condition around that process reflects our complete commitment that management controls will continue to be a positive catalyst for change.

The Department has continued to address aggressively the information systems security material weakness reported by the Inspector General's office in the auditor's opinion. During 2003 the Department will keep an aggressive certification and accreditation schedule, have a remediation process in place, and implement an independent security-testing program. We are committed to computer security and believe that this material weakness will be resolved in 2003.

Secretary Powell has set a bold course for responsibility and effectiveness in Government. This first-ever Performance and Accountability Report is the measure of that effort to date.

A handwritten signature in black ink, appearing to read "Christopher Burnham". The signature is fluid and cursive.

Christopher B. Burnham
Assistant Secretary for Resource Management
and Chief Financial Officer
February 1, 2003

ABOUT THIS REPORT

I. GENERAL

The Department of State's *Performance and Accountability Report for Fiscal Year 2002 (Report)* provides performance and financial information that enables Congress, the President, and the public the ability to assess the performance of the Department relative to its mission and for stewardship of the resources entrusted to it. This *Report* satisfies the reporting requirements of the:

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

II. CONTENT

■ 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 includes progress and challenges on improving the Department's financial management, and integrating budget and performance; planned time frames for correcting the material weakness identified in the Independent Auditor's Report; and information on the Department's management controls program under FMFIA.

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

This is a concise overview of the entire *Report*. The MD&A includes an organizational overview; highlights of most important performance goals and results (positive and negative) for FY 2002; a brief analysis of financial performance; a brief description of systems, controls, and legal compliance; a summary description of FMFIA material weaknesses and non-conformances; and other "most important" information such as 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*.

■ 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, includes all of the required elements of an annual program performance report as specified in OMB Circular A-11, *Preparing, Submitting, and Executing the Budget*. This section contains a more detailed discussion and analysis of FY 2002 performance results. The results are presented by Strategic Goal with a chapter covering each Strategic Goal. This section may be read in conjunction with two of the appendices contained in this report, *Annual Performance Goal Results 1999-2002 and FY 2002 Key Program Evaluations by 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; 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; 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 for FY 1999 - FY 2002 (including trend data), the sources and reliability of the Department's performance data, and FY 2002 Program Evaluations. The Office of Inspector General 2002 Performance Report also is presented. Other appendices provide information on Department locations, key staff and publications along with a glossary of acronyms.



FISCAL YEAR 2002 PERFORMANCE AND ACCOUNTABILITY REPORT

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

MISSION AND ORGANIZATION

Diplomacy is an instrument of power. It is essential for maintaining effective 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 (Department) 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 adviser.

Department of State Mission Statement

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

The Department's mission statement guides its personnel, who carry out foreign affairs programs and activities. Department employees are also guided by a set of values.

DEPARTMENT OF STATE 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.

Department of State National Interests and Strategic Goals

National Security – To protect vital interests and secure peace; deter aggression; prevent, defuse, and manage crises; halt the proliferation of weapons of mass destruction; and advance arms control and disarmament.

- **Regional Stability** – Ensure that local and regional instabilities do not threaten the security and well-being of the United States or its allies.
- **Weapons of Mass Destruction** – Reduce the threat of Weapons of Mass Destruction.

Economic Prosperity – To expand exports and open markets, assist American Business, foster economic growth, and promote sustainable development.

- **Open Markets** – Open world markets to increase trade and free the flow of goods, services and capital.
- **U.S. Exports** – Expand U.S. exports to \$1.2 trillion early in the 21st century.
- **Global Economic Growth** – Increase global economic growth and stability.
- **Economic Development** – Promote broad-based, sustainable growth in developing countries and transitional economies.

American Citizens and U.S. Borders – To protect American citizens abroad and safeguard the borders of the United States.

- **American Citizens** – Protect the safety of American citizens who travel and live abroad.
- **Travel & Migration** – Facilitate travel to the United States for foreign visitors, immigrants, and refugees, while deterring entry by those who abuse or threaten our system.

Law Enforcement – To combat international terrorism, crime, and narcotics trafficking.

- **Countering Terrorism** – Reduce international terrorist attacks, especially on the United States and its citizens.
- **International Crime** – Minimize the impact of international crime on the United States and its citizens.
- **Countering Illegal Drugs** – Reduce the entry of illegal drugs into the United States.

Democracy – To support the establishment and consolidation of democracies, and uphold human rights.

- **Democracy & Human Rights** – A worldwide community of democracies where human rights, including worker rights, and religious freedom are universally respected.

Humanitarian Response – To provide humanitarian assistance to victims of crises and disaster.

- **Humanitarian Assistance** – Prevent or minimize the human costs of conflicts and natural disasters.

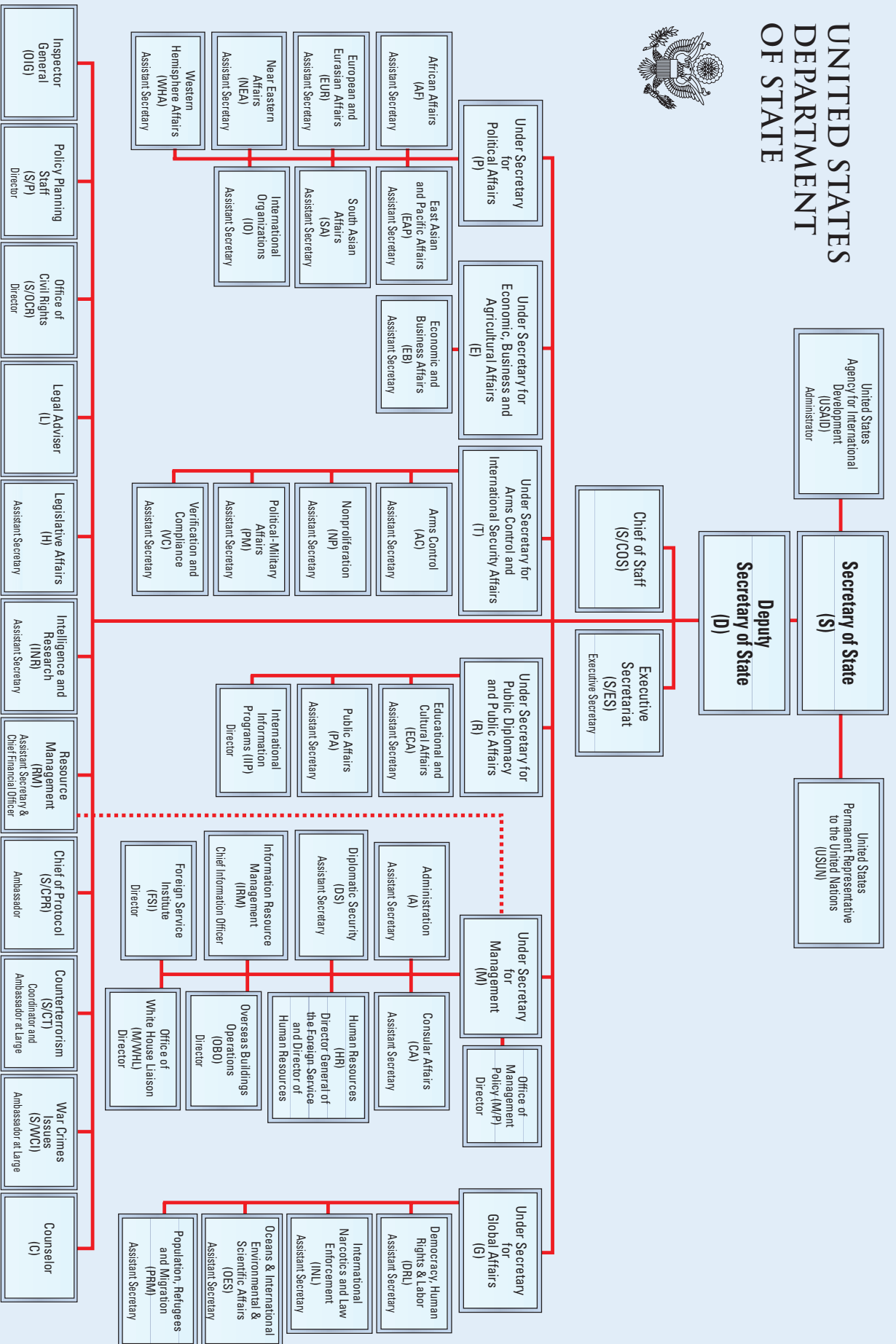
Global Issues: Environment, Population and Health – To improve the global environment, foster a healthy and educated world population, and protect human health.

- **Environment** – Secure a sustainable global environment to protect U.S. citizens and interests from the effects of international environmental degradation.
- **Population** – Achieve a healthy and educated world population.
- **Health** – Improve global health for a more secure world.

Diplomatic Activities:

- **Mutual Understanding**
Improve and strengthen the international relations of the United States by promoting better mutual understanding between the people of the United States and the peoples of the world through educational and cultural exchange.
- **Human Resources**
An optimum number, distribution, and configuration of the Department's workforce both domestic and overseas under the highest quality leadership employed in response to the foreign policy priorities identified in the strategic plan.
- **Information Resources**
Fully modernized, secure, and advantageous IT infrastructure and information systems, relying largely on commercial services and approaches, supporting the mission of the Department of State and the international community.
- **Infrastructure and Operations**
Establish and maintain infrastructure and operating capabilities that enable employees to pursue policy objectives and respond to crises.

UNITED STATES DEPARTMENT OF STATE



10/15/02

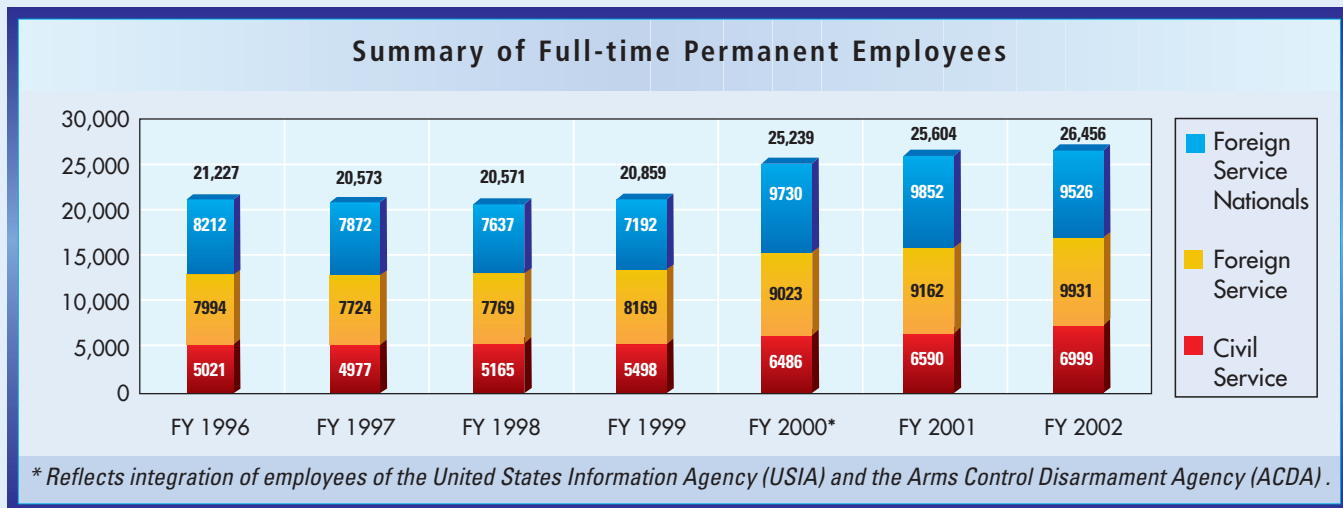
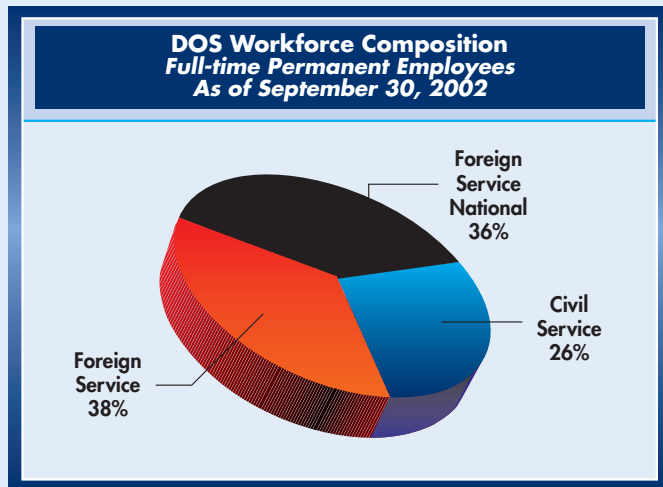
The Department, the oldest and most senior cabinet agency, was established in 1789 to advise the President on formulating and executing foreign affairs. The Secretary of State heads the Department and serves as the President’s principal advisor on the conduct of foreign relations. The Deputy Secretary and six Under Secretaries aid the Secretary of State, serving as the Department’s corporate board on foreign policy. Each specializes in one of the following areas: political affairs; economic, business and agricultural affairs; arms control and international security; global affairs; public diplomacy and public affairs; and management.



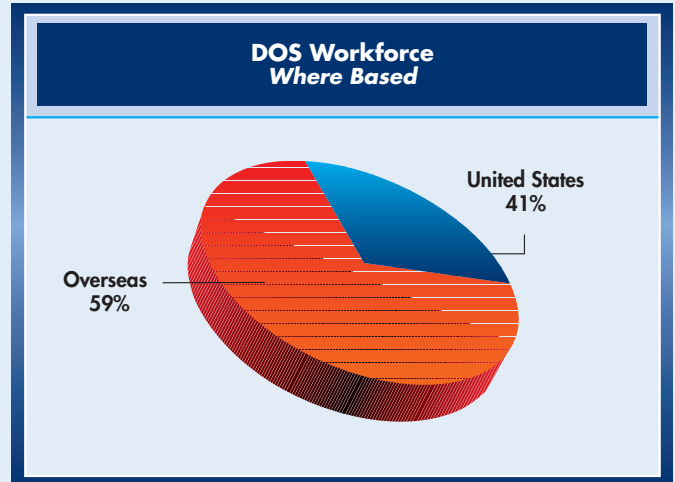
The work of Department employees has an impact on the American people here and abroad. Expertise in languages, understanding of foreign cultures, and the ability to manage complex issues and programs are essential elements of this work.

President George W. Bush addresses the employees of the Department in Washington, D.C. on October 4, 2001, praising all State Department employees for their efforts in safeguarding the freedom of the United States. AFP Photo/Manny Ceneta

The Department’s workforce reflects the diversity of America and consists of approximately 26,500 employees in the Civil Service and the Foreign Service, and includes Foreign Service Nationals in the 162 countries where the United States is represented. The Department also operates the following: national passport centers in Portsmouth, New Hampshire and Charleston, South Carolina; national visa centers in Portsmouth, New Hampshire and 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 three financial services centers, located overseas in Paris and Bangkok, and domestically in Charleston, South Carolina.



Within the Department's headquarters in Washington, D.C., the mission is coordinated and managed through six regional bureaus, which are each responsible for a specific geographic region of the world. The regional bureaus and the overseas posts are supported by domestic offices (referred to as functional bureaus), which provide policy guidance, program management and administrative expertise in matters such as economics, intelligence, human rights, finance, administration, information management, personnel, training, medical services, consular services, and security programs.

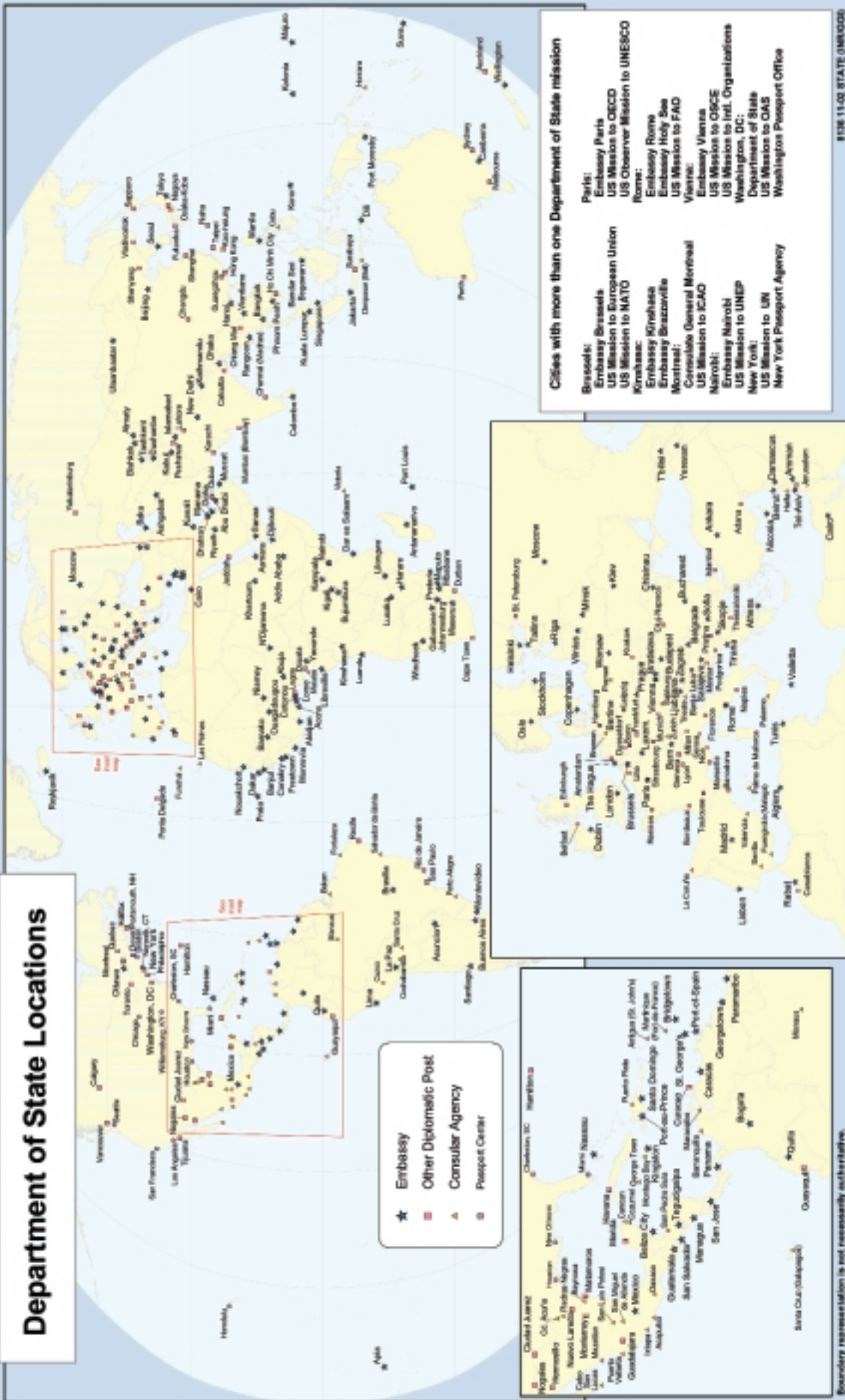


In each Embassy, the Chief of Mission (usually an Ambassador) is responsible for coordinating and managing all U.S. Government functions in the host country. The President appoints each Ambassador, whom the Senate confirms. Chiefs of Mission report directly to the President through the Secretary. The 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.



Since 1789, the Department of State has been located in 17 buildings in New York City, Philadelphia, and Washington, D.C. The Department's present home is 2201 C Street, N.W., Washington, D.C. On January 5, 1957, President Eisenhower joined Secretary Dulles to lay the cornerstone. The President used the same trowel that George Washington used to lay the cornerstone of the U.S. Capitol in 1793. This "New State" building was completed in 1961. It adjoined the "Old State" building that was constructed in 1939.





PERFORMANCE SUMMARY AND HIGHLIGHTS

The Department uses performance planning and measurement to ensure that the organization reaches its objectives and goals. In accordance with the Government Performance and Results Act (GPRA) and the Reports Consolidation Act, the Department is, for the first time, submitting a combined Performance and Accountability Report that includes both program performance results and financial statements for Fiscal Year (FY) 2002. This section presents a summary of the Department's performance results for FY 2002.

During FY 2002, the Department carried out its mission through the pursuit of 20 strategic goals which articulate three-to-five year outcomes that the Department will strive to achieve in world affairs. The Department pursued one-year outcomes and priorities through activities and programs expressed in 42 annual performance goals. Annual goals include specific targets designed to achieve specific performance results.

IMPROVEMENTS IMPLEMENTED FOR FY 2002 PERFORMANCE REPORTING

The FY 2002 Performance Section incorporates five major improvements to enhance its usefulness to the Department's leadership, workforce, and external stakeholders.

1. Comprehensive Strategic Goal Information: The Department presents a robust analysis of its progress on each strategic goal in five distinct sections:

- ◆ Strategic Goal Overview and Public Benefit
- ◆ Strategic Goal Summary of Results Achieved
- ◆ Summary of Key Results and Impact
- ◆ Performance Results by Indicator and Target
- ◆ Program Evaluations and Management Challenges

2. Improved Performance Indicators and Targets: During FY 2002, the Department evaluated its performance indicators and targets. The Department has worked to replace many of the poor indicators and targets with ones that more accurately reflect progress on issues, provide a better measurement of success, and focus on where resources are spent. In this document, the Department is reporting on all indicators initially submitted in the FY 2002 Performance Plan, and has identified those which have been replaced in future plans.

3. Performance Ratings by Result: The Department developed and implemented a rating methodology to assist program managers with the evaluation of performance results in comparison 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 assigned a performance rating that reflects the extent to which a given target was achieved. Rating information at the result level provides a more accurate gauge of program performance.

4. Performance Trends and Details of FY 2002 Results

In addition to the main report that contains a summary of each strategic and annual performance goal, the Department has included a detailed appendix that shows performance trends using a baseline of 1999 (or later, if appropriate). This section of the appendix contains four key elements, as provided by program managers for each reported 2002 result.

- ◆ Data reliability of reported performance result
- ◆ Data availability of reported performance result
- ◆ Reasons for a reported performance result shortfall
- ◆ Nature and depth of collaboration with other agencies

5. Summary of Program Evaluations

In any given fiscal year, several organizations perform in-depth assessments of the Department's programs, which benefit the Department because they provide managers with objective assessments of performance and specific recommendations for improvement.

Detailed information on selected Program Evaluations and the Program Assessment Rating Tool (PART) reviews completed during FY 2002 is provided beginning on page 338. Scores received on these PART reviews ranged from 80 percent for the Military Assistance to New NATO and NATO Aspirant Nations program to 52 percent for the Security Assistance to Sub-Saharan Africa program.

This summary of program assessments enables the Department to track key findings and recommendations of program evaluations. Moreover, these data will help the Department determine whether program managers have incorporated the recommendations for improvement into their strategies for achieving performance goals in the future. This will also improve program performance and increase program manager accountability for attaining desired performance levels.

HIGHLIGHTS OF THE DEPARTMENT'S MOST IMPORTANT RESULTS AND OUTCOMES

During FY 2002, the Department responded on many levels to the challenges the United States is facing. Highlights of the most important performance results and continuing challenges are shown below by strategic goal:

HIGHLIGHTS OF THE DEPARTMENT'S MOST IMPORTANT RESULTS AND OUTCOMES	
POSITIVE RESULTS	CONTINUING CHALLENGES
REGIONAL STABILITY	
<ul style="list-style-type: none"> ◆ New NATO capabilities developed for rapid response force. ◆ Creation of three Afghan National Army battalions is the first step in a long-term effort to develop an indigenous security capacity for Afghanistan. ◆ African Union provided personnel to further Congolese peace process; war in Sierra Leone effectively over, and U.S. contributions to African-sponsored peacekeeping operations ensured that troops can meet demands of peacekeeping operations. ◆ Kosovo elections led to coalition government, multi-ethnic Assembly. 	<ul style="list-style-type: none"> ◆ Limited progress on "Cross-Strait" dialogue to reduce tension between China and Taiwan. ◆ War between India and Pakistan avoided, but no progress made with regard to implementing Confidence Building Measures. ◆ Chinese non-participation in UN Register of Conventional Arms Transfers.
WEAPONS OF MASS DESTRUCTION	
<ul style="list-style-type: none"> ◆ Central European countries developing strengthened export controls. ◆ Negotiated a new Goods Review List in May 2002 as part of the new Iraq export-control regime. Led diplomatic efforts with the other permanent members of the UN Security Council to sustain a Security Council consensus that UN inspectors will have unambiguous rights to inspect anywhere, anytime in order to ensure that Iraq is fully disarmed. ◆ Continued progress made with Russia on plutonium disposition and cessation of production. ◆ Cumulative engagement of 26,000 former Russian and NIS WMD scientists in developing civilian technologies. ◆ Presidents Bush and Putin signed the Moscow Treaty in May 2002 reflecting the dramatic shift from Cold War rivalry to partnership based on the principles of mutual security, trust, and cooperation; codified reductions in U.S. and Russian strategic nuclear warheads by the end of 2012 to between 1,700 and 2,200 – about one-third of current levels. ◆ Established the basis for a "New Strategic Framework" that includes a new approach to deterrence; withdrew from ABM treaty thereby removing legal obstacle to pursuing alternative approaches to developing an effective missile defense system. ◆ Four nations joined Chemical Weapons Convention; the United States implemented its obligations. The most positive result is changing the leadership of the Organization for the Prohibition of Chemical Weapons in order to resolve its financial and administrative crisis and resume conducting necessary inspections. 	<ul style="list-style-type: none"> ◆ Russia still exporting technology to Iran. ◆ North Korean exports destabilize already volatile regions of the Middle East, North Africa and South Asia. ◆ North Korea admitted to secret uranium enrichment program for nuclear weapons, in violation of Agreed Framework. ◆ The Conference on Disarmament failed to resume negotiations on Fissile Materials Cutoff Treaty, due in part to Chinese opposition.

HIGHLIGHTS OF THE DEPARTMENT'S MOST IMPORTANT RESULTS AND OUTCOMES

POSITIVE RESULTS

CONTINUING CHALLENGES

COUNTERING TERRORISM

- | | |
|--|--|
| <ul style="list-style-type: none"> ◆ One hundred and seventy-nine states have reported to the UN Security Council on their efforts to implement UN Security Council Resolution 1373, which imposed binding obligations on all states to suppress and prevent terrorism. ◆ Five additional organizations designated as Foreign Terrorist Organizations; over two hundred persons and/or entities designated under Executive Order 13224 for providing financial support or other services to terrorists. ◆ Forty-eight organizations listed under the Terrorist Exclusion List, thereby making it more difficult for terrorists to raise and move money, increasing the amount of terrorist assets blocked, and preventing designated persons from entering the United States. ◆ Cooperation with Pakistan and China increased through diplomatic engagement, which resulted in direct FBI in-country follow-up on stalled cases in Pakistan and the establishment of an FBI Legal Attaché Office in Beijing. | <ul style="list-style-type: none"> ◆ The United States remains vulnerable to continued terrorist attacks and needs to do more to increase security at home and abroad of U.S. citizens and interests. ◆ The Department will work to strengthen three programmatic areas: <ul style="list-style-type: none"> ◆ Anti-Terrorism Assistance Training ◆ Terrorist Interdiction Program ◆ Technical Support Working Group. |
|--|--|

HUMANITARIAN ASSISTANCE

- | | |
|---|--|
| <ul style="list-style-type: none"> ◆ Over two million refugees and over six hundred thousand internally displaced persons (IDPs) voluntarily returned to Afghanistan following the ousting of the Taliban regime. ◆ The USG played a leading role in a multilateral effort to meet critical protection and assistance needs in Afghanistan and for Afghan refugees who remained in neighboring countries. ◆ The USG was the largest single donor to international humanitarian organizations in FY 2002. The Department contributed over \$140 million to international and NGO partner organizations assisting Afghan refugees and IDPs. ◆ With strong U.S. support, international and NGO partner organizations, such as the UN High Commissioner for Refugees and the International Committee of the Red Cross, were able to provide critical assistance in return transportation, shelter, food, water, public health, sanitation, education, economic activity and capacity building to returning refugees and IDPs. | <ul style="list-style-type: none"> ◆ An additional 2.5 million refugees and IDPs are expected to return to Afghanistan in 2003 and 2004. ◆ Reintegration assistance is required to anchor returnees and minimize increasing urbanization in Afghanistan. ◆ Critical protection and assistance gaps remain as the country begins to rebuild after years of conflict and drought. Extraordinary efforts still are necessary to respond to the urgent humanitarian needs of the Afghan people, which include emergency shelter and winterization assistance, public health care, primary education, economic assistance and environmental rehabilitation. ◆ Continued efforts are required to increase donor burden-sharing to meet these needs. ◆ The international community needs to ensure that relief strategies contribute to the development of Afghanistan and to individual self-sufficiency. |
|---|--|

TRAVEL AND MIGRATION

- | | |
|--|---|
| <ul style="list-style-type: none"> ◆ Improved the systems that help identify terrorists and criminals among visa applicants. ◆ Issued a supplemental visa application form for all men aged sixteen to forty-five from every country in the world. ◆ Tightened visa interview requirements for applicants from countries that are state sponsors of terrorism. ◆ Required more security checks for groups of visa applicants from specific countries. ◆ Provided INS with real-time access to visa issuance data. ◆ Created and deployed the Interim Student and Exchange Visitor Authentication System to provide electronic verification of such visitors when they apply to enter the United States | <ul style="list-style-type: none"> ◆ The Department is implementing a comprehensive strategy to strengthen U.S. border and homeland security through efforts focused on information, infrastructure, and integrity: <ul style="list-style-type: none"> ◆ Information: Enhance data sharing activities with other agencies and increase the effectiveness and efficiency of namecheck systems. ◆ Infrastructure: Strengthen consular services by implementing modern systems, equipment replacement programs, and redundant connectivity for visa issuance; maximize use of two domestic visa centers. ◆ Integrity: Improve visa documents by using biometric identifiers and enhancing information storage and retrieval capabilities; expand training of consular and anti-fraud personnel. |
|--|---|

HIGHLIGHTS OF THE DEPARTMENT'S MOST IMPORTANT RESULTS AND OUTCOMES

POSITIVE RESULTS

CONTINUING CHALLENGES

OPEN MARKETS

- ◆ WTO launched new round in Doha.
- ◆ China and Taiwan joined WTO.
- ◆ Chile and Singapore Free Trade Agreements concluded by early 2003.

- ◆ The target for completion of the WTO Doha round of negotiations and of the FTAA is January 1, 2005.
- ◆ China took concrete steps to remove trade barriers and open its markets, but some shortfalls remain in areas of interest.
- ◆ Morocco, Central America, the Southern African Customs Union and Australia identified as partners for FTAs. Negotiations for a Free Trade Area of the Americas continue.

ECONOMIC DEVELOPMENT

- ◆ In March 2002, the President announced establishment of a Millennium Challenge Account (MCA) to support the development efforts of countries that have created the conditions for growth and poverty reduction by governing justly, investing in the people, and promoting economic freedom.
- ◆ As an essential element in the war on terrorism, the United States has provided over \$900 million since October 1, 2001, to stabilize and rebuild Afghanistan and built an international coalition for the reconstruction of Afghanistan that has so far pledged more than \$5.2 billion.
- ◆ The United States provided significant support and assistance to front-line states in the region, including Pakistan and the Central Asian Republics.

- ◆ Implementation of the Millennium Challenge Account (MCA): With Congressional approval, funding will begin in 2004, and, with increases in the budget, full funding of \$5 billion will be reached in 2006.
- ◆ The United States must continue to lead efforts to support the new Afghan government and key "frontline states."

MUTUAL UNDERSTANDING

- ◆ Based on independent evaluations, 91 percent of foreign participants in exchange programs have gained a greater understanding of the United States. Greater understanding translates into changed attitudes and better, more peaceful relations between the United States and other countries.
- ◆ On one targeted initiative following the events of 9/11, 100 journalists, senior and mid-level officials, and religious and youth leaders from 20 countries with significant Muslim populations attended programs on professionally-related topics and American civic life.
- ◆ Numerous alumni of the Department's varied exchange programs gained prominent positions in 2002, including the current President of Afghanistan and the current Prime Minister of Turkey.

- ◆ The events of 9/11 underscored the need to communicate America's values more effectively to younger and wider audiences throughout the world.
- ◆ The Department plans to expand the scope of its public diplomacy to broaden audience reach and deepen the impact of public diplomacy initiatives.

ENVIRONMENT AND HEALTH

- ◆ At the World Summit on Sustainable Development (WSSD), the U.S. launched over 20 partnership initiatives aimed at poverty reduction, protecting the environment and improving the lives of people.
- ◆ The Global Fund is operational; Fund established to fund research to fight AIDS, tuberculosis, and malaria. By the end of 2002, countries, the private sector and individuals had pledged over \$2 billion to the Fund, and Fund had approved \$378 million in grants to fight the three diseases.

- ◆ USG must follow up on commitments made at the WSSD through active engagement with governments, civil society, the private sector and multilateral organizations.
- ◆ As chair of the Global Fund Board, USG will work to ensure the success of the Fund, by instituting accountability mechanisms and obtaining adequate financial support.

COUNTERING ILLEGAL DRUGS

- ◆ Sprayed more than 122,000 hectares of coca cultivation in Columbia (over 430 metric tons of cocaine), an increase of 45 percent over last year's record.

- ◆ Defeat narco-terrorist groups, the Revolutionary Armed Forces of Columbia (FARC) and United Self-Defense Forces of Columbia, (AUC).

DEMOCRACY AND HUMAN RIGHTS

- ◆ Established the U.S.-Afghan Women's Council to assist Afghan women in obtaining skills and education needed to regain their rightful place in society.
- ◆ Established office to monitor and combat trafficking in persons; FY 2002 results include the implementation of the Trafficking Victims Protection Act.

- ◆ Security situation continues to be a major factor affecting women's progress in Afghanistan.

PERFORMANCE RATING METHODOLOGY

The Department created a rating methodology that enabled program managers to evaluate systematically progress toward the targets set in the FY 2002 Performance Report. This allowed managers to assign a performance rating to each result based on the following criteria:

PERFORMANCE RATING CRITERIA					
Performance Rating	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Criteria to Facilitate Rating Choice	1 Missing the FY 2002 target by a significant margin 2 Significantly overspending the FY 2002 budget 3 Missing critical deadlines by a large margin 4 Significant impairment of a program's ability to achieve the FY 2003 performance target, thus requiring adjustment downward 5 A significant modification needed for FY 2003 Means and Strategies	1 Missing the FY 2002 target 2 Overspending the FY 2002 budget 3 Missing critical deadlines by a slight margin 4 Slight impairment of a program's ability to achieve the FY2003 performance target, but little or no decrease in FY 2003 target is anticipated 5 Little or no change needed for FY 2003 Means and Strategies	1 Meeting the FY 2002 target 2 Spending "on budget" 3 Meeting critical deadlines 4 No change in program's ability to achieve the FY 2003 target and no change in FY 2003 target is anticipated 5 No change needed for FY 2003 Means and Strategies	1 Exceeding the FY 2002 target 2 Spending slightly under the FY 2002 budget 3 Meeting critical deadlines early 4 Enhancing a program's ability to achieve the FY 2003 target such that an incremental upward adjustment in the FY 2003 target is anticipated 5 Some change for FY 2003 Means and Strategies may be initiated	1 Exceeding the FY 2002 target by a large margin 2 Spending significantly under budget 3 Meeting critical deadlines by a large margin 4 Improving a program's ability to achieve the FY 2003 target such that some, upward adjustment of the FY 2003 target is anticipated 5 Some changes in FY 2003 Means and Strategies are anticipated

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

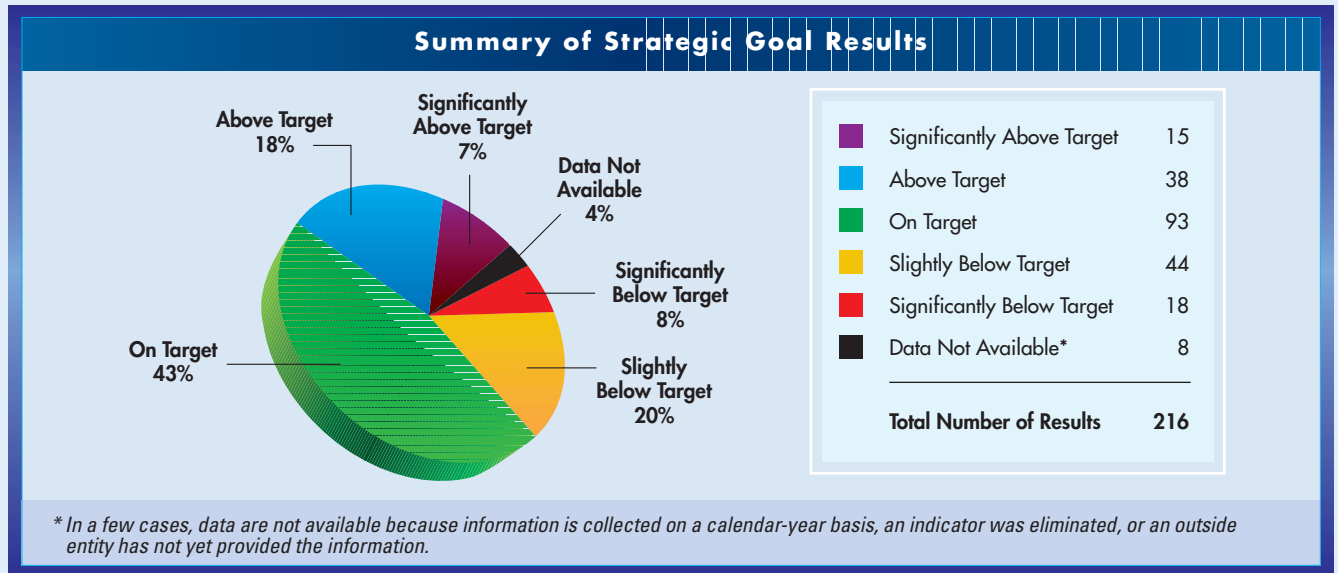
- ◆ No Weighted Average: In the FY 2002 Performance Report, all targets for each annual goal were weighted equally. In future years, the Department intends to assign a weight to each performance target shown in the Performance Plan and apply those weights to the performance results presented in the Report.

PERFORMANCE GOAL OF THE OFFICE OF THE INSPECTOR GENERAL

The OIG has established a performance goal for evaluating the Department's progress in terms of measuring performance and linking its goals to budget. The OIG currently incorporates the assessment of performance into its traditional audits and inspections related to programs being reviewed. The OIG will give priority to those goals and measures related to achieving the President's Management Agenda initiatives, areas identified by the OIG as serious management and performance challenges, and areas identified by the Department as key performance measures.

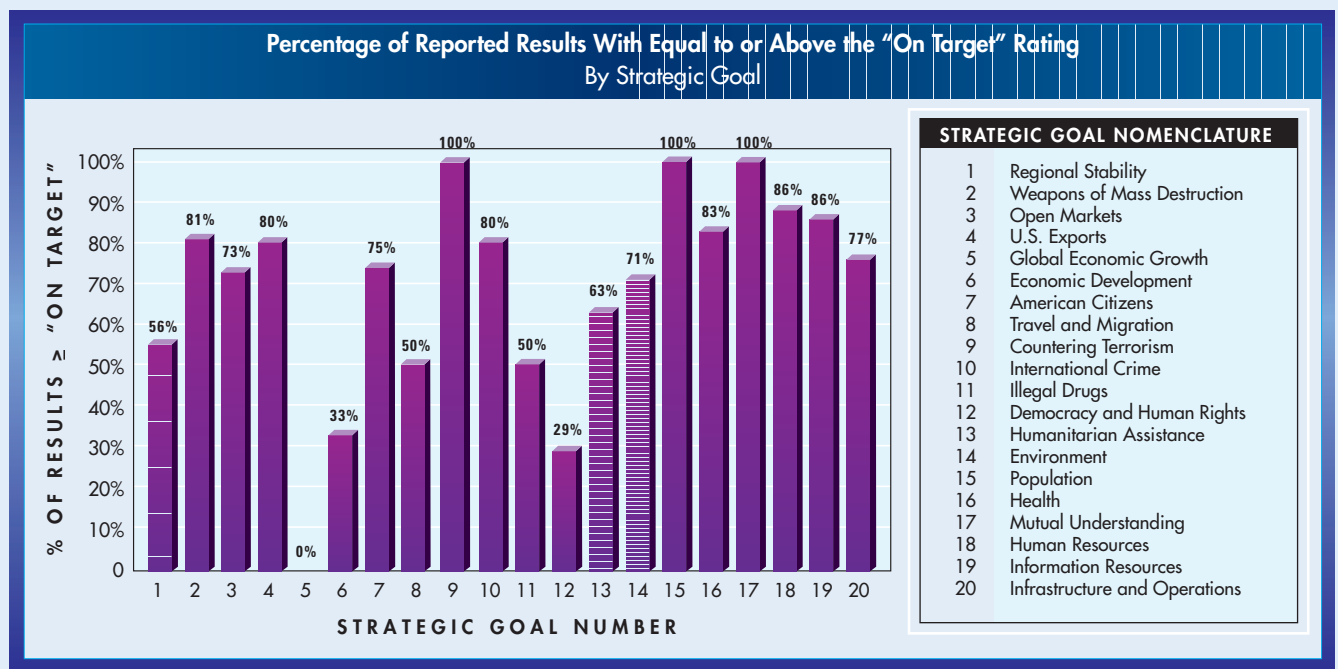
SUMMARY OF FY 2002 STRATEGIC GOAL RESULTS

The following pie chart shows the ratings distribution for all performance results reported in FY 2002. As shown, 68% of the results were "on target" or above.



The bar chart below shows the percentage of results attained that were above and below the "on target" rating for each strategic goal. The greater the percentage of results equal to or greater than "on target", the better. In brief,

- Strategic Goals which met 100 percent of performance targets:
 - ◆ Countering Terrorism
 - ◆ Population
 - ◆ Mutual Understanding
- Performance shortfalls were most prevalent for the following Strategic Goals:
 - ◆ Global Economic Growth
 - ◆ Economic Development
 - ◆ Democracy and Human Rights



SUMMARY OF FY 2002 ANNUAL PERFORMANCE GOAL RESULTS

The table below shows performance results for each of the Department’s FY 2002 annual performance goals. The inverted black triangle represents the average of all performance ratings assigned to results associated with the Annual Performance Goal. The numbers below the rating scale show how the ratings were distributed among the reported results. The chart depicts data for “reported results” (i.e., targets for which data were available). In some instances, for a given annual performance goal, the number of reported results might be less than the number of targets because data was unavailable to produce a results rating.

Strategic Goal	Annual Performance Goal (Total Number of Targets)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
1 Regional Stability	U.S. Ties with neighbors and key allies are close, strong, utilized, and effective. 4 Targets					
	Foster stable and secure regional partners. 3 Targets					
	Develop and utilize effective conflict prevention/conflict resolution tools. 9 Targets					
	Contain and resolve outstanding regional conflicts. 2 Targets					
2 Weapons of Mass Destruction	Weapons of mass destruction and their means of delivery are contained; proliferation to other countries and terrorists is prevented, contained, or reversed. 10 Targets					
	Reduction of weapons of mass destruction stockpiles, materials, infrastructure; essential foreign support or toleration for U.S. weapons development. 3 Targets					
	Foreign governments work with the United States to strengthen existing agreements and negotiate new multilateral nonproliferation and arms control commitments to reduce the weapons of mass destruction threat. 9 Targets					
	Effective verification practices are in place; compliance with arms control and nonproliferation treaties, agreements, and commitments is verified. 8 Targets					
	International nuclear cooperation is promoted under stringent nonproliferation and safety standards. 6 Targets					

Strategic Goal	Annual Performance Goal (Total Number of Targets)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
3 Open Markets	A robust international framework for free trade in goods, services, and investment ensures the openness of international markets for new technologies. <i>11 Targets</i>					
4 U.S. Exports	U.S. companies compete successfully for worldwide sales. <i>7 Targets; 2 No Data Available</i>					
5 Global Economic Growth	Countries around the globe adopt and maintain growth-oriented economic policies; economic crises are less likely and less severe. <i>3 Targets</i>					
6 Economic Development	Developing and transition economies experience broad-based, sustainable economic growth. <i>4 Targets; 1 No Data Available</i>					
7 American Citizens	U.S. citizens have the information, services, and protection they need to reside or travel abroad. <i>2 Targets</i>					
	Timely and effective passport issuance, with document integrity assured. <i>2 Targets</i>					
8 Travel and Migration	Timely and effective visa issuance; reduction of visa fraud. <i>2 Targets</i>					
9 Countering Terrorism	Reduced danger of terrorist attacks on American citizens and interests; effective international cooperation and efforts curtail the capabilities of would-be terrorists and punish known offenders. <i>5 Targets</i>					
10 International Crime	More effective criminal justice institutions and law enforcement in targeted countries. <i>5 Targets</i>					
	Transnational cooperation and action to counter crime. <i>5 Targets</i>					
11 Countering Illegal Drugs	Reduced foreign cultivation of opium poppies, coca and marijuana. <i>4 Targets</i>					
	Criminal justice sectors of foreign governments break up major drug trafficking organizations and effectively investigate, prosecute and convict major narcotics criminals. <i>2 Targets</i>					

Strategic Goal	Annual Performance Goal (Total Number of Targets)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
12 Democracy & Human Rights	New democracies move toward political and economic stability; authoritarian regimes carry out liberalizations. <i>4 Targets</i>					
	Greater respect for human rights around the world. <i>5 Targets; 1 No Data Available</i>					
	Greater observation and protection of worker rights; reduction of child labor; elimination of sweatshops producing goods for the U.S. market. <i>3 Targets</i>					
	Worldwide acceptance of freedom of religion and conscience. <i>3 Targets</i>					
13 Humanitarian Assistance	Equal access to protection; effective and coordinated assistance; and promotion of durable solutions (including voluntary repatriation) for refugees and victims of conflict. <i>2 Targets; 1 No Data Available</i>					
	Mitigation, preparedness, and early warning of natural disasters and complex emergencies. <i>2 Targets</i>					
	Elimination of deployed landmines and reduction of civilian casualties in mine-affected countries. <i>5 Targets</i>					
14 Environment	Donor countries and international financial institutions support U.S. positions and efforts to make trade and environment policies mutually supportive. <i>5 Targets</i>					
	International treaties and agreements that protect the environment are negotiated, implemented, and enforced. <i>8 Targets</i>					
	International financial and multilateral institutions and donor countries provide greater development assistance dealing with key environmental issues. <i>11 Targets</i>					
15 Population	Improved reproductive health, reduced incidence of maternal mortality and other problems that particularly threaten women, universal access to primary and secondary education, and appropriate governmental reaction to world demographic changes. <i>3 Targets</i>					
16 Health	Increased political and financial commitment to health. <i>6 Targets</i>					

Strategic Goal	Annual Performance Goal (Total Number of Targets)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
<p>17</p> <p>Mutual Understanding</p>	<p>Improve and strengthen the international relations of the United States by promoting better mutual understanding between the people of the United States and peoples of the world through educational and cultural exchanges.</p> <p><i>1 Target</i></p>					
<p>18</p> <p>Human Resources</p>	<p>The Department will hire and retain an adequate number of talented, diverse Foreign and Civil Service and Foreign Service National employees.</p> <p><i>2 Targets</i></p>					
	<p>Develop and implement training and professional development programs and make them available to all full-time employees throughout their careers.</p> <p><i>5 Targets; 1 No Data Available.</i></p>					
	<p>Current and new work-life programs improve the quality of the workplace for all employees and the quality of life of Foreign Service employees and their dependents abroad.</p> <p><i>1 Target</i></p>					
<p>19</p> <p>Information Resources</p>	<p>Secure, advantageous, commercial-quality information technology (IT) supports the full range of international affairs activities of the United States.</p> <p><i>7 Targets</i></p>					
<p>20</p> <p>Infrastructure and Operations</p>	<p>Protection of personnel and information involved in diplomatic pursuits.</p> <p><i>9 Targets</i></p>					
	<p>Safe, secure, and functional facilities serving domestic and overseas staff.</p> <p><i>8 Targets</i></p>					
	<p>Adequate funding to achieve the Department's foreign policy and diplomatic readiness goals is founded on results-oriented budgeting, effective financial management systems and demonstrated financial accountability.</p> <p><i>15 Targets</i></p>					
	<p>Better business practices and increased focus on customers ensure excellence in the provision of administrative and associated services.</p> <p><i>5 Targets; 2 No Data Available</i></p>					

FUTURE PERFORMANCE REPORTING IMPROVEMENTS

Beginning with FY 2004, the Department's planning process will benefit from three key improvements:

New Strategic Planning Framework: The Department has substantially revised its strategic planning framework to represent more effectively the changing international environment and bring greater clarity, direction, and alignment to its vision and overall priorities. In addition, the State Department and USAID will prepare a joint FY 2004-2009 Strategic Plan by the end of FY 2003. The combined plan and all future planning documents will utilize the new framework which will be based on four concise strategic objectives:

- ◆ **Protect the Nation**
- ◆ **Advance Sustainable Development and Global Interests**
- ◆ **Promote International Understanding**
- ◆ **Strengthen Diplomatic and Program Capabilities**

Within these four strategic objectives, the number of strategic goals has been reduced from twenty to twelve. This strategic planning framework will be the guiding structure for the new FY 2004 - FY 2009 Strategic Plan, as well as the annual planning documents beginning with the FY 2004 Annual Performance Plan.



Automation of Mission and Bureau Performance Planning: 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 and priorities, resource requirements, performance indicators, and annual targets. During the past year, the Department has taken key steps to improve the MPP and BPP, both in terms of substance and process. Preparation and submission have been automated through the development and worldwide deployment of web-based, on-line applications. Missions, bureaus, and senior decision-makers now have the advantage of modern, automated tools to facilitate cross-mission and cross-bureau search capability, data-mining and analysis. The on-line applications will be used worldwide in the FY 2005 MPP and BPP processes.

FY 2004 Performance Plan Provides Greater Accountability: The Department's FY 2004 Performance Plan, submitted in draft form to OMB, will instill a greater level of accountability by requiring managers to provide means and strategies for each performance target within each annual performance goal. This level of detail will provide information to senior leadership on how specific targets will be achieved and will improve the quality of performance targets. It will also serve as a building block for integrating the performance planning and budgeting processes.

THE PRESIDENT'S MANAGEMENT AGENDA AND MANAGEMENT CHALLENGES

THE PRESIDENT'S MANAGEMENT AGENDA INITIATIVES

The Department has made substantial progress on each of the five President's Management Agenda (PMA) initiatives. As of December 2002, the Department achieved three "green" and two "yellow" scores for progress on implementation, based on OMB's scorecard evaluation. With respect to overall status, the Department has made significant improvements in several areas, even though the overall scores for status remain "red." The following is a brief overview of the status of PMA in the Department:

 Progress	STRATEGIC MANAGEMENT OF HUMAN CAPITAL	 Status
<ul style="list-style-type: none"> ◆ OVERVIEW: The President's first management reform initiative is to build, sustain, and effectively deploy a skilled, knowledgeable, diverse, and high-performing workforce that is aligned with mission objectives. This is key to making the government "citizen-centered." The goal is to have a workforce that will adapt quickly in size, composition, and competencies to accommodate changes in mission, technology, and labor markets. ◆ PROGRESS: The Department has successfully implemented the first year of the Diplomatic Readiness Initiative, designed to ensure adequate human resources through a more streamlined and aggressive hiring process. The Department also has implemented a mandatory leadership and management training initiative and emphasized those skills in performance requirements. The Department revalidated the Overseas Staffing Model and has completed the first phase of the Domestic Staffing Model and began development of a Civil Service Succession model that will provide a comprehensive approach to determining the optimal size, allocation, and organization of the domestic and overseas workforces. This workforce planning tool also will facilitate analysis for competitive sourcing decisions. An integrated strategic workforce plan will be developed and integrated with the mission and bureau level strategic planning processes. The use of OPM's Human Capital Assessment and Accountability Framework (HCAAF) to assess human capital activities is another important step ensuring management accountability and evaluation of progress in this area. ◆ UPCOMING ACTION AND POTENTIAL CHALLENGES: The Department will continue to work with OPM and OMB and use the HCAAF as the basic guide for implementing this PMA objective. The Department will continue to implement the Diplomatic Readiness Initiative and expand the leadership and management training initiative. Plans are also underway for Completion of Phase two of the Domestic Staffing Model and the piloting of a succession planning model for the Civil Service. In FY 2003, the Department will also develop a Human Resources Management accountability system and produce a comprehensive workforce plan. 		



Progress

COMPETITIVE SOURCING



Status

- ◆ **OVERVIEW:** This PMA initiative is aimed at achieving efficient and effective competition between public and private sources, simplifying and improving the procedures for evaluating sources, and better publicizing the activities subject to competition.
- ◆ **PROGRESS:** The Department has developed a comprehensive management and competition plan outlining the target of competing 586 FTE, which exceeds the OMB goal of 306 FTE that would represent 15 percent of the 2000 Federal Activities Inventory Reform (FAIR) Act inventory. The Department has committed \$2 million in FY 2003 to fund the initiative, and a program manager has been selected to provide overall leadership of competitive sourcing throughout the Department. Other actions include revising the Foreign Affairs Manual, publicizing competitive sourcing to all Department employees, notifying unions, and awarding two Blanket Purchase Agreements for study support.
- ◆ **UPCOMING ACTION AND POTENTIAL CHALLENGES:** The Department is implementing its Competitive Sourcing Plan and is hiring a Competitive Sourcing Program Manager to develop a detailed communications plan. Two major studies are underway; contractor support is being arranged for preliminary analysis and business/feasibility studies. In addition, the Department will coordinate one direct conversion effort.



Progress

IMPROVED FINANCIAL PERFORMANCE



Status

- ◆ **OVERVIEW:** This PMA initiative will achieve improved accountability to the American people through audited financial statements, more accurate benefit and assistance payments, improved management controls, and installation of financial systems that produce timely, accurate and useful financial information.
- ◆ **PROGRESS:** The Department is aggressively addressing the improved financial performance standards and has completed and reported on a detailed plan of action including milestones and measures referenced to the OMB established core criteria. Implementation of the new Regional Financial Management System (RFMS) is well underway, with conversion of forty-four posts in FY 2002 (which represents 25 percent of overseas activity in dollar terms). This new system complies with Federal financial systems requirements and replaces the two legacy overseas accounting and disbursing systems. The Department issued its first-ever mid-year (i.e., March 31, 2002) interim financial statements. The Department's FY 2001 Financial Statements were timely and received an unqualified opinion, marking the fifth consecutive unqualified opinion. The Department's FY 2001 Accountability Report, which included the financial statements, received the Association of Government Accountants prestigious Certificate of Excellence in Accountability Reporting. The Department resolved all remaining material weaknesses resulting in the first time since its inception that the Department has no outstanding material weaknesses to report under the FMFIA. Accordingly, the Secretary has issued an unqualified Statement of Assurance for FY 2002 regarding the Department's systems of management control – a core criteria for obtaining a "green" status on this initiative. Progress is also being made on consolidating and streamlining worldwide financial operations. The Department's operations at the Financial Service Center (FSC) in Paris are being relocated to the Charleston, South Carolina and Bangkok, Thailand FSCs. Certain functions were transferred in 2002, and the remaining functions will be transferred by December 2003. In addition, during FY 2002, American Payroll and Foreign Service Annuitant functions were relocated from Washington, D.C. to the Charleston FSC.
- ◆ **UPCOMING ACTION AND POTENTIAL CHALLENGES:** Future actions for this initiative include full implementation of RFMS worldwide by the end of FY 2003, timely issuance of the FY 2002 combined Performance and Accountability Report containing an unqualified ("clean") audit opinion on the Department's Financial Statements, issuing timely quarterly financial statements for FY 2003, and on-going consolidation of worldwide financial operations to the Charleston FSC. The Department and USAID will conduct a feasibility study to assess integration of financial systems and to determine where financial management collaboration between the two agencies can be expanded.



Progress

EXPANDED ELECTRONIC GOVERNMENT



Status

- ◆ **OVERVIEW:** The goal of this initiative is to make it simpler for citizens to receive high-quality service by expanding the federal government's effective use of electronic technologies. This includes support of information technology projects that offer performance gains across agency boundaries, such as e-procurements, e-grants, and e-regulation.
- ◆ **PROGRESS:** The Department is focusing on improving IT security by certification and accreditation of all systems by the end of FY 2004, by developing an enterprise architecture to guide IT investments and improve business processes, and by improving the capital planning process for IT investments. Also, State and USAID are exploring how to collaborate and improve coordination on parallel IT systems. FY 2004 Agency Capital Plans and Business Cases (OMB Exhibit 300s) submissions are being revised to reflect budget decisions and strengthen those considered "at-risk". They were submitted to OMB in January 2003.
- ◆ **UPCOMING ACTION AND POTENTIAL CHALLENGES:** Following completion of the UDCE, the Department will ensure National Institute of Standards and Technology security evaluations are conducted on all Department programs and systems. The Department will also develop security corrective action plans for any programs and systems with security weaknesses, and submit a Plan of Action and Milestones to correct those weaknesses to OMB. The Department will complete the C&A plan to improve system certification progress and submit it to OMB. The Department and USAID will develop a plan for a joint Enterprise Architecture, and identify opportunities for collaboration and consolidation of financial management and IT systems. The Department will use OMB's detailed assessment and roadmap to develop and submit a PMA e-government scorecard improvement plan to OMB.



Progress

BUDGET AND PERFORMANCE INTEGRATION



Status

- ◆ **OVERVIEW:** The Budget and Performance Integration initiative is designed to improve the performance and management of the federal government. It is one of the most challenging initiatives – seeking to link performance to budget decisions and improve performance tracking and management. Ultimately, the goal is to have better control over resources and greater accountability for their results.
- ◆ **PROGRESS:** The Department reorganized and consolidated its budget and strategic planning functions into one new Resource Management Bureau to improve coordination and achieve greater effectiveness. Significant progress has been made to link resources in planning and budgeting to achieve strategic and performance goals. Specifically, the Department has restructured the FY 2004 Performance Plan to better convey the linkages among policy priorities, budgetary decisions, and program outcomes. The Department has also worked with OMB to evaluate program effectiveness using the Program Assessment Rating Tool (PART) and is working to improve program manager accountability by incorporating PART elements into existing planning and budgeting processes. Efforts are underway to automate the Mission and Bureau Performance Plan (MPP and BPP) processes to streamline performance information with direct linkage to resources. These content and process improvements along with the identification and examination of existing programs to leverage best practices have resulted in movement toward a culture change in the Department with respect to strategic planning and budgeting. During FY 2003, the FY 2004 - FY 2009 strategic plans for State and USAID will be integrated into one formal plan.
- ◆ **UPCOMING ACTION AND POTENTIAL CHALLENGES:** The Department continues to develop attainable goals and tangible performance measures that accurately track its progress. The Department has restructured and strengthened the FY 2002 Performance Report with key improvements that better evaluate results. Closer examination of Foreign Assistance funds and linkages to performance also will be undertaken. The Department and USAID plan to integrate the two agencies' strategic plans into one consolidated FY 2004-FY 2009 plan to ensure closer collaboration on policy and management issues. Developing and implementing a new Central Financial Planning System will be a critical step in tracking and verifying actual performance data and linking it to Department-wide financial resources.



MANAGEMENT CHALLENGES AND RESPONSES

The Government Accounting Office (GAO) and the Department's Office of the Inspector General (OIG) have identified several similar Management Challenges (MCs). Many of the areas of improvement cited by GAO, OIG, and the Office of Management and Budget (OMB) have been addressed through accomplishment of the Department's FY 2002 annual performance goals; others are being addressed through accomplishment of FY 2003 goals. The table on the following page shows the MCs by program area, as well as the actions taken by the Department in response to the MCs.

MANAGEMENT CHALLENGES IDENTIFIED BY GAO AND OIG	
PROGRAM AREA	CHALLENGES AND ACTIONS
Financial Management	<p style="text-align: center;">FINANCIAL MANAGEMENT</p> <ul style="list-style-type: none"> ◆ The Department is implementing the new Regional Financial Management System (RFMS) overseas to replace two legacy systems. RFMS, when fully implemented, will comply with Federal financial systems requirements. Conversion was completed at 44 posts in FY 2002, representing 25 percent of overseas activity in dollar value terms. ◆ For the sixth consecutive year, the Department's FY 2002 Financial Statements received an unqualified opinion. In addition, the Department's FY 2001 Accountability Report received the Association of Government Accountants' prestigious Certificate of Excellence in Accountability Reporting. ◆ The process of transferring significant portions of financial operations to Charleston, South Carolina, has resulted in reduced overseas presence, improved computer security and improved business processes. ◆ For the first time, the resolution of all remaining material weaknesses has resulted in the Department having no outstanding material weaknesses to report under the Federal Managers' Financial Integrity Act (FMFIA).
Counterterrorism /Homeland Security	<p style="text-align: center;">VISA PROCESSING AND BORDER SECURITY</p> <ul style="list-style-type: none"> ◆ Developed an automated case-tracking system that enhanced U.S. border security by preventing the fraudulent use of lost or stolen passports, and expanded the Foreign Lost and Stolen Passport Database. ◆ Created a new non-immigrant visa (NIV) to prevent its alteration and duplication; began cooperation with the Virginia DMV to share information on fraudulent foreign documents; and improved document-fraud training for Diplomatic Security agents and Social Security Administration investigators. ◆ Increased data sharing with the intelligence and law enforcement communities and increased input by other USG agencies into the Department's name check database. ◆ Compiled a "Law Enforcement Package" that Diplomatic Security field offices, Passport agencies and other Department offices may provide to state and local law enforcement contacts and banks or other businesses requesting general guidance on assessing U.S. visas and passports as identity documents. ◆ Began participation in the EU fraudulent documents working group, sharing information on smuggling trends, fraud patterns, and document fixers. ◆ Electronically verified the legitimate entry of foreign students and exchange visitors through the Interim Student and Exchange Authentication System. ◆ Provided over one million photographs of visa applicants to the National Institute of Standards and Technology to use in their facial recognition evaluation tests and continued work on biometric identifier standards and electronic systems.
Strategic and Performance Planning	<p style="text-align: center;">STRATEGIC AND PERFORMANCE PLANNING</p> <ul style="list-style-type: none"> ◆ Created a new Office of Strategic and Performance Planning dedicated to improving strategic and performance planning. ◆ Created a new strategic planning framework that the Department and USAID will share in their joint FY 2004 – FY 2009 Strategic Plan. ◆ Revised the structure of the FY 2003 and FY 2004 Performance Plans to make them more reader-friendly, including outlining the benefit to the American public, presenting performance indicators and targets for each annual performance goal, and outlining the resources the Department anticipates spending on each strategic goal. ◆ Developed a rating tool for program managers to evaluate performance results achieved, as compared to targets.

MANAGEMENT CHALLENGES IDENTIFIED BY GAO AND OIG *Continued*

PROGRAM AREA	CHALLENGES AND ACTIONS
<p>Technology¹</p>	<p style="text-align: center;">INFORMATION SECURITY</p> <ul style="list-style-type: none"> ◆ Ninety-five percent of the 1999 Emergency Security Budget Amendment projects met the FY 2002 target, resulting in heightened security at primarily lower-threat posts to meet standards formerly required only at high and critical threat posts, as provided under the Amendment. ◆ Of the Department's 177 diplomatic posts, 58 percent received technical security equipment upgrades. ◆ A comprehensive intrusion detection system designed to protect the Department's Sensitive But Unclassified information network is fully operational in all locations. ◆ IT security certification and accreditation is the top priority for FY 2003 and 2004. All systems will be certified and accredited by the end of FY 2004.
	<p style="text-align: center;">ENHANCING OVERSEAS COMMUNICATIONS</p> <ul style="list-style-type: none"> ◆ The Department has completed major improvements to classified and unclassified communications systems, such as the Classified Connectivity Program and OpenNet Plus programs. By the end of FY 2003, virtually all personnel at both overseas and domestic posts will have access to modern, highly-efficient, classified and unclassified networks and the Internet. ◆ The Department has expanded connectivity to overseas posts, enabling bureaus to publish content directly on internal network Web sites. ◆ The State Messaging and Archive Retrieval Toolset (SMART) program will replace State's cable-based messaging system in 2004. When implemented, SMART will greatly expand the ability of individual users to manage communications flow and access State archives.
	<p style="text-align: center;">KNOWLEDGE MANAGEMENT</p> <ul style="list-style-type: none"> ◆ The Office of eDiplomacy, established in July 2002, is developing a knowledge management (KM) program for the Department. ◆ The Department's Center for Administrative Innovation is working to identify, disseminate, and encourage adoption of best practices from posts, bureaus, and external organizations.
<p>Human Resources¹</p>	<p style="text-align: center;">RIGHTSIZING</p> <ul style="list-style-type: none"> ◆ The Department is working closely with OMB on the OMB-led rightsizing initiative in the President's Management Agenda. ◆ In August 2002, the Department distributed to all European and Eurasian posts an OMB-prepared rightsizing questionnaire, based on the GAO's Paris Rightsizing Framework. ◆ Based on responses, and in consultation with GAO, OMB will develop and apply a rightsizing methodology to agencies' future overseas staffing requests and staffing at existing posts. ◆ The FY 2004 budget request includes a capital surcharge program covering all agencies, which will help management more clearly understand and consider the costs and implications of sending staff overseas.
<p>Protection of People and Facilities</p>	<p style="text-align: center;">OVERSEAS BUILDING SECURITY</p> <ul style="list-style-type: none"> ◆ Specific long-term goals, short-term goals, and performance indicators identified in the PART, which were taken from the FY 2004 Overseas Buildings Operations (OBO) Bureau Performance Plan (BPP), will be integrated into the FY 2005 BPP. ◆ During the BPP reviews with the Deputy Secretary, there will be an assessment of the progress made on enhancing the Capital Security Construction Program. ◆ Fifteen capital construction projects are currently under construction, seven of which will be completed in FY 2003. ◆ The FY 2004 budget request includes a capital surcharge program covering all agencies, which will help management more clearly understand and consider the costs and implications of sending staff overseas.

¹ Also identified as a government-wide "High-Risk" area

MANAGEMENT CONTROLS, SYSTEMS AND COMPLIANCE WITH LAWS AND REGULATIONS

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The Federal Managers' Financial Integrity Act (FMFIA) requires that agencies establish management control and financial systems that protect the integrity of federal programs and operations. It also requires that the head of the agency provide an Annual Assurance Statement on whether the agency has met this requirement. The Secretary of State's 2002 Annual Assurance Statement is provided in the Secretary's letter at the beginning of this report.

Management Control Program

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

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 to the right describes the criteria that the Department uses for the FMFIA review.

Each year, Department organizations with material weaknesses are required to submit plans to correct those weaknesses to the MCSC for review and approval. These plans, combined with the individual assurance statements, provide the framework for monitoring and improving the Department's management controls on an on-going basis.

FMFIA MATERIAL WEAKNESS CRITERIA

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

Status of Management Controls and Report on Material Weaknesses and Nonconformance

The Department evaluated its management controls and financial management systems for the fiscal year ending September 30, 2002. This evaluation provided reasonable assurance that the objectives of the FMFIA were achieved in FY 2002.

The MCSC voted to close the Department’s three remaining material weaknesses – Inadequate Administrative Staffing Overseas, Integration of Grants-Tracking Systems, and Exchange Visitor Information System (EVIS). Since there are no outstanding material weaknesses, the Secretary has provided an unqualified Statement of Assurance for FY 2002 regarding the Department’s systems of management control.

During the last five years, the Department has made significant progress by reducing the number of material weaknesses from 12 to zero, including the closure of 14 and the addition of two. This is the first time since the inception of the FMFIA that the Department has no outstanding material weaknesses – a significant accomplishment. In addition, there are no items specific to the Department on the General Accounting Office’s High Risk List, and there has not been any since 1995. The following table shows the Department’s success during the past five years with correcting and closing its 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
1998	12	2	-	10
1999	10	7	-	3
2000	3	2	2*	3
2001	3	-	-	3
2002	3	3	-	0

* Reported by the Department of State as a result of the merger with USIA.

The actions taken to correct and close the three previously reported material weaknesses are provided in the table below.

SUMMARY OF FMFIA MATERIAL WEAKNESSES CLOSED IN FY 2002			
Material Weakness	Corrective Actions	Target Correction Date	Diplomatic Activity
<p>Inadequate Administrative Staffing Overseas</p> <p>The Department suffers from an acute shortage of skilled Foreign Service administrative staff overseas. This shortage is especially critical due to the increased staffing levels of other foreign affairs agencies, which rely on the Department for administrative support without a proportionate increase in Departmental administrative support levels. The shortage of administrative personnel is believed to be a root cause of other weaknesses in administrative areas.</p>	<p>An Overseas Staffing Model (OSM) has been developed to identify the criteria for determining administrative staffing levels by post. The OSM sets forth a base level of administrative staffing, and provides additional positions to meet special needs. To ensure that adequate resources are available, a direct link is established between the administrative requirements and each agency's proportional cost for the support.</p> <p>During FY 2002, the Department hired above attrition to meet the requirements identified in the Diplomatic Readiness Initiative. Administrative requirements are being met in part by instituting programs that allow Foreign Service specialists, Civil Service employees, and eligible American family members to compete for specific administrative positions overseas.</p>	Closed 2002	Diplomatic Activities – Human Resources
<p>Integration of Grants Tracking Systems</p> <p>Multiple systems that track grant awards in support of international educational and cultural exchange programs are not fully integrated or linked to the Central Financial Management System. Integration would eliminate redundant record keeping, simplify coordination, and provide accurate and consistent data on grant costs and recipients.</p>	<p>An integrated system has been developed to track grant-funded exchange projects and their participants from beginning to end. There are three components. The program office grants-tracking system is being expanded to cover all offices in the bureau. The Grants Management Information System was installed in November 2002. The Commitment system is fully implemented. These three applications share data with one another through a single, common database.</p>	Closed 2002	Mutual Understanding
<p>Exchange Visitor Information System (EVIS)</p> <p>Data discrepancies were found in EVIS. EVIS contains information on the organizations designated by the Department that conduct educational and cultural exchange programs and on the Foreign Nationals who have participated as exchange visitors in these programs.</p>	<p>A pilot program has been developed and tested. The Department has been working in full cooperation with the Immigration and Naturalization Service and the Department of Education to develop and implement a National system. The system uses electronic forms to capture and report data collected and will enable the Department to acquire complete data on exchange visitor program participants. The National system will be implemented in 2003.</p>	Closed 2002	Mutual Understanding

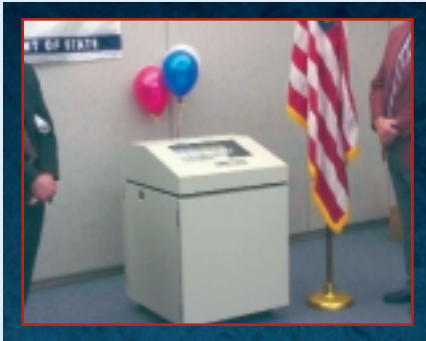
For financial systems, the Department is in substantial compliance with applicable Federal accounting standards and the U.S. Government Standard General Ledger at the transaction level. However, the Department does not substantially comply with the Federal financial management systems requirements, and reports this area as a material nonconformance. Therefore, the Secretary is unable to certify that our financial systems fully comply with requirements of the FMFIA at this time. The Department has developed a remediation plan to resolve this issue by Fiscal Year 2004. Further information on this remediation plan can be found in the Federal Financial Management Improvement Act section below.

If an agency's financial systems do not comply with FFIA requirements, the agency (in consultation with OMB) must establish a remediation plan. The Department established its initial Remediation Plan (Plan) with OMB in March 2000 in response to the Independent Auditor's Report on the 1999 financial statements. The Department submitted an updated Plan to OMB in November 2001 in response to the Independent Auditor's Report on the 2000 financial statements. The November 2001 Plan, consistent with the March 2000 submission, identifies twelve initiatives to be accomplished by Fiscal Year 2004 that would result in substantial compliance.

During 2002, the Department continued to make significant progress towards implementing the Plan. The Independent Auditor's Report shows that the Department has reduced the overall degree of noncompliance. The Department has completed eight of the twelve initiatives the Department identified to achieve FFIA compliance, and completing the remaining four initiatives in the Plan is a top priority.

The cornerstone of the Plan is implementation of the Regional Financial Management System (RFMS). Development and implementation of RFMS, approved by State's Information Technology Program Board in June 1998, will support State's goal of integrating and standardizing worldwide financial and information systems, and conforms with OMB Circular A-127 requirements to establish a single, integrated financial management system. RFMS (1) reduces the number of overseas

financial systems from two to one; (2) incorporates State's standard account code structure; and (3) standardizes financial transactions to enable budget and performance integration between RFMS and State's Central Financial Management System (CFMS), which will result in consistent processing and recording of financial data worldwide.



The first checks are printed from the new RFMS disbursing system.

RFMS is on-schedule for implementation worldwide by the end of FY 2003. RFMS is comprised of a custom-developed disbursing system and an off-the-shelf accounting system. A major milestone was achieved on October 31, 2001 when the first pilot post (Embassy Lima) began offering the full range of financial services under RFMS. By September 30, 2002, the new RFMS was operational in 44 overseas posts.



Richard Ivy, United States Disbursing Officer, presents checks for approval to Keith Koehler, FSN Payroll Unit Chief.

The following table provides a summary of the Plan, encompassing the eight initiatives that have been completed to-date, which includes the three initiatives completed on schedule during FY 2002. The second table provides the status on the four open initiatives remaining to be completed under the remediation plan.

COMPLETED INITIATIVES TO ACHIEVE FFMIA COMPLIANCE

Initiatives	Diplomatic Activity	Status	Description
Initiatives Mainframe Access Controls Security	Diplomatic Activities – Infrastructure and Operations	Complete	Mainframe security for access controls was enhanced, enabling the MCSC, with the concurrence of the IG, to vote for closure of the FMFIA material weakness for Information Systems Security. The processes, controls, and administration of State’s information systems security program have been significantly improved since this problem was identified in 1997.
CFMS Security Improvements	Diplomatic Activities – Infrastructure and Operations	Complete	New policies, procedures, and security profiles were established. CFMS security awareness training was developed and provided to over 900 users of CFMS.
CFMS Mainframe Contingency Plan	Diplomatic Activities – Infrastructure and Operations	Complete	Two fully operational mainframe computer facilities have been established: the center in the Harry S Truman Building in Washington, D.C., and the Beltsville Information Management Center in Beltsville, MD. If a disaster strikes one of these two facilities, critical mainframe operations could be moved to the other site, in a diminished but workable capacity.
Paris FSC Mainframe Contingency Plan	Diplomatic Activities – Infrastructure and Operations	Complete	A contingency plan was developed to provide appropriate contingency relief and disaster recovery for the FSC Paris mainframe using the domestic mainframe computers.
Unliquidated Obligation System and Procedures	Diplomatic Activities – Infrastructure and Operations	Complete	The Unliquidated Obligation System facilitates the reconciliation, monitoring, reporting and oversight of unliquidated obligations worldwide. Data in the system is analyzed in various strata, and reports are produced to review and manage open items.
CFMS Enhancements: 1. Project Cost Accounting System	Diplomatic Activities – Infrastructure and Operations	Complete	The Project Cost Accounting System (PCAS) captures costs associated with capital improvements and construction projects, and reports these costs in State’s SGL.
2. Fixed Assets: Phase I – Real Property	Diplomatic Activities – Infrastructure and Operations	Complete	State implemented the Fixed Assets System, an integrated module within CFMS, to account for the real property elements of land, buildings and structures. Data from this new module automatically updates the SGL account for Property, Plant and Equipment. The CFMS general ledger is now the primary source of information on these elements for financial reporting.
3. Fixed Assets: Phase II – Personal Property	Diplomatic Activities – Infrastructure and Operations	Complete	State implemented an automated process to capture the financial aspects of personal property assets. This process involves receiving data from several property systems, updating the Fixed Assets System subsidiary, and computing and reporting depreciation. This information is interfaced and recorded into CFMS.
Enhanced Interfaces	Diplomatic Activities – Infrastructure and Operations	Complete	The overseas to CFMS interface was reengineered as part of the RFMS project. The new re-engineered interface provides overseas transactions on a daily basis at the accounting line level of detail and the creation of transaction category documents in CFMS to record the accounting impact of the overseas transactions. The creation of a transaction at the accounting line level of detail for the overseas transactions enables the synchronization of available fund balances and standard general ledger accounts for overseas allotments in RFMS and CFMS. It also provides for daily reporting of funds status and an adequate level of detail based on available information from the posts to provide assurance, track discrepancies, and meet internal and external reporting requirements.
Financial Reporting Software	Diplomatic Activities – Infrastructure and Operations	Complete	The Financial Reporting Software fulfills the FACTS II reporting requirements mandated by Treasury and streamlines the compilation, consolidation and reporting for financial statements.

REMAINING INITIATIVES TO ACHIEVE FFMIA COMPLIANCE

Initiatives	Diplomatic Activity	Completion Date	Description	Status 9/30/2002
Regional Financial Management System (RFMS)	Diplomatic Activities – Infrastructure and Operations	September 2003	RFMS supports State’s goal to establish and maintain a single, integrated financial management system. RFMS will (1) replace and reduce the number of overseas regional systems from two to one, (2) incorporate State’s standard account code structure, and (3) standardize financial transactions between RFMS and CFMS, which will result in consistent processing and recording of financial data worldwide.	On schedule. Completed disbursing module IV&V and RFMS; finished updates to RFMS software documentation and procedures, and production simulation. Implemented in 44 posts by September 30, 2002.
Business Continuity Plans	Diplomatic Activities – Infrastructure and Operations	September 2003	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.	On schedule. RFMS Contingency and Continuity Plan under development.
Information Systems Network Security	Diplomatic Activities – Infrastructure and Operations	September 2003	State is implementing a comprehensive framework and process for lifecycle management of IT security. The framework and process will provide continual evaluation and improvement.	On schedule. Developed a Systems Security Program Plan; adopted the National Information Assurance Certification and Accreditation Program (NIACAP); established a Configuration Control Board; and implemented an ongoing penetration testing program.
Central Financial Planning System (CFPS) Statement of Net Cost Module	Diplomatic Activities – Infrastructure and Operations	September 2003 Statement of Net Cost Module	As presented in the Department’s updated FY 2004 OMB A-300 business case, CFPS is the implementation of five distinct development modules that will 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 will provide the ability to associate costs and revenues to strategic goal by organization, be used to produce the Statement of Net Cost, and allow for substantial compliance with managerial cost accounting standards.	On schedule. The Department has successfully completed the first three activities of the CFPS project: 1) Functional & Technical Requirements; 2) Business Model Concept; and 3) Mission Performance Plan Module (Release 1). In FY 2003, the Department will focus on completing the Statement of Net Cost Module.

The table below provides the Department’s corrective action plan for addressing the one remaining material non-conformance and the targeted correction date.

SUMMARY OF OPEN FMFIA NONCONFORMANCE			
Material Nonconformance	Corrective Actions	Target Correction Date	Diplomatic Activity
<p>Financial and Accounting Systems The Department has 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. 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 three; reduced the number of post-level financial systems from nine to two; decreased regional level systems from three to two; defined a standard account code structure that is applicable across all financial and feeder systems; and, re-centralized disbursing offices from 21 to three. The new Regional Financial Management System is operational in 44 overseas posts as of October 1, 2002 and is scheduled for full implementation by the end of FY 2003. Attaining substantial compliance with Federal financial management systems requirements is the focus of the Department’s Remediation Plan, which was established with OMB. For more detail on financial systems improvements and compliance with the Federal Financial Management Improvement Act of 1996, see the following section.</p>	<p>September 2003</p>	<p>Diplomatic Activities – Infrastructure and Operations</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 on the agency’s annual financial statements report whether the agency’s financial management systems comply with the three requirements.

In 2002, the Department continued to maintain substantial compliance with the SGL and Federal accounting standards. However, as indicated in the Independent Auditor’s Report and as agreed by State management, State is not in substantial compliance with the following Federal financial management systems requirements: timely and useful information; systems security; and business continuity/contingency planning. Finally, the SGL is not the source of information for certain elements of the financial statements.

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 2002 financial statements received an unqualified opinion – the best possible result of the audit process. This year marks the sixth consecutive year that the Department's financial statements have achieved such an opinion. However, in relation to internal control, the Independent Auditor's Report cites as a material weakness the Department's information systems security for networks in domestic operations. In addition, the Report found three reportable conditions: (1) inadequacy of the Department's financial management systems, (2) management of unliquidated obligations, and (3) implementation of Managerial Cost Accounting Standards. 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 definition of material weaknesses previously discussed in the FMFIA section differs from the definition that the independent auditors use to assess and report on internal controls in their audits. Under standards issued by the American Institute of Certified Public Accountants, material weaknesses in internal control are defined as reportable conditions in which the design or operation of the internal control does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

The table on the following pages summarizes the weaknesses in internal control and compliance with laws and regulations cited in the FY 2002 Independent Auditor's Report, as well as the actions taken to resolve the problems. The Department has continued to address aggressively the Information System Network Security material weakness and believes that this weakness will be resolved in Fiscal Year 2003.

SUMMARY OF INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE WITH LAWS AND REGULATIONS
(Refer to Independent Auditor’s Report Section — Pages 179 to 188)

Material Weakness	Corrective Actions	Target Correction Date	Diplomatic Activity
<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 of the 1997 financial statements.</p>	<p>Mainframe security for access controls was enhanced, enabling the MCSC to close the FMFIA material weakness for Information Systems Security. The processes, controls, and administration of State’s information systems security program have been significantly enhanced since this problem was first identified in 1997. The Department has created a strong perimeter defense — through firewalls, virus protection, and intrusion detection — and has sound personnel procedures to ensure cleared and trained personnel at all levels.</p> <p>In response to two vulnerability reviews of State’s network infrastructure, the Department established a Vulnerability Assessment Working Group. The Group is charged with analyzing the reviews and developing a risk mitigation plan of action with appropriate milestones.</p> <p>In addition to addressing the issues identified in penetration tests, State is developing a comprehensive framework and process for lifecycle management of IT security. The framework and process will allow for continual evaluation and improvement. The Chief Information Officer is reassessing the Certification and Accreditation (C&A) Program plan with the goal of completing accreditation of general support systems and major applications by FY 2004.</p>	<p>September 2003</p>	<p>Diplomatic Activities – Information Resources</p>

SUMMARY OF INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE WITH LAWS AND REGULATIONS
(Refer to Independent Auditor's Report Section — Pages 179 to 188)

Reportable Conditions	Corrective Actions	Target Correction Date	Diplomatic Activity
<p>Management of Unliquidated Obligations</p> <p>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.</p>	<p>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. Using this analysis and review, new software routines will be implemented in FY 2003 to remove unliquidated obligations where appropriate.</p>	<p>September 2003</p>	<p>Diplomatic Activities – Infrastructure and Operations</p>
<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 reasonable progress in implementing MCAS, but acknowledges that additional work is needed to fully comply with these standards. To substantially address MCAS requirements, the Department is developing the Central Financial Planning System which is included in the FFIA Remediation Plan (pages 31-34).</p>	<p>September 2003</p>	<p>Diplomatic Activities – Infrastructure and Operations</p>
<p>Financial and Accounting Systems</p> <p>See discussion below.</p>	<p>See description below.</p>		<p>Diplomatic Activities – Infrastructure and Operations</p>
Material Noncompliance with Laws and Regulations	Corrective Actions	Target Correction Date	Diplomatic Activity
<p>Financial and Accounting Systems</p> <p>The Department has identified and acknowledged serious weaknesses in its financial management systems. When first reported, the Department was charged with overseeing six financial management systems that support its domestic bureaus, overseas posts, and other overseas agencies. The financial management systems nonconformance includes the following five weaknesses: deficiencies in data quality; noncompliance with JFMIP core requirements; ineffective interfaces; inadequate documentation and audit trails; and inadequate support of mission performance.</p>	<p>Significant progress has been made over the past few years to improve financial management systems worldwide. For more detail on the Financial and Accounting Systems corrective actions, refer to summary of open FMFIA nonconformance on page 31; and Federal Financial Management Improvement Act on pages 31-34.</p>	<p>September 2003</p>	<p>Diplomatic Activities – Infrastructure and Operations</p>

FINANCIAL HIGHLIGHTS

The Department's financial statements, which appear on pages 192 through 251, received for the sixth straight year an unqualified audit opinion issued by the independent accounting firm of Leonard G. Birnbaum and Company. 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).

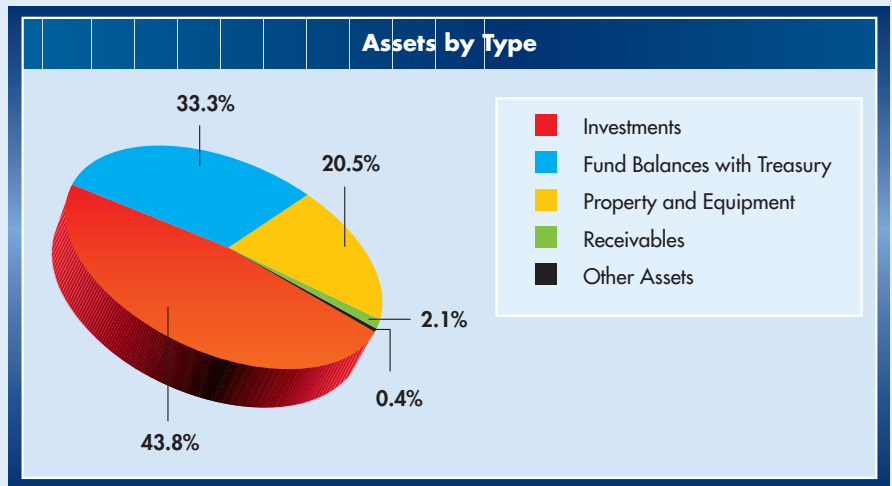
OVERVIEW OF FINANCIAL POSITION

Assets. The Consolidated Balance Sheet on pages 193 and 194 shows the Department had total assets of \$26.8 billion at the end of 2002. This represents an increase of \$2.6 billion (10.8%) over the previous year's total assets of \$24.2 billion. The increase is primarily the result of increases of \$1.3 billion in Fund Balances with Treasury, \$629.4 million in property and equipment, and \$544.3 million in investments in the Foreign Service Retirement and Disability Fund (FSRDF). The increase in Fund Balances with Treasury primarily resulted from a \$3.7 billion increase in 2002 budget authority.

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

	2002	2001
Investment, Net	\$11,750,737	\$11,206,403
Fund Balances with Treasury	8,937,139	7,652,119
Property and Equipment, Net	5,499,850	4,870,466
Accounts, Loans & Interest Receivable, Net	552,508	403,329
Other Assets	99,923	91,516
Total Assets	\$26,840,157	\$24,223,833

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

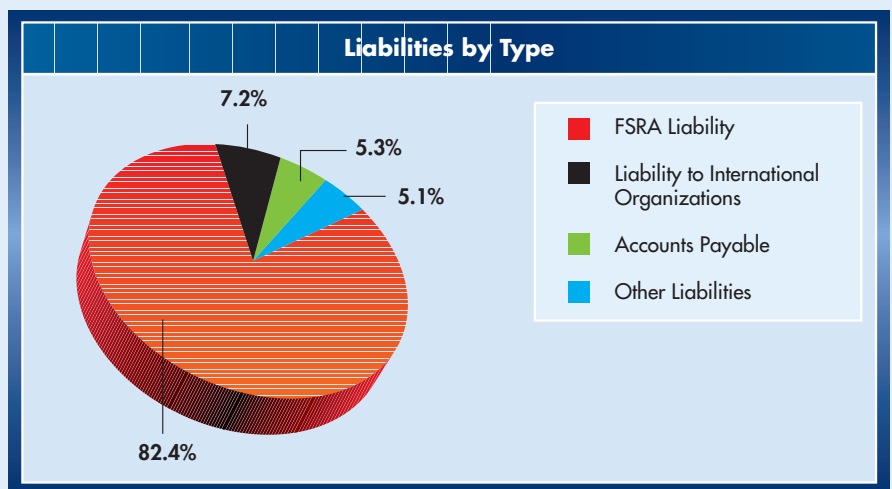


Liabilities. The Department had total liabilities of \$14.8 billion at the end of 2002, which is reported on the Consolidated Balance Sheet and summarized in the following table (*dollars in thousands*):

	2002	2001
Foreign Service Retirement Actuarial Liability	\$12,211,800	\$11,766,900
Liability to International Organizations	1,065,172	1,650,006
Accounts Payable	784,799	823,818
Other Liabilities	762,632	569,753
Total Liabilities	\$14,824,403	\$14,810,477

The Foreign Service Retirement Actuarial (FSRA) Liability of \$12.2 billion and the Liability to International Organizations of \$1.1 billion comprise 90% of the Department's total liabilities.

Of the total liabilities, \$1.8 billion (12%) were unfunded, i.e., budgetary resources were not available to cover these liabilities. The \$1.8 billion is primarily comprised of the \$1.1 billion Liability to International Organizations, and the unfunded portion of the FSRA Liability of \$324.7 million, which represents the amount by which the \$12.2 billion FSRA Liability exceeds the FSRDF's net assets available to pay the liability. The \$324.7 million unfunded



portion of the FRSA Liability is \$100.2 million less than the \$424.9 million unfunded FRSA Liability at the end of 2001, and marks the ninth consecutive annual decrease due to the continued financial growth experienced by the FSRDF.

The \$1.1 billion Liability to International Organizations consists of \$761.6 million in calendar year 2002 annual assessments, and \$303.5 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, 2002, 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 FY 2002; and payments totaling \$211.9 million were made in early FY 2003. Thus, \$32.1 million of appropriations for arrearage payments remain.

Ending Net Position. The Department's Net Position at the end of 2002 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$12.0 billion, a \$2.6 billion (27.6%) increase from the previous fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations at the end of 2002.

The growth in Unexpended Appropriations was principally due to the increase in budget authority received to rebuild the Department's diplomatic platform.

The increase in Cumulative Results of Operations resulted mainly from the \$629.4 million increase in property and equipment. The Cumulative Results of Operations also increased as a result of growth in the Working Capital Fund, and net proceeds of the FSRDF.

RESULTS OF OPERATIONS

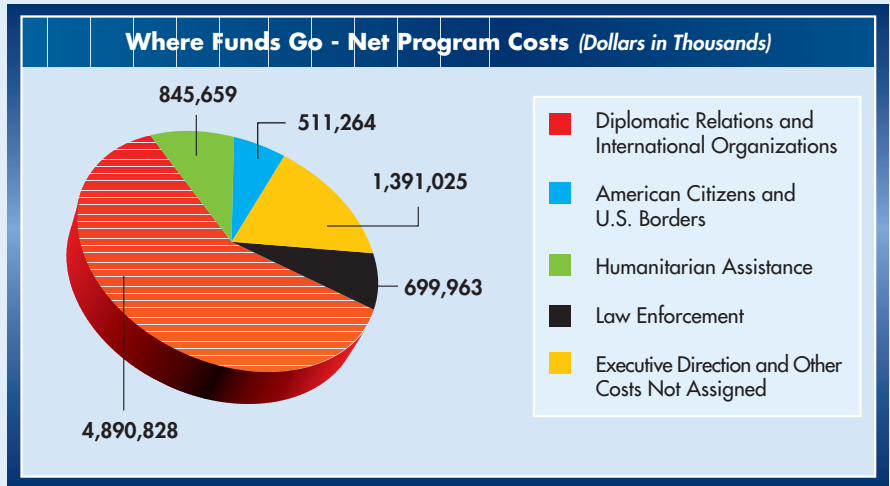
The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position on pages 195 and 196.

The Consolidated Statement of Net Cost on page 195 presents the annual cost of operating the Department's major programs. The total cost less any earned revenue for each program is used to determine the Net Program Cost. A Consolidating Schedule of Net Cost is presented in Note 18. The schedule displays the program costs by responsibility segment. Each Under Secretary oversees a responsibility segment and carries out their mission or major line of activity.

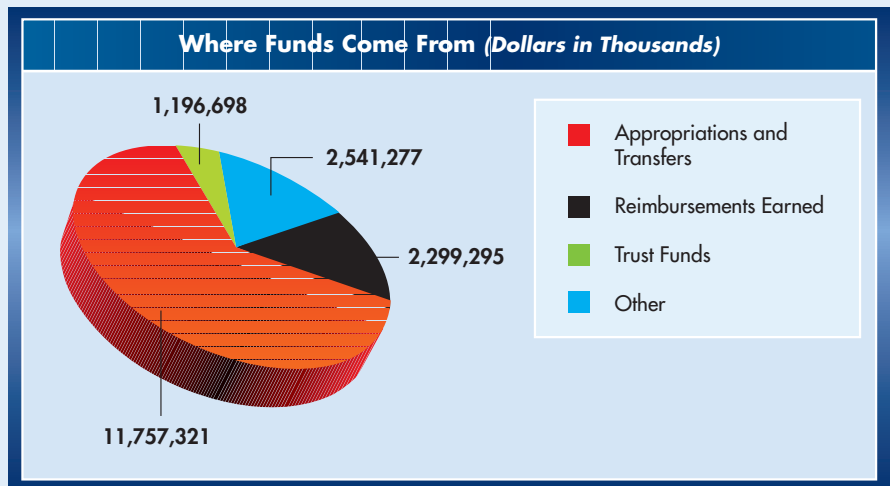
The programs on the Consolidated Statement of Net Cost correlate to the National Interests represented in the "Management's Discussion and Analysis" section of this report and in the Department's 2002 Performance Report. Exceptions are the National Interests of National Security, Economic Prosperity, Democracy, and Global Issues. These National Interests are carried out through, and presented collectively under, "Diplomatic Relations and International Organizations" on the Consolidated Statement of Net Cost. "Executive Direction and Other Costs Not Assigned" reflect costs and revenues related to high-level executive direction, international commissions, and certain general management and administrative support costs that cannot be reasonably allocated to programs.

The Department's Total Net Cost of Operations for 2002, after intra-departmental eliminations, was \$8.3 billion. "Diplomatic Relations and International Organizations" represents the largest investment for the Department at 59% of the Department's Net Cost of Operations. The net cost of operations for the remaining programs varies from 6% to 17%.

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 \$9.9 billion, comprising 81.2% of the Department's total revenues and financing sources after considering intra-departmental eliminations of \$1.5 billion. The charts reflect the funds that the Department received during 2001 and how these funds were used.

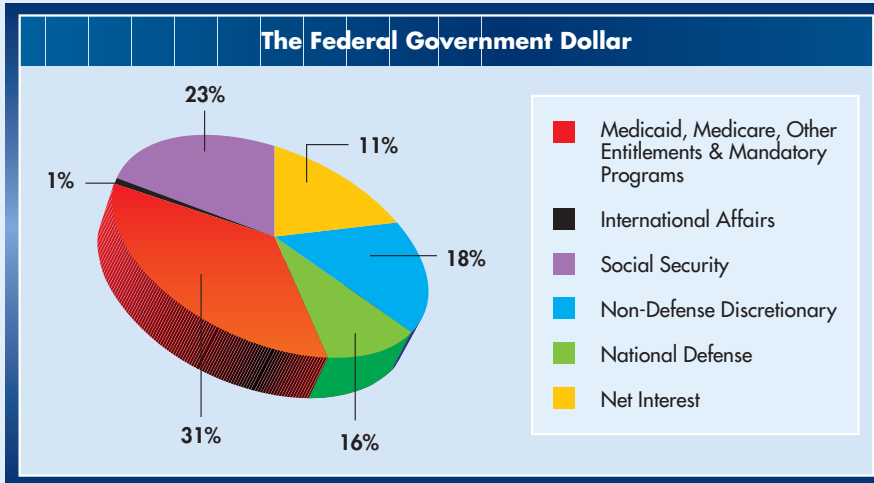


The Combined Statement of Budgetary Resources on pages 197-198 provides information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For the fiscal year, the Department had total budgetary resources of \$17.8 billion, an increase of 27.4% from 2001 levels. Budget Authority of \$12.9 billion - which



consists of \$11.8 billion for appropriations (direct, related, and supplemental) and transfers, and \$1.1 billion financed from trust funds - comprise 73% of the total budgetary resources. The Department incurred obligations of \$15.2 billion for the year, a significant increase (31%) over \$11.6 billion of obligations incurred during 2001. The 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 amount in the Federal budget to fund International Affairs, which encompasses several Federal agencies, is 1% of the Total Federal Government Dollar as reflected in the chart. The Department's funding related to international affairs amounts to just a fraction of 1%.

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

Reproduced with permission from FOREIGN POLICY # 126 (September/October 2001). Copyright 2001 by the Carnegie Endowment for International Peace.

The FY 2002 Department of State's budget of \$7.814 billion included the appropriations that finance the administration of foreign affairs (\$5.971 billion); contributions to international organizations and activities (\$1.724 billion); international commissions (\$61 million); other related appropriations (\$58 million); and several foreign assistance programs (\$818 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 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.

In FY 2002, the Department received appropriations and transfers from the Emergency Response Fund that targets funding to the Department's highest priority policy and management requirements and ensures the Department is properly organized, equipped, and manned to conduct America's foreign policy. FY 2002 represented a significant increase in the Department's resources and the first fiscal step in efforts to align both the organization for and the conduct of America's foreign policy with the dictates of the 21st Century. Within these funding levels, the Department continued current operations and met the Department's highest priorities, including embassy construction, security, information technology, and hiring new people. FY 2002 levels also included funding critical to address emergent facilities and operating requirements that arose as a result of the September 11 terrorist attacks, including reopening the mission in Kabul, Afghanistan; reestablishing an official presence in Dushanbe, Tajikistan; and increased security and personnel protection demands at home and abroad.

For our major operating appropriation, Diplomatic and Consular Programs (D&CP), the Department was funded at \$3.78 billion and included the first 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 883 new employees (above anticipated attrition) including 360 new diplomatic readiness positions, 51 new security positions to mitigate identified information security vulnerabilities overseas, 12 counter-terrorism positions, 71 new consular positions to address border security workload increases, and 389 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 2002 funding included \$1.517 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 \$1.059 billion for security capital construction and compound security projects and \$458 million for ongoing operations. The Department also received \$535 million for Worldwide Security Upgrades within the Diplomatic and Consular Programs appropriations (including \$30 million from the Emergency Response Fund and \$18 million from the 2002 Supplemental) to continue the perimeter security enhancement program for 232 posts; improve technical, counterintelligence and domestic security programs; and fund the 389 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 2002 funding for the Capital Investment Fund included \$210 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 OpenNet Plus providing complete web access for all State desktops by mid-FY 2003 and providing classified connectivity and email to every eligible post by FY 2004, laying the foundation for modernizing our outmoded cable system.

The Department's FY 2003 budget request continues to support the Department's priorities to support the War on Terrorism and build diplomatic readiness. The request includes \$1.3 billion for enhanced security and the War on Terrorism, including \$755 million to design and/or construct secure facilities, additional site acquisition, and compound security projects; \$553 million to upgrade worldwide security readiness including increased guard protection, chem/bio defense, and facility protection measures; and \$52 million to consolidate the Department's anti-terrorism training programs for both Diplomatic Security and coalition law enforcement personnel, by establishing a new Center for Anti-Terrorism Security Training (CAST).

The request also includes funding to support hiring 631 additional Americans, including 134 security professionals and support staff; 399 new hires to meet the highest priority diplomatic readiness staffing needs; and 98 new consular positions to enhance Border Security and ensure the security of U.S. visas and passports. The request continues to support the Department's information technology program with a request for \$177 million for the Capital Investment Fund, which would continue the investment in state-of-the-art IT systems worldwide, including extending classified connectivity to every post requiring it and expanding desktop Internet access to all Department employees.

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.

M I L E S T O N E S O F A M E R I C A N D I P L O M A C Y

1778: Treaty of Alliance with France, engineered by Benjamin Franklin, enabled the fledgling republic to continue its struggle for independence.

1783: Treaty of Paris-Great Britain recognized American independence and control over western lands as far as the Mississippi.

1795: Jay's Treaty required Great Britain to remove troops from northwestern frontier; Pinckney's Treaty with Spain opened mouth of Mississippi River to U.S. navigation.

1803: Louisiana Purchase removed foreign control of Mississippi's mouth and doubled U.S. territory.

1819: Adams-Onis Treaty with Spain, transferring Florida, extended the U.S. to present boundaries in southeast.

1823: Monroe Doctrine established U.S. policy of opposing European intervention or new colonization in Western Hemisphere.

1842: Webster-Ashburton Treaty with Great Britain delimited northeastern U.S. (Maine) boundary.

1846: Oregon Treaty with Great Britain extended U.S. sole dominion to the Pacific.

1848: Treaty of Guadalupe-Hidalgo, ending 1846-48 war with Mexico, confirmed U.S. claim to Texas and completed U.S. expansion to Pacific.

1867: Alaska purchase ended Russian territorial presence and completed U.S. expansion on North American mainland.

1898: Treaty of Paris, at end of Spanish-American War, transferred to the United States Puerto Rico, Guam, and the Phillipines, expanding U.S. power into the Pacific.

1918: Allies and Germany accepted Wilson's 14 points as basis for just and lasting peace ending World War I.

1945: U. S. and 50 other countries founded the United Nations.

1947: Truman Doctrine asserted U.S. policy of containing Soviet expansion through economic and military aid to threatened countries.

1947: Inter-American Treaty of Reciprocal Assistance (Rio treaty) committed the U.S. and Latin American republics to aid one another to resist military aggression.

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.

M I L E S T O N E S O F A M E R I C A N D I P L O M A C Y *C O N T I N U E D*

1986: The U.S. Congress implemented strong economic sanctions against South Africa, which helped to bring an end to apartheid in 1991.

1989-1991: As President George H.W. Bush stated a desire to integrate the Soviet Union into the community of nations, the Cold War ended when communist regimes collapsed across Eastern Europe and the Soviet Union disintegrated.

1990-1991: In response to the Iraqi invasion of Kuwait, the United States built an international coalition to defend Saudi Arabia and, after United Nations approval, to eject Iraq from Kuwait through Operation Desert Storm.

1992: Representatives of more than 175 nations, including the United States, met at the Earth Summit in Rio de Janeiro, which produced a treaty on climate change and was the largest international meeting on the environment ever convened.

1994: The North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico took effect and the United States joined another structure that promoted global free trade, the World Trade Organization.

1995: The General Framework Agreement for Peace in Bosnia and Herzegovina ended the Bosnian civil war by providing for NATO troops to serve as peacekeepers.

2001: The United States led a global coalition that fought a war against terrorism in the wake of the September 11 terrorist attacks in New York and Washington D.C.

I N T E R E S T I N G H I S T O R I C A L N O T E S

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 chargé 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."



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.

FISCAL YEAR 2002 PERFORMANCE AND ACCOUNTABILITY REPORT

PERFORMANCE
SECTION

Department of State National Interests and Strategic Goals

National Security – To protect vital interests and secure peace; deter aggression; prevent, defuse, and manage crises; halt the proliferation of weapons of mass destruction; and advance arms control and disarmament.

- **Regional Stability** – Ensure that local and regional instabilities do not threaten the security and well-being of the United States or its allies.
- **Weapons of Mass Destruction** – Reduce the threat of Weapons of Mass Destruction.

Economic Prosperity – To expand exports and open markets, assist American Business, foster economic growth, and promote sustainable development.

- **Open Markets** – Open world markets to increase trade and free the flow of goods, services and capital.
- **U.S. Exports** – Expand U.S. exports to \$1.2 trillion early in the 21st century.
- **Global Economic Growth** – Increase global economic growth and stability.
- **Economic Development** – Promote broad-based, sustainable growth in developing countries and transitional economies.

American Citizens and U.S. Borders – To protect American citizens abroad and safeguard the borders of the United States.

- **American Citizens** – Protect the safety of American citizens who travel and live abroad.
- **Travel & Migration** – Facilitate travel to the United States for foreign visitors, immigrants, and refugees, while deterring entry by those who abuse or threaten our system.

Law Enforcement – To combat international terrorism, crime, and narcotics trafficking.

- **Countering Terrorism** – Reduce international terrorist attacks, especially on the United States and its citizens.
- **International Crime** – Minimize the impact of international crime on the United States and its citizens.
- **Countering Illegal Drugs** – Reduce the entry of illegal drugs into the United States.

Democracy – To support the establishment and consolidation of democracies, and uphold human rights.

- **Democracy & Human Rights** – A worldwide community of democracies where human rights, including worker rights, and religious freedom are universally respected.

Humanitarian Response – To provide humanitarian assistance to victims of crises and disaster.

- **Humanitarian Assistance** – Prevent or minimize the human costs of conflicts and natural disasters.

Global Issues: Environment, Population and Health – To improve the global environment, foster a healthy and educated world population, and protect human health.

- **Environment** – Secure a sustainable global environment to protect U.S. citizens and interests from the effects of international environmental degradation.
- **Population** – Achieve a healthy and educated world population.
- **Health** – Improve global health for a more secure world.

Diplomatic Activities:

- **Mutual Understanding**
Improve and strengthen the international relations of the United States by promoting better mutual understanding between the people of the United States and the peoples of the world through educational and cultural exchange.
- **Human Resources**
An optimum number, distribution, and configuration of the Department's workforce both domestic and overseas under the highest quality leadership employed in response to the foreign policy priorities identified in the strategic plan.
- **Information Resources**
Fully modernized, secure, and advantageous IT infrastructure and information systems, relying largely on commercial services and approaches, supporting the mission of the Department of State and the international community.
- **Infrastructure and Operations**
Establish and maintain infrastructure and operating capabilities that enable employees to pursue policy objectives and respond to crises.

INTRODUCTION TO THE PERFORMANCE SECTION

In FY 2002, the Department carried out its mission through the pursuit of twenty strategic goals that articulate long-term outcomes (three-five years) and forty-two annual performance goals that represent shorter-term (one-year) outcomes and priorities. Annual goals include specific targets designed to achieve specific performance results.

The FY 2002 performance section of the Report is composed of chapters for each strategic goal that consist of five distinct sections:

Strategic Goal Overview and Public Benefit: A concise narrative explaining why the Department is pursuing a given strategic goal and a description of the tangible public benefits resulting from the pursuit of that goal.

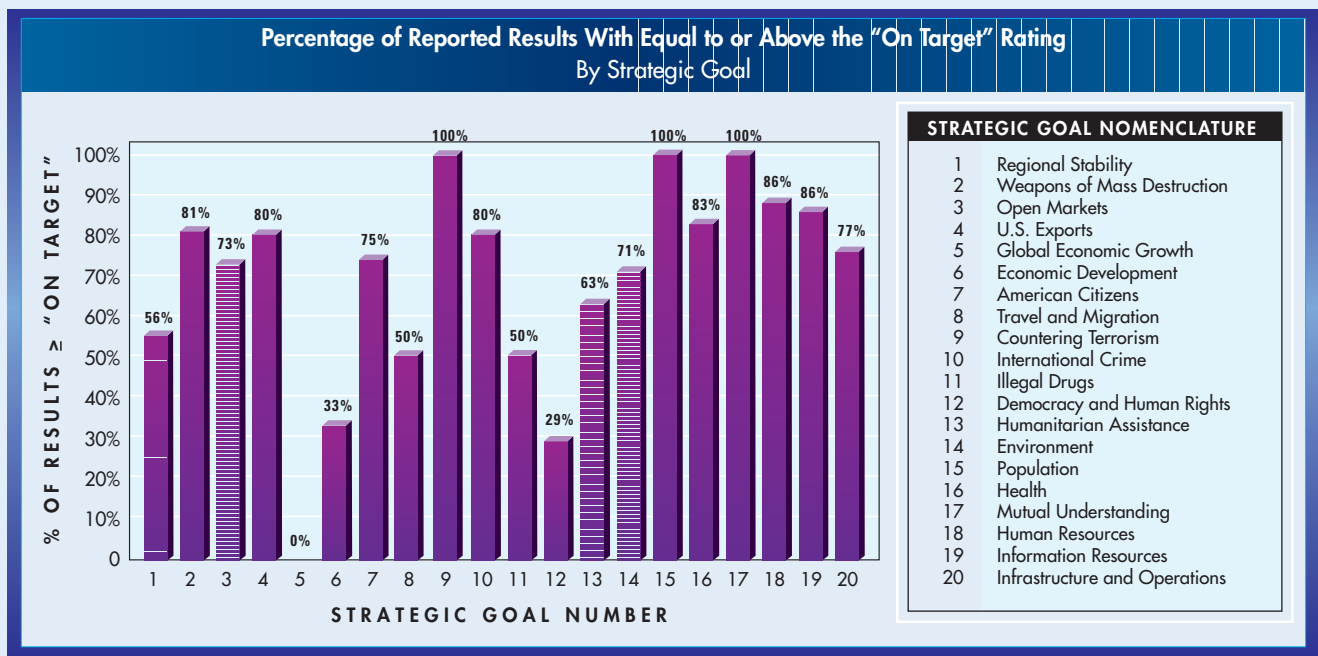
Strategic Goal Summary of Key Results Achieved: An easy-to-read chart and reference table summarizes the results achieved of all performance targets associated with a strategic goal.

Performance Goal Results and Impact Summary: This section answers three key questions: 1) How does the annual performance goal support the accomplishment of the longer term strategic goal?, 2) What key results were achieved?, and 3) What policy and programmatic impact were realized through the achievement of these results?

Performance Results by Indicator and Target: For each indicator and target identified in the FY 2002 Performance Plan, a table shows the result attained. A performance rating is also included to depict how well each result met its corresponding target.

Program Evaluations and Management Challenges: Selected program evaluations and the management challenges are identified by strategic goal.

The chart below summarizes the performance results attained for each Strategic Goal.



NATIONAL INTEREST: NATIONAL SECURITY

STRATEGIC GOAL 1: REGIONAL STABILITY

Ensure that local and regional instabilities do not threaten the security and well being of the United States and its allies.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

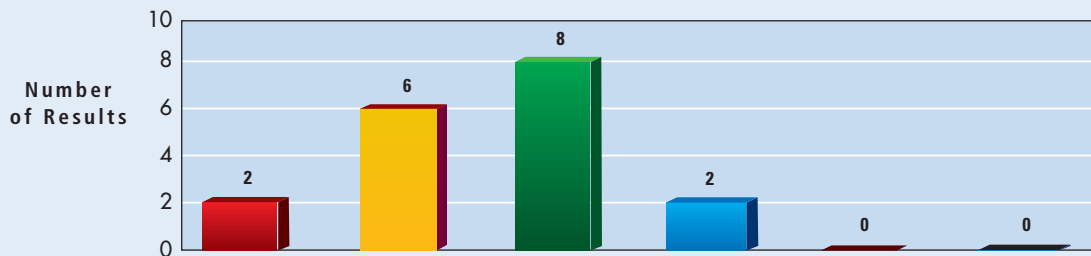
The United States must provide for the safety of Americans at home and abroad, protect against threats to its interests worldwide, and honor commitments to its allies and friends. The Department advances U.S. national security interests by promoting regional stability, so that all Americans, in the United States and abroad, are safe from violence. Through diplomacy, the United States builds and strengthens relationships with its neighbors and allies worldwide by shaping regional environments, promoting democracy and economic growth, and educating foreign audiences how to prevent, contain, or resolve conflicts.



President George W. Bush meets on September 19, 2002, with his national security team including Vice President Dick Cheney and Secretary of State Colin Powell in the Oval Office at the White House. AFP Photo/Luke Frazza

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED
Four Annual Goals and Eighteen Targets Represented

DISTRIBUTION OF RESULTS



Four Annual Goals Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	18	2	6	8	2	0	0
Percent of Total	100%	11%	33%	44%	11%	0%	0%

ANNUAL PERFORMANCE GOAL 1

U.S. ties with neighbors and key allies are close, strong, utilized and effective

Working together with friends, neighbors, and key allies fosters regional stability. Similar to a preference for coalition warfare when required to engage in combat operations, the United States prefers that others join in the conduct of diplomacy and operations other than war. The United States is able to use these strong ties to its best advantage when the relationships are strong.

SUMMARY OF KEY RESULTS AND IMPACT

Consistent with U.S. advice and recommendations, U.S. allies made commitments at the NATO summit in Prague in 2002 to increase their defense capabilities. With U.S. assistance, they will need to follow-up so that NATO can be in a position to address new threats and close the U.S.-European capability gap. Focusing efforts on "niche" capabilities should help close the gap. The Response Force agreed to at Prague will allow NATO to respond quickly and directly to threats wherever they arise.

The NATO Russia Council (NRC) gave Russia a voice in NATO, easing Russian concerns over NATO's enlargement. The NRC increased NATO-Russian cooperation in the key areas of civil emergency planning, counterterrorism, and peacekeeping, establishing a foundation for closer NATO-Russian relations in the future.

In July 2002, Japan adopted the Basic Plan for relocating the Futenma Marine Corps Air Station, enabling the project to go forward in a manner agreed upon by the U.S. and Japanese governments. Progress on relocating the facility is an important element of the Special Action Committee on Okinawa (SACO) Final Report on reducing the impact of U.S. forces stationed on Okinawa.

KEY RESULTS BY INDICATOR AND TARGET

EUROPEAN SECURITY RELATIONSHIPS			
Initial Target	Revised Target ¹	Result	Rating
Strong reinforced trans-Atlantic framework with an emerging European capacity to act where the Alliance as a whole is not engaged.	Trans-Atlantic framework includes European ability to act where the Alliance as a whole is not engaged.	Seven new members invited at Prague.	On Target New members make the Alliance more "Atlanticist."
Improved capabilities bolstering both DCI (Defense Capabilities Initiative) and ESDI (European Security and Defense Identity). Open Door decisions made.	Improved capabilities bolstering both DCI and ESDI.	Europeans made pledges at Prague to improve their capabilities. New capabilities to focus on filling key shortfalls, encouraging pooling and specialization, introducing the NATO Response Force (NRF) and reforming NATO's Command Structure.	On Target European military capabilities continue to improve. Focus on "niche" capabilities helps close the U.S.-European gap.
NATO-Russian relationship continues to develop. Strong NATO coordination achieved on WMD and regional security interests outside Europe that affect Alliance interests.	NATO-Russian relationship outlined.	NATO-Russia Council (NRC) and 2002 work plan established in May 2002.	On Target

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.

BILATERAL SECURITY COOPERATION WITH JAPAN			
Initial Target	Revised Target ¹	Result	Rating
Progress on construction and operational plans for Futenma replacement site. Special Measures Agreement (SMA) further implemented. Launch a comprehensive security dialogue with Japan.	U.S. and Japan agree on type of replacement facility to build, including sea, land or a combination of options.	Japanese authorities adopted a Basic Plan for the relocation of Marine Corps Air Station Futenma in July 2002.	On Target
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

ANNUAL PERFORMANCE GOAL 2

Foster stable and secure regional partners

Nations that are politically and economically stable and militarily secure are less likely to resort to military conflict to resolve differences with neighboring states and non-state actors, particularly if others in their immediate environs have a similar sense of stability and security. U.S. efforts to foster democracy, economic development, and a sense of military sufficiency contribute to regional stability and diminish the likelihood that conflict will erupt.

SUMMARY OF KEY RESULTS AND IMPACT

The United States, with assistance from France, the UK, and others, is training, equipping, and funding a new Afghan national army. Three battalions were trained in FY 2002 and more are in training as part of an ongoing, long-term program that will eventually result in a robust army of multiple combined-arms, division-sized units. The first of these graduated battalions has begun taking part in Operation Enduring Freedom, thus demonstrating the Afghan government’s growing capacity to assume responsibility in its own country.

China stated its support for a nuclear weapons-free Korean Peninsula, which increased worldwide support for ending North Korea’s Highly Enriched Uranium (HEU) program. The Department will continue to seek Chinese support for dismantling the HEU program. Coordination on North Korea has helped strengthen Sino-U.S. ties. China continued to play a constructive role in South Asia in 2003. However, tension between China and Taiwan remains.

Russia’s fulfillment of the Flank Commitment of the adapted Conventional Forces in Europe (CFE) Treaty was a significant achievement. However, Russia’s failure to fulfill its commitments regarding Georgia and Moldova has delayed its ratification of the adapted CFE Treaty. While the current CFE Treaty is adequate for ensuring security and confidence through data exchanges and inspections, the long delay getting the adapted Treaty in place undermines confidence and stability. Russia’s failure to fulfill all its commitments also raises questions about its intentions in this region.

KEY RESULTS BY INDICATOR AND TARGET

CHINESE COOPERATION ON REGIONAL SECURITY IN CROSS STRAITS RELATIONS AND IN ENGAGING NORTH KOREA			
Initial Target	Revised Target ²	Result	Rating
Continue to strive for regional security cooperation while effectively managing our differences; encourage resumption of constructive Cross-Strait dialogue; and take steps to build confidence and reduce tensions.	Cooperation increases while effectively managing our differences. Encourage resumption of Cross-Strait dialogue.	China used diplomatic channels to urge Pakistan and India to avoid conflict and reduce tensions. China encouraged North Korea to reform, and not to pursue a nuclear weapons capability. Limited discussions on other regional issues, including the South China Sea.	On Target Chinese diplomacy helped defuse tension in South Asia and has supported a nuclear weapons-free Korean Peninsula. Slightly Below Target The lack of progress on Cross-Strait dialogue prevented achievement of the established target.
IMPLEMENTATION OF ADAPTED CONVENTIONAL FORCES IN EUROPE (CFE) TREATY			
Initial Target	Revised Target ¹	Result	Rating
Orderly CFE accession efforts underway; full implementation of adapted treaty.	Russia in compliance with flank limits and Final Act commitments, allowing ratification and entry into force (EIF).	Russia has fulfilled its Istanbul commitment on the flank issue, reduced its flank equipment to adapted Treaty levels, and discharged its Istanbul commitments relating to CFE equipment in Georgia and Moldova. However, Russia must reach agreement with Georgia on remaining issues regarding the Gudauta base and its future use and the duration of Russian presence at Batumi and Alkhalkalai. Russia also needs to continue the destruction/removal of munitions and small arms in Moldova.	Slightly Below Target Although Russia's fulfillment of the Flank Commitment was a significant achievement, it required continued U.S. and allied pressure at every opportunity. This was necessary in order to stress the importance NATO attaches to Russian fulfillment of all its commitments before NATO can consider ratification of the adapted CFE Treaty. Therefore, the established target was not met.
<p>² Target language modified slightly but is substantially consistent; reported "Result" corresponds to Revised Target as shown.</p> <p>¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.</p>			

ANNUAL PERFORMANCE GOAL 3
Develop and utilize effective conflict prevention/conflict resolution tools

To avoid direct involvement in every regional dispute around the world, it benefits the United States to train and equip others to participate in peacekeeping operations. Assisting states to develop credible military tools and diplomatic skills provides them with a sense of security as well as the capability to participate in peacekeeping operations. Using these tools to prevent, resolve, or contain conflict reduces the likelihood of regional instability.

SUMMARY OF KEY RESULTS AND IMPACT

Withdrawal of the majority of foreign forces from the Democratic Republic of the Congo (DRC) and cessation of hostilities along the disengagement line have been critical to the overall peace process and have laid the groundwork for Disarming, Demobilizing, Repatriating, Reintegrating and Resettling (DDRRR) combatants in the DRC.

Continued instability in many areas of the DRC however, has stymied full DDRRR efforts and prolonged the humanitarian crisis in the eastern DRC. Participation by U.S.-trained and equipped West African troops deployed in the UN force and by the Economic Community of West African States (ECOWAS) has helped bring peace to Sierra Leone.

Having worked intensively for over two years through the Kimberley Process to combat the conflict diamonds trade, the United States is committed to ending the use of rough diamonds by rebel groups to fund insurrections against civilian populations. In the Interlaken Declaration of November 2002, the United States joined forty-seven other governments in pledging to eliminate conflict diamonds from international trade beginning January 1, 2003 through the implementation of a global rough diamond certification system. The U.S diamond industry will voluntarily issue Kimberley certificates to accompany rough diamond export shipments.

Pakistan has promised to cease support for infiltration into Kashmir, which is key to preventing war between India and Pakistan. However, continuing infiltration and high levels of election-related violence in September 2002 prevented implementation of confidence building measures (CBMs), requiring sustained U.S. and international pressure on Pakistan to help control violence. The potential for nuclear or ballistic weapons exchanges remains unacceptably high, making continued high-level diplomatic engagement necessary.

Russian objections to the continuation of the OSCE Chechnya mandate make it unclear whether the OSCE Assistance Group (AG) in Chechnya will be extended beyond January 1, 2003. During its previous mandate, the AG maintained the sole permanent international presence in Chechnya, providing key international perspective to local officials, activists, and persons in need. The AG facilitated both general and targeted humanitarian assistance to persons in need and provided training and equipment for local officials, educators and non-governmental organizations (NGOs). They interceded repeatedly with leading local officials regarding concerns over human rights, official mistreatment, and housing and security for returning internally displaced persons (IDPs), thus encouraging greater attention to these details. The overall impact of these activities was significant, particularly in reporting on the situation on the ground, coordinating humanitarian assistance to the region, and working closely with local officials to raise their awareness about human rights concerns.

In FY 2002, a record 122 states participated in the UN Register of Conventional Arms Transfers, meeting the participation target. China, however, still did not participate. The greater level of participation in the Register provided more transparency in the field of armaments and allowed the Register to function more effectively as an early-warning mechanism on excessive and destabilizing accumulations of conventional arms. It is estimated that the Register captures more than 95 percent of the global transfers in the seven equipment categories covered by the Register. Efforts will continue to expand participation in the Register.

China continued to refuse to resume participation in the Register as a protest against U.S. exports to Taiwan. As a result, one of the seven principal arms exporters is still not reporting data to the Register. The United States and other countries will continue to press China to be transparent in its conventional arms transfers and not hide behind the political issue of Taiwan.

KEY RESULTS BY INDICATOR AND TARGET

CONFLICT RESOLUTION, PEACEKEEPING, AND REGIONAL STABILITY EFFORTS IN AFRICA			
Initial Target	Revised Target ³	Result	Rating
Continued participation by all of these regional and sub-regional organizations in conflict resolution, peacekeeping, and regional stability efforts in these crises and others that may arise.	The Organization of African Unity (OAU), ECOWAS, and the Southern African Development Community (SADC) continue participation in conflict resolution, peacekeeping and regional stability efforts in crises that arise.	<p>South Africa, a member of the African Union (AU) provided leadership and facilitation for the Democratic Republic of the Congo (DRC) peace process and the AU provided personnel to the Joint Military Commission responsible for working with the UN Observation Mission in the DRC.</p> <p>The war in Sierra Leone is effectively over.</p> <p>Program activities such as the West Africa Stabilization Program and the African Contingency Operations Training and Assistance Program (formerly the African Crisis Response Initiative) have ensured that ECOWAS, as well as armies of individual African countries, are better equipped to meet the demands of peacekeeping operations.</p>	<p>Above Target</p> <p>Numerous organizations remained committed and continue to participate in conflict resolution, peacekeeping, and regional stability operations in Africa.</p>
REDUCTION OF TENSION IN SOUTH ASIA			
Target	Result	Rating	
Indian/Pakistani implementation of CBMs and restraint regime.	Pakistan provided assurances in June that support for infiltration across the Line of Control (LOC) would cease permanently. Infiltration decreased, although indications remain that it continues. India began to demobilize forces following Kashmiri elections. Pakistan followed suit. Nuclear test moratoria continued; however, ballistic missile and nuclear programs continued unrestrained.		<p>Slightly Below Target</p> <p>Although war between India and Pakistan was avoided during FY 2002, no progress was made with regard to implementing confidence building measures (CBMs). Indian initial demobilization steps, followed by similar Pakistani moves, and coupled with Pakistani measures to halt infiltration, will enable consideration of CBMs in the future.</p>
South Asia Task Force (SATF) actively engaged in promoting conflict-avoidance/confidence-building measures for the region.	Meetings on SATF cease in Spring 2002 based on a judgement that SATF did not advance shared goals.		<p>Significantly Below Target</p> <p>Given Indian and Pakistani hostility to SATF, bilateral approaches by the U.S. and other concerned countries have been more productive.</p>
<p>³ Target did not change. OAU, ECOWAS and SADC are the specific sub-regional organizations mentioned in the initial target.</p>			

IMPLEMENTATION OF OSCE SUMMIT INITIATIVES

Initial Target	Revised Target ¹	Result	Rating
Free and fair provincial elections in the Balkans. Nascent democratic institutions in Bosnia and Kosovo develop confidence and strengthened legitimacy, tackle increasingly difficult problems. Baltic Missions well on the way to transformation/closure.	Kosovo elections in 2001 lead to functioning democratic institutions.	Elections led to coalition government; functioning, multi-ethnic assembly.	On Target
	“Assistance Group” (AG) in Chechnya has broader role in political dialogue with Russia.	AG developed closer, stronger working relationships with local and federal officials and NGOs, and provided indispensable reporting on local developments to OSCE and USG.	On Target

OAS ARMS ACQUISITION TRANSPARENCY CONVENTION

Target	Result	Rating
Four more states parties ratify the convention, bringing it into effect. Ratifying states parties begin compliance with reporting requirements.	In addition to the three states that ratified the convention during FY 2001, three new states (El Salvador, Paraguay, and Peru) ratified the Convention during 2002, bringing it into effect. Many ratifying states voluntarily complied with reporting requirements prior to the Convention entering into force.	Above Target

MULTILATERAL ARMS TRANSFER CODE OF CONDUCT

Target	Result	Rating
Finalize text and achieve compliance.	Several influential countries have overcome their reluctance regarding an international arms transfer code of conduct. They are preparing their own versions of a code and developing strategies for widespread adoption.	Slightly Below Target The existence of many proposed and actual codes of conduct has made it difficult to advocate for another. More time will be required to work on text and strategy before the target can be met.

ARMS TRANSPARENCY IN UN REVIEW AND WASSENAAR ARRANGEMENT CONTROL LISTS

Target	Result	Rating
Add further categories to Wassenaar Arrangement mandatory reporting. UN Register participation increases to more than 100 states; China resumes participation.	No new categories were added, but progress was made in this multi-year effort. In FY 2002, 122 states participated in the UN Register of Conventional Arms Transfers. China still did not participate.	Slightly Below Target Resistance from several countries was overcome; future progress is expected. Slightly Below Target Although more than the targeted number of countries participated, creating greater transparency in the field of armaments, China’s non-participation means that one of the world’s seven principal arms exporters still does not report.

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. “Result” reported for both sets of targets.

ANNUAL PERFORMANCE GOAL 4

Contain and resolve outstanding regional conflicts

Conflicts, whether between states or within a single state, are destabilizing. The United States advocates diplomacy as the first course of action. It views the application of military capabilities as a last resort for containing and resolving disputes so that peace, economic development, and democracy can flourish. The United States is prepared to take such steps unilaterally or in concert with other nations and international organizations.

SUMMARY OF KEY RESULTS AND IMPACT

The 1995 Dayton Peace Accords mandated arms control agreements in Bosnia and Herzegovina (BiH) and the surrounding region to establish confidence building and reductions in force among the former warring parties. The agreement by the Article IV parties (the BiH entities, Croatia, and the Former Republic of Yugoslavia) to reduce heavy weapons in exempted categories in excess of the allowed ceilings has been difficult to reach despite its importance. While technically legal, such excesses are not in keeping with the intent of the agreement and amount to circumvention of the agreement. The United States and the Organization for Security and Cooperation Europe (OSCE) will continue to press the parties to follow through on this decision in FY 2003.

A key requirement for establishing permanent stability in BiH and the region and allowing for the withdrawal of international military forces is a functioning Bosnian state. This requires strengthening of state-level institutions, which the Article IV agreement has tried to support. During FY 2002, OSCE focused attention on allowing the BiH to conduct inspections equally with the other parties. The fact that the Republika Srpska (RS) opposes this indicates there is much work yet to be done to ensure a functioning state. The United States and the OSCE will continue to press the RS on this issue.

War between Pakistan and India was avoided during FY 2002. After the autumn 2002 Kashmiri elections, India initiated troop redeployment and negotiations with the new state government on a reduced security presence, all of which would foster a positive environment for the region.



Deputy Secretary of State Richard Armitage meets Pakistani President Pervez Musharraf in Islamabad on August 24, 2002, on a visit to ease tension between India and Pakistan over the Kashmir dispute.

AFP Photo/B.K. Bangash/Pool

KEY RESULTS BY INDICATOR AND TARGET

DAYTON ACCORDS ARMS CONTROL		
Target	Result	Rating
Improved implementation of Articles II and IV; Article V agreement implemented successfully.	Article II implementation continued to improve; data exchanges were better, and a new project to develop procedures allowing the two Bosnian entities' armed forces to assist one another in cases of man-made or natural disasters begun. At the Third Review Conference in June 2002, the Article IV Parties, endorsed measures to decrease the amount of heavy armaments held in exempted categories in excess of allowed ceilings. The Bosnian-entity Republika Srpska (RS) continued to oppose state-level Bosnia and Herzegovina (BiH) inspections, which must occur in order to build state-level BiH institutions. The first Article V review conference took place in June 2002 and agreed to rules and procedures for succeeding review conferences. Croatia and Slovenia announced additional voluntary inspection quotas.	On Target The progress achieved with respect to implementation of Dayton Arms Control is consistent with expectations.
THE SITUATION ALONG AND NEAR THE KASHMIR LINE OF CONTROL		
Target	Result	Rating
Indo-Pakistani dialogue is maintained and strengthened.	Major terrorist attacks brought India and Pakistan close to war, but U.S. and UK diplomatic intervention helped ease tensions; Pakistan took actions against Kashmiri jihadist militants. India successfully held elections in Kashmir.	Significantly Below Target Although war between India and Pakistan was avoided, hostilities precluded bilateral dialogue on all issues, including Kashmir, as well as dialogue between India and insurgent groups.

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGES

Three Program Evaluations were conducted in FY 2002 that pertained to this Strategic Goal:

1. Security Assistance Programs for New NATO and NATO-Aspirant Countries, (OMB PART)
2. Security Assistance Programs for Sub Saharan Africa, (OMB PART)
3. Peacekeeping Operations (including OSCE and East Timor Programs), (OMB PART)

Detailed information on major findings, recommendations, and actions to be taken can be found in the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

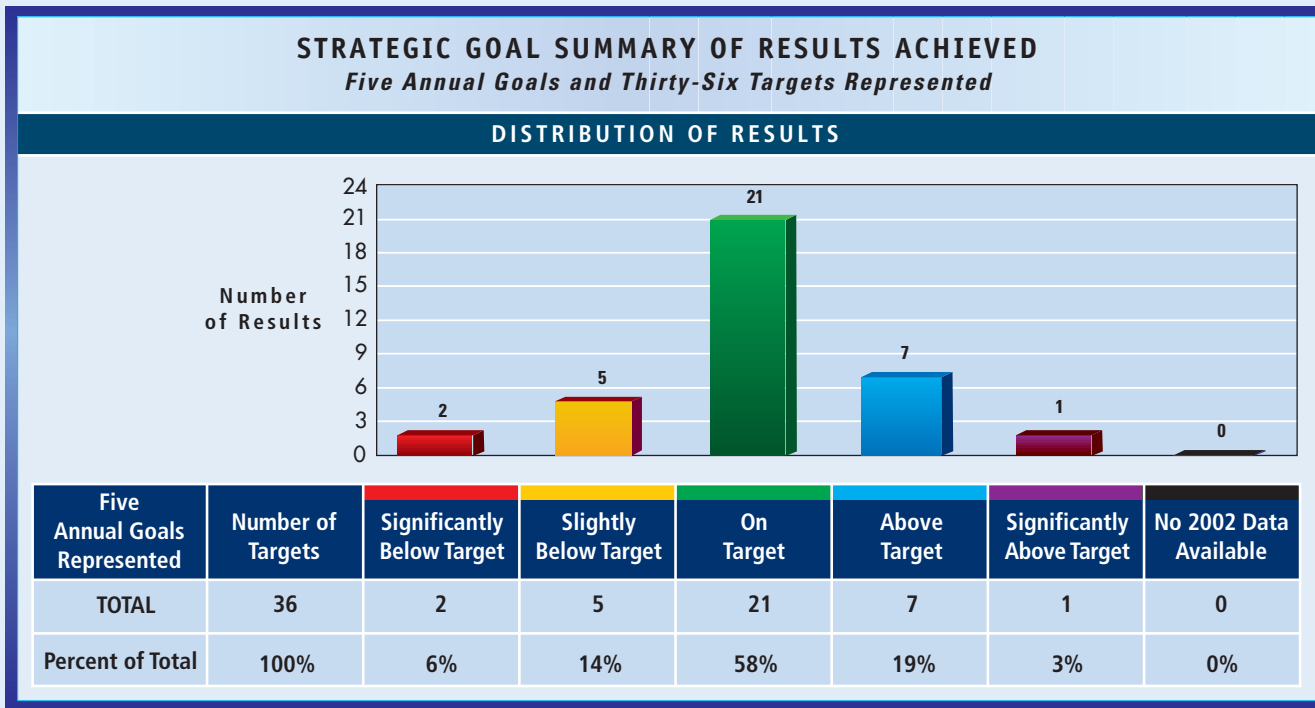
NATIONAL INTEREST: NATIONAL SECURITY

STRATEGIC GOAL 2: WEAPONS OF MASS DESTRUCTION

Reduce the threat of weapons of mass destruction.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

The chief threat to the security of the United States is no longer a rival superpower. As demonstrated by the Aum Shinrikyo attacks in Tokyo in 1995 and events of 9/11, rogue states and terrorist groups are an immediate threat to America, especially if they seek to use nuclear, biological, or chemical weapons. Preventing the proliferation of these deadly weapons and their delivery systems, and reducing the number of those already in existence, are therefore top Department priorities. The Department is also working to strengthen agreements aimed at reducing or eliminating weapons of mass destruction (WMD) and seeking new approaches or technologies to reduce the threat of WMD and missiles. Finally, the Department is doing all this in ways that maximize verification and compliance with treaties, commitments, and agreements.



ANNUAL PERFORMANCE GOAL 1

Weapons of mass destruction and their means of delivery are contained; proliferation to other countries and terrorists is prevented, contained, or reversed

SUMMARY OF KEY RESULTS AND IMPACT

In May 2002, the Department negotiated a new Goods Review List (GRL) as part of the new Iraq export-control regime, and is working to ensure that Iraq is fully disarmed pursuant to UN Security Council Resolution 687. The Department led active

diplomatic efforts with permanent members of the UN Security Council to sustain a Security Council consensus that UN Monitoring, Verification and Inspection Commission (UNMOVIC) and International Atomic Energy Agency (IAEA) inspectors will have the unambiguous right to inspect anywhere, anytime in order to verify Iraq's disarmament.

As a supplier to Iran, Russia remains a principal concern. Moscow is deeply aware of U.S. concerns as the Department continues to raise these issues at senior levels. Despite public announcement in the summer of 2002 about the possibility of additional Russian reactor sales to Iran, momentum toward such a deal has stopped.

China appears to be following through on its 1997 commitments to limit the sale of nuclear equipment, but some interactions between Chinese and Iranian entities are of concern to the Administration. The Department continues to address those concerns with Chinese authorities. As part of a commitment made in November 2000, China promulgated missile-related export controls in August 2002 and CBW controls in October 2002. U.S. and Chinese technical experts met to discuss China's new export controls.

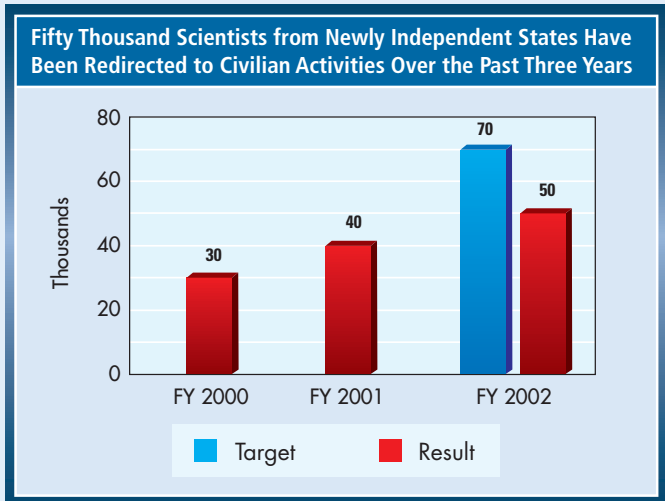
In response to European Union (EU) requirements for accession, several central European countries have passed export-control laws or amended current laws to strengthen export control mechanisms. U.S. training programs have worked so well that these countries will operate their own self-sustaining programs by FY 2004. Other countries, especially those of the former Soviet Union, are well on their way to adopting legislation and implementing regulations. Friends and allies concur with the United States on the threat of Iran's WMD. The EU concedes that nonproliferation must be addressed in its political dialogue with Iran. Italy, Germany, and Australia have also raised nonproliferation in dialogues with Iran.

To date, the Department has been unsuccessful in getting India and Pakistan to restrain their nuclear and missile programs and in encouraging Indo-Pakistani dialogue on CBMs and other subjects, despite extensive efforts by senior Department officials. As a result of a U.S.-initiated nonproliferation dialogue, Pakistan is considering a U.S. offer to assist in achieving export control goals. India has accepted a U.S. offer to collaborate on ways to strengthen its export controls.

Confirmation of the existence of a clandestine uranium enrichment program in North Korea sharply increased international concerns about that country's nuclear intentions. CY 2002 ended with a series of escalating steps by North Korea pointing toward breach of not only the US-North Korea Agreed Framework, but also of its safeguards agreement with the IAEA. The freeze under the Agreed Framework and Missile Flight Test Moratorium continued until conclusion of the FY 2002, and North Korea informed Japan that it will maintain its long-range missile flight test moratorium beyond 2003. However, North Korea's ballistic-missile exports contribute to arms races and instability in the Middle East.

In addition, negotiations with Russia were completed on implementing the agreement to cease plutonium production under the Plutonium Production Reactor Agreement (PPRA) through the shutdown of reactors rather than by core conversion. Negotiations continued on fissile material storage facility (FMSF) transparency arrangements. Bilateral meetings with Russia during FY 2002 led to decisions that specified the Russian program by January 2003. Discussions with G-8 allies and Sweden concerning plutonium disposition began in December 2002. There have been pledges of \$700 million so far and additional pledges are likely by the 2003 G-8 Summit at Evian. The target date for the multilateral agreement is during the fall of 2003.

As shown in the adjacent chart, progress has been made in the effort to redirect weapons scientists in the Newly Independent States (NIS) to civilian activities:



KEY RESULTS BY INDICATOR AND TARGET

IMPEDIMENTS TO ACCESS BY STATES OF CONCERN TO WMD, MISSILE EQUIPMENT AND TECHNOLOGY			
Initial Target	Revised Target ²	Result	Rating
Russia stops sensitive nuclear assistance and reduces missile cooperation with Iran; makes no new nuclear contracts with India.	Russia stops nuclear cooperation with Iran.	Russia still exporting technology; increased attention to problem of Iran.	Slightly Below Target As a supplier to Iran, Russia remains our principal concern, but international consensus not to provide nuclear assistance to Iran has remained in place. Russia deeply aware of U.S. concerns; the Department continues to raise these issues at senior levels.
Further progress on China's full adherence to its 1997 nuclear nonproliferation commitments. China fully abides by its missile technology export policy and has made significant improvements to its export control system.	Progress on China's adherence to 1997 commitments; China abides by its export control policy and makes improvements.	Questions remain about China's implementation of its 1997 nuclear commitments. China has not fully implemented its November 2000 missile commitments.	On Target China appears to be following through on its 1997 nuclear commitments, but some interactions between Chinese and Iranian nuclear entities are of concern to the Administration. China promulgated missile-related export controls, as well as CBW controls.
North Korea does not export nuclear material or technology, and agrees to constrain missile exports.	North Korea does not export nuclear material or technology and agrees to constrain missile exports.	No North Korean export of nuclear material or technology. North Korean exports of ballistic missile-related equipment continued.	Slightly Below Target North Korea has not contributed to nuclear programs in other countries, but ballistic missile exports destabilize already volatile regions of the Middle East, North Africa, and South Asia.
Significant progress by additional countries, particularly in the NIS, toward internationally recognized export control standards; significant progress by additional countries in meeting standards for having effective enforcement; additional blocked transfers or interdictions.	NIS and other countries move towards enforcement of export control standards.	Central European countries developing strengthened export controls; some NIS countries moving towards controls.	Above Target In response to EU requirements for accession, several Central European countries have passed export control laws or amended current laws to strengthen export control and enforcement.

² Target language modified slightly but is substantially consistent; reported "Result" corresponds to Revised Target as shown.

STATES CONFORM TO INTERNATIONAL NON-PROLIFERATION NORMS OF BEHAVIOR

Initial Target	Revised Target	Result	Rating
South Asia: Restraint on missile programs; continued nuclear testing moratoria. Progress on implementation by India and Pakistan of effective export controls on sensitive technologies approximating international standards.	Restraint on nuclear and missile programs in South Asia; continued nuclear testing moratoria.	No constraints on Indian and Pakistani missile programs. A nuclear testing moratorium continued, but nuclear weapons programs continue.	<p>Slightly Below Target</p> <p>South Asia: Unsuccessful to date in getting India and Pakistan to restrain their nuclear and missile programs, despite substantial efforts by senior officials. Pakistan considering U.S. offer for assistance on export controls. India accepted U.S. offer for assistance on export controls to be scheduled for spring 2003.</p>
Middle East: Reformed Oil for Food (OFF) program and targeted controls do not enjoy full international support; leakage occurs. Tehran continues WMD development using own technologies and help received.	Controls on Iraq receive international support. Iraq and Iran denied WMD and missile-related technologies. Stronger export controls throughout region.	<p>Wide international support for pressure on Iraq to comply with international obligations.</p> <p>Iraq denied some technologies necessary for WMD and missiles. While some shipments blocked and procurement impeded proliferative programs continue to acquire some needed items.</p> <p>Unanimous UN Security Council approval of Resolution 1441.</p>	<p>Above Target</p> <p>In May 2002, the UNSC unanimously adopted resolution 1409, implementing the new UN export control system based on the Goods Review List for Iraq. Growing international support for the unconditional return of UN inspectors to Iraq; culminated in unanimous passage of UNSCR 1441; UNMOVIC/IAEA pursuing inspections to uncover WMD and missile programs.</p> <p>Notable increase in consultations with friends and allies on the threat of Iran's WMD and missiles. Numerous shipments destined for proliferation successfully blocked; sanctions imposed on various proliferative entities.</p> <p>Successful interdiction of third-country suppliers of WMD and missile-related technologies and equipment to Iraq.</p>
North Korea	<p>Missile Policy Progress on verifiable constraints on North Korea's missile program.</p> <p>Agreed Framework Negotiations on improved implementation of Agreed Framework.</p>	<p>North Korean freeze under the Agreed Framework and missile flight moratorium continued.</p> <p>North Korea admitted to secret uranium enrichment program for nuclear weapons.</p>	<p>Significantly Below Target</p>

PROGRESS TOWARD IMPLEMENTING FISSILE MATERIAL PROJECTS			
Initial Target	Revised Target ¹	Result	Rating
Cooperation toward implementing fissile material projects.	Russian plutonium stockpile capped.	Progress made on implementation and transparency issues.	<p>On Target</p> <p>Negotiations completed on replacement implementing agreement to cease plutonium production under the Plutonium Production Reactor Agreement (PPRA) through shutdown of reactors rather than core conversion.</p> <p>Procedures completed for first-phase PPRA plutonium monitoring and first visit conducted. Negotiations continued on fissile material storage facility (FMSF) transparency arrangements.</p>
Cooperation underway under U.S.-Russian Plutonium Disposition Agreement. Multilateral agreement and financing structures for assistance to Russian program completed by end of FY 2002.	U.S.-Russian Plutonium Disposition underway.	Preparations for negotiations of plutonium-disposition multilateral framework are on track.	<p>On Target</p> <p>Meetings held bilaterally with Russia during FY 2002 are leading to decisions on specifics of the Russian program by January 2003. G-8 allies and Sweden began negotiations in December 2002 on plutonium-disposition multilateral framework and financing.</p>
RUSSIAN AND NEWLY INDEPENDENT STATES (NIS) WEAPONS SCIENTISTS REDIRECTED IN CIVILIAN ACTIVITIES; PROGRESS IN DEVELOPING CIVILIAN ALTERNATIVE EMPLOYMENT			
Target	Result	Rating	
Up to an estimated 70,000 Soviet WMD scientists engaged in civilian R&D; institute-industry partnerships expanded; more technologies taken to commercial and government markets.	<p>Engaged cumulative total of 50,000 scientists, of whom, about 26,000 were former WMD scientists.</p> <p>Eight new U.S. industry partners recruited.</p> <p>Three new technological applications brought to market, including Neurok TechSoft (linear differential equation solver), a laser-based flouorocarbon detector and the Animatek (computer animation) technology.</p>	<p>Above Target</p> <p>Industry funding for joint projects has increased to approximately 8% of total science center projects.</p> <p>New engagement of former CW R&D institute in Russia; increased number of projects with newly engaged Uzbek biological institutes; continued antiviral and TB vaccine research in Russian biological institutes.</p> <p>Increased number of project audits from 40 to 50; new computer-based financial accounting/project monitoring systems developed.</p>	
<p>¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.</p>			

ANNUAL PERFORMANCE GOAL 2

*Reduction of weapons of mass destruction stockpiles, materials, infrastructure;
essential foreign support or toleration for U.S. weapons development*

Given the real and increasing threat posed by rogue states and terrorists seeking WMD capabilities and the means for their delivery, the United States is developing and will deploy missile defenses for the protection of U.S. and NATO deployed military forces, territory, and population centers. Reducing the number of U.S. and Russian strategic weapons continues to be a key vehicle for reducing the threat of WMD. The United States has decided to decrease its number of nuclear warheads and desires that Russia do the same in a transparent and verifiable manner. The Department is also working to establish a strategic dialogue with China that supports U.S. approaches to reducing the threat of WMD.

SUMMARY OF KEY RESULTS AND IMPACT

All parties completed the final START I Treaty reductions by the December 2001 deadline. Completion of the START reductions demonstrates the success of this unprecedented, five-country effort to reduce strategic offensive arms significantly, from over 10,000 warheads to fewer than 6,000. The treaty will serve as the foundation for future, deeper strategic arms reductions.

Further offensive reductions were codified in the Moscow Treaty of May 2002, which built on the success of the START Treaty by requiring deeper reductions in strategic offensive arms by the United States and Russia. Each country agreed to no more than 1,700-2,200 strategic offensive arms, demonstrating their commitments to reducing strategic offensive arms to the lowest possible level.



President George W. Bush looks on as Russian President Vladimir Putin signs the "Treaty of Moscow", a 10-year treaty binding the nations to reduce their nuclear stockpiles by about two-thirds – to a range of 1,700 to 2,200. The ceremony took place on May 24, 2002, in St. Catherine's Room, the Kremlin in Moscow. AFP photo/Tim Sloan

The United States and Russia have also started addressing the threat of rogue states developing WMD and their means of delivery. Due in large part to the Department's diplomatic and public diplomacy efforts, U.S. withdrawal from the ABM Treaty did not incur negative repercussions. Russia acquiesced, and its moderate reaction, in turn, muted the reactions of U.S. allies and China. The United States is now free to develop and deploy missile defenses. The Department will continue to work with U.S. allies, Russia, and others to address common threat perceptions and appropriate responses, as well as to establish joint cooperative missile defense development programs.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

STRATEGIC ARMS REDUCTIONS			
Initial Target	Revised Target ¹	Result	Rating
START I final reductions completed early, resulting in 1600/6000 Russian strategic offensive arms.	START I final reductions completed early.	All parties completed the final START I reductions by required deadline of 12/05/01.	On Target
A process is agreed for further reductions in U.S. and Russian strategic nuclear arms.	Process agreed for further reductions.	Ratification of START II Treaty never completed; superseded by the Administration's New Strategic Framework with Russia, including strategic offensive reductions and missile defense. Further offensive reductions, codified in the Moscow Treaty (MT) of May 2002, will achieve deeper nuclear warhead reductions than START II would have and provide greater flexibility in making reductions.	Significantly Above Target
MISSILE DEFENSE			
Target	Result	Rating	
Undertake appropriate actions to implement USG decisions on missile defense.	Established the foundation for a "New Strategic Framework" for the U.S. security relationship with Russia that includes a new approach to deterrence that relies on both offensive and defensive means. The U.S. exercised its right to withdraw from the ABM Treaty, thus removing the principal legal obstacle to pursuing alternative approaches to developing an effective missile defense system. The Department also actively engaged U.S. allies and friends in consultations on cooperative missile defense development programs, and instituted a regular dialogue with Russia designed to increase transparency and openness in missile defense endeavors.	Above Target	
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

ANNUAL PERFORMANCE GOAL 3

Foreign governments work with the United States to strengthen existing agreements and negotiate new multilateral nonproliferation and arms control commitments to reduce the weapons of mass destruction threat

The Department pursues its WMD objectives by strengthening and promoting adherence to a wide variety of treaties, regimes, and agreements to which the United States is a party. The Nuclear Non-Proliferation Treaty (NPT), a key treaty, and the IAEA, its implementing organization, establish norms of behavior concerning nuclear weapons, materials and capabilities. Other agreements, such as the Chemical Weapons Convention (CWC), aim to eliminate an entire class of weapons of mass destruction. Strengthening these multilateral agreements is a key factor in the struggle to reduce the WMD threat to the United States and its allies.

SUMMARY OF KEY RESULTS AND IMPACT

Nuclear Non-Proliferation Treaty. Cuba announced in September 2002 that it would accede to the NPT. It confirmed this decision during its plenary statement to the IAEA General Conference.

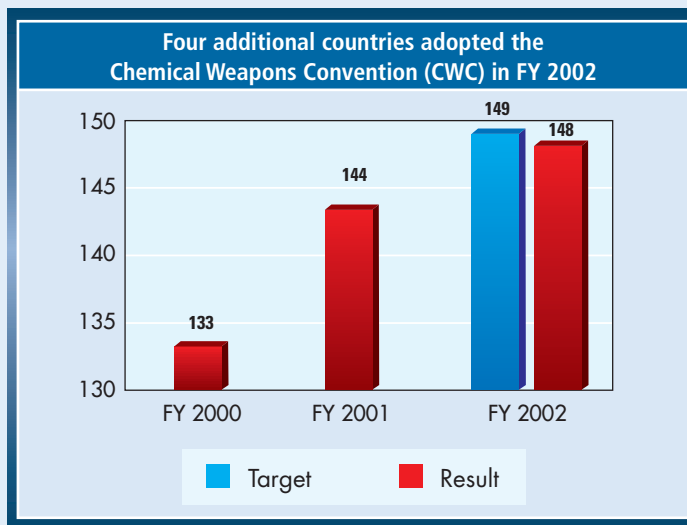
The International Atomic Energy Agency. Consultations began with a U.S. initiative in support of a phased increase of the IAEA safeguards budget for the 2004/05 biennium. Integrated safeguards adopted by the IAEA Board adequately reflected U.S. views, and should lead to effective implementation of the Additional Protocols.

Chemical Weapons Convention. Announcement by Libya and Thailand of their intent to join the CWC is very welcome. Monitoring the civilian chemical industry is a key element of the CWC. As shown in the adjacent below, through FY 2002, 148 nations have joined the CWC.

The Organization for the Prohibition of Chemical Weapons (OPCW), the implementing body of the CWC, has been in serious financial and administrative crisis. The United States succeeded in bringing about a change of leadership of the OPCW's Technical Secretariat that will help improve CWC operations, especially in conducting inspections of civilian chemical industries around the world. As the United States has the largest civilian chemical industry in the world, it will require extraordinary effort to ensure that the United States fully implements these obligations. Russia has the largest declared CW stockpile and needs financial assistance to build destruction facilities in order to meet its CWC

obligations. Resolving congressional conditions for U.S. financial assistance is a difficult and lengthy process; significantly, three such conditions have been resolved. Due to successful international fundraising, the Gorniy facility will be the first fixed operational CW destruction facility in Russia. Destruction operations were scheduled to begin in December 2002.

International Monitoring System (IMS). Detecting and identifying nuclear explosions is key to U.S. ability to monitor compliance with nuclear testing moratoria agreements, and illicit programs to develop nuclear capabilities. The IMS will supplement existing U.S. capabilities to monitor nuclear explosions. When its 321 stations are completed, they will provide global coverage for seismic, hydroacoustic, infrasound, and radionuclide monitoring. With these FY 2002 results, over 40 percent of the system has been installed.



Fissile Material Cutoff Treaty (FMCT). China continued to block the resumption of FMCT negotiations in the Conference on Disarmament (CD) by linking them to negotiations on outer space arms control, which the United States opposes, and has refused all attempts at reasonable compromise. The continuing deadlock is undermining the credibility of the CD as the principal forum of the international community to negotiate formal multilateral arms control agreements and issues. The fact that the UN General Assembly passed a consensus resolution calling for FMCT negotiations in the CD demonstrates continued international desire for these negotiations.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

NON-PROLIFERATION TREATY (NPT)			
Initial Target	Revised Target ⁴	Result	Rating
<p>2005 NPT review process begins with strong international consensus to preserve and strengthen the NPT; no withdrawals threatened.</p> <p>IAEA implements specific measures to improve safeguards; more states sign or ratify the safeguards protocol; United States submits safeguards protocol to Senate for ratification.</p> <p>IAEA strengthens anti-nuclear terrorism programs.</p>	<p>NPT review process leading to 2005 Conference begins smoothly. Five to ten more states take action on IAEA safeguards protocol. IAEA strengthens anti-nuclear terrorism programs.</p>	<p>The first preparatory conference (PREPCON) for the 2005 NPT Review Conference (REVCON) concluded smoothly.</p> <p>IAEA Safeguards IAEA took action on integrated safeguards and emphasized financial needs; 9 more states joined, bringing the total to 67; 28 have brought their protocols into force.</p> <p>IAEA Anti-Terrorism IAEA Board approved multi-year program with a substantial increase in funding to \$11 million annually.</p>	<p>Above Target 2000 NPT REVCON outcome received general support from all PrepCom participants.</p> <p>Cuba announced on September 14 that it would accede to the NPT and confirmed this decision during its September 16 plenary statement to the IAEA General Conference.</p> <p>Above Target Consultations have begun with major donor nations on U.S. initiative to support a phased increase of the IAEA safeguards budget for the 2004/05 biennium.</p> <p>On Target IAEA providing enhanced assistance to states on preventing, detecting, and responding to nuclear terrorism.</p> <p>Assistance includes developing guidance and providing training and advisory services.</p> <p>Program gaining widespread financial, in-kind, and political support.</p>
<p>⁴ Target modification incorporates clarifications and more specifics. Some additional substance was added. "Result" reflects both targets.</p>			

CHEMICAL WEAPONS CONVENTION (CWC)

Initial Target	Revised Target	Result	Rating
At least 5 additional states parties adopt CWC.		Four additional states parties join; two others voiced intent to join.	On Target
United States continues to implement industry and other obligations.	U.S. fully implements industry obligations.	U.S. fully implemented CWC industry obligations.	On Target
Progress is made toward Russian stockpile destruction.	Identifiable progress made toward Russian stockpile destruction.	Three of six congressional conditions for U.S. financial assistance resolved; limited progress on other three. Significant international assistance provided.	On Target. Unlike previous years, reportable progress was made regarding the Russian CW destruction program.
	U.S. makes timely payments to OPCW; OPCW gets out of financial crisis.	In summer 2002, the U.S. succeeded in bringing about a change in the leadership of the OPCW's Technical Secretariat and called for voluntary donations to get the OPCW out of immediate financial crisis. U.S. set example by making \$2-million voluntary contribution.	Above Target. Significant progress was made toward putting the OPCW on a sound financial footing; new management installed.

INTERNATIONAL MONITORING SYSTEM (IMS) FOR COMPREHENSIVE TEST BAN TREATY (CTBT) AND FISSILE MATERIALS CUTOFF TREATY (FMCT)

Initial Target	Result	Rating
Activation of the international monitoring regime.	IMS During FY 2002, the Provisional Technical Secretariat certified 20 additional IMS stations, bringing the total to 34. The number of completed installations (many of which will soon be ready for certification) is now about 140. Of the 50-station primary seismic network, the most important part of the IMS for detection of underground nuclear explosions, 28 have been completed and 13 have been certified.	On Target The plans for activation of the IMS are proceeding according to plan.
Ongoing FMCT negotiations.	FMCT The Conference on Disarmament (CD) failed to agree to resume FMCT negotiations in FY2002. The 57th UN General Assembly passed a consensus resolution calling for the CD to resume FMCT negotiations.	Significantly Below Target Progress blocked by China.

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.

ANNUAL PERFORMANCE GOAL 4

Effective verification practices are in place; compliance with arms control and nonproliferation treaties, agreements, and commitments is verified

In an age when tyrants and terrorists seek to obtain weapons of mass destruction, there is an urgent need to ensure that arms control and nonproliferation agreements and commitments are tough, effective, and enforced. The Department must let the public know when states violate their commitment not to acquire or transfer the tools and materials necessary for making weapons of mass destruction and when they violate their arms control and nonproliferation commitments. As such, U.S. arms control and nonproliferation policies rest on strict compliance with agreements and commitments, such as the Nuclear Nonproliferation Treaty (NPT), the Chemical Weapons Convention (CWC), the Biological Weapons Convention (BWC), the START Treaty, nuclear testing obligations, and the Missile Technology Control Regime (MTCR). These commitments are only as good as the extent to which they are upheld.

SUMMARY OF KEY RESULTS AND IMPACT

Verification and transparency measures have been identified to monitor North Korea's missile regime. While similar measures have also been identified to verify the dismantling of its nuclear weapons capability, recent steps by North Korea to breach its nuclear nonproliferation commitments have put into question the progress made in recent years on improving verification.

The Department prepared the Presidential Report to the Congress on Adherence to and Compliance with Arms Control and Nonproliferation Agreements and Commitments. The report for calendar year 2001 was submitted to the NSC in the spring of 2002, and is now in the process of being revised to address congressional requirements.

Countering the threat of biological weapons (BW) has become a priority. Effective measures to respond to the BW threat have obtained international support and are being adopted in various fora. The USG explored ways to enhance support for initiatives at the BWC Review Conference in November 2002. U.S. compliance concerns have been reiterated and additional concerns raised publicly. The United States has pursued compliance concerns regarding the BWC and the CWC on a bilateral basis with several countries.

The Department worked closely with the Department of Defense (DoD) and the intelligence community to initiate a program office and to advocate funding the replacement of the COBRA JUDY radar, critical for START verification and missile proliferation. The Department provided \$400,000 to support this effort and 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.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

EFFECTIVE VERIFICATION MEASURES FOR NEW TREATIES AND COMMITMENTS			
Initial Target	Revised Target ¹	Result	Rating
Negotiating mandate for FMCT agreed; support for key U.S. verification provisions in potential FMCT: effective measures to investigate compliance concerns related to the BWC and CWC: enhanced verification measures developed for U.S. Government strategic offense and missile defense policy.	<p>Effective measures to investigate compliance for all conventions established.</p> <p>Design and begin implementation of independent nuclear testing monitoring system.</p>	Other nations' noncompliance with proliferation commitments assessed.	On Target
COMPLIANCE WITH EXISTING TREATIES AND COMMITMENTS			
Target	Result	Rating	
Congressionally mandated reports submitted on time.	<p>Reinvigorated the process for preparing and vetting congressionally mandated arms control and nonproliferation reports.</p> <p>Process overhaul has resulted in some reports not being submitted on time; expect dramatic improvement in FY 2003.</p>		Slightly Below Target
Demarches that seek resolution of CWC compliance issues delivered.	Consultations conducted and demarches delivered to countries of concern.		On Target
Strengthen BWC and respond to BW threat.	Development of effective measures continued.		On Target
START, INF, and Moscow Treaty verification developed.	Implementation of START verification regime continued.		On Target
Timely development of improvements to nuclear test detection capability.	Interagency Verification and Monitoring Task Force (VMTF) develops U.S. verification policy related to nuclear testing. Designed and began implementation (beta version installed at State) of independent Nuclear Testing Verification Information System.		On Target
<p>¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.</p>			

AVAILABILITY OF NEEDED VERIFICATION AND MONITORING TECHNOLOGY			
Target	Result		Rating
Collection resources preserved; permanent funding line established for some assets.	While minimally funded, the V Fund, established by the Congress to preserve critical assets and to identify and develop new R&D verification projects, was used to support the COBRA JUDY radar and an additional key project.		Slightly Below Target
V Fund used to preserve critical assets; TWG report issued April 2002; V Fund supports TWG-recommended projects.	Assessed impact on verifiability of agreements and commitments to changes in asset coverage.		
TIMELY TREATY-MANDATED COMMUNICATIONS			
Initial Target	Revised Target ¹	Result	Rating
Successful exchanges with Kazakhstan and Ukraine; START partners consider completed U.S. proposal for Government-to-Government Communications Links (GGCL) architecture; CWC network enables full U.S. Government support of treaty implementation.	Sign agreement with Kazakhstan; successful exchanges with Kazakhstan and Ukraine; chemical weapons network enables full support of treaty implementation.	START partners (former Soviet nuclear states) consider completed U.S. proposal for replacement of the current GGCL system. Link Agreement with Ukraine signed in September 2001. Link Agreement with Kazakhstan signed in December 2001.	On Target
<i>(Note: Indicator has been revised. More specific indicators now measure tangible progress toward the performance goal in accordance with the priorities of the current Administration.)</i>			
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

ANNUAL PERFORMANCE GOAL 5
International nuclear cooperation is promoted under stringent nonproliferation and safety standards

The Department strives to promote the role of safe nuclear energy in sustainable development and ensure that the United States is seen as a reliable and valuable partner in international nuclear cooperation. By ensuring that the United States is viewed as a dependable and beneficial partner in this area, the Department intends to promote the adoption of high safety standards, prevent significant environmental damage (especially from operating unsafe Soviet-era reactors) and encourage the U.S. civilian nuclear industry in its endeavors.

SUMMARY OF KEY RESULTS AND IMPACT

Armenia is currently negotiating a date for closing a Soviet-era nuclear power plant. European Bank for Reconstruction and Development (EBRD) loans for K2R4 reactors in Ukraine are on hold until Ukraine accepts EBRD conditions. Ukraine is moving forward in power sector restructuring with experts from the G-8, EU, Ukrainian government, EBRD, and the World Bank working to make the power sector attractive to potential lenders and investors.

During the ninth session of the UN Commission on Sustainable Development (CSD), the Department convinced participants that nuclear power contributes to sustainable development. In the wake of the events of 9/11, the Department also reviewed and approved the Japanese transport plan for shipping mixed-oxide fuel to the United Kingdom, and promoted the Department of Energy's enhanced physical protection cooperation program.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

REACTOR CLOSURES AND NUCLEAR WASTE IMPROVEMENTS			
Initial Target	Revised Target ²	Result	Rating
Complete long-term closure of Chernobyl. Ignalina 1 closure. Bulgaria closes units 1& 2 of its Kozloduy Plant.	More plants closed.	Mixed results in Lithuania; Armenia and Ukraine positive; Bulgaria questioned its commitment to closure.	On Target
International community funds programs to deal with Russian nuclear waste problems.	International community funds programs to deal with Russian nuclear waste problems.	Liability agreement reached with Russia allowing U.S. participation in waste cleanup. Implementing agreements negotiated.	On Target Russia determined that it no longer wanted the 80-ton cask; focus will be on the 40-ton cask instead.
EXTENSION OF BENEFITS OF NUCLEAR COOPERATION TO U.S. PARTNERS AND IMPLEMENTATION OF EXISTING AGREEMENTS			
Initial Target		Result	Rating
Peaceful nuclear cooperation with China proceeds smoothly.		U.S.-China Agreement for Cooperation being implemented successfully. U.S.-China discussions on retransfer consents concluded, but agreement not yet in force.	On Target
Generation IV International Forum (GIF) proceeds as a viable forum for reactor cooperation.		The GIF has developed a 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.	On Target
No security problems arise with U.S.-origin nuclear material.		No security problems arose with U.S.-origin nuclear material.	On Target
Other cooperation programs proceed normally.		U.S. continued as reliable partner in nuclear cooperation. Extended agreement with Morocco, but not Indonesia; other agreements remained in force.	On Target

² Target language modified slightly but is substantially consistent; reported "Result" corresponds to Revised Target as shown.

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGES

Two Program Evaluations were completed in FY 2002 and one Management Challenge was identified that pertained to this Strategic Goal:

1. Nuclear Nonproliferation: U.S. Efforts to Help Other Countries Combat Nuclear Smuggling Need Strengthened Coordination and Planning, (GAO)
2. Chemical Weapons: Organization for the Prohibition of Chemical Weapons Needs Comprehensive Plan to Correct Budgeting Weaknesses, (GAO)

Detailed information on major findings, recommendations, and actions to be taken can be found in the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

NATIONAL INTEREST: ECONOMIC PROSPERITY

STRATEGIC GOAL 3: OPEN MARKETS

Open world markets to increase trade and free the flow of goods, services, and capital.

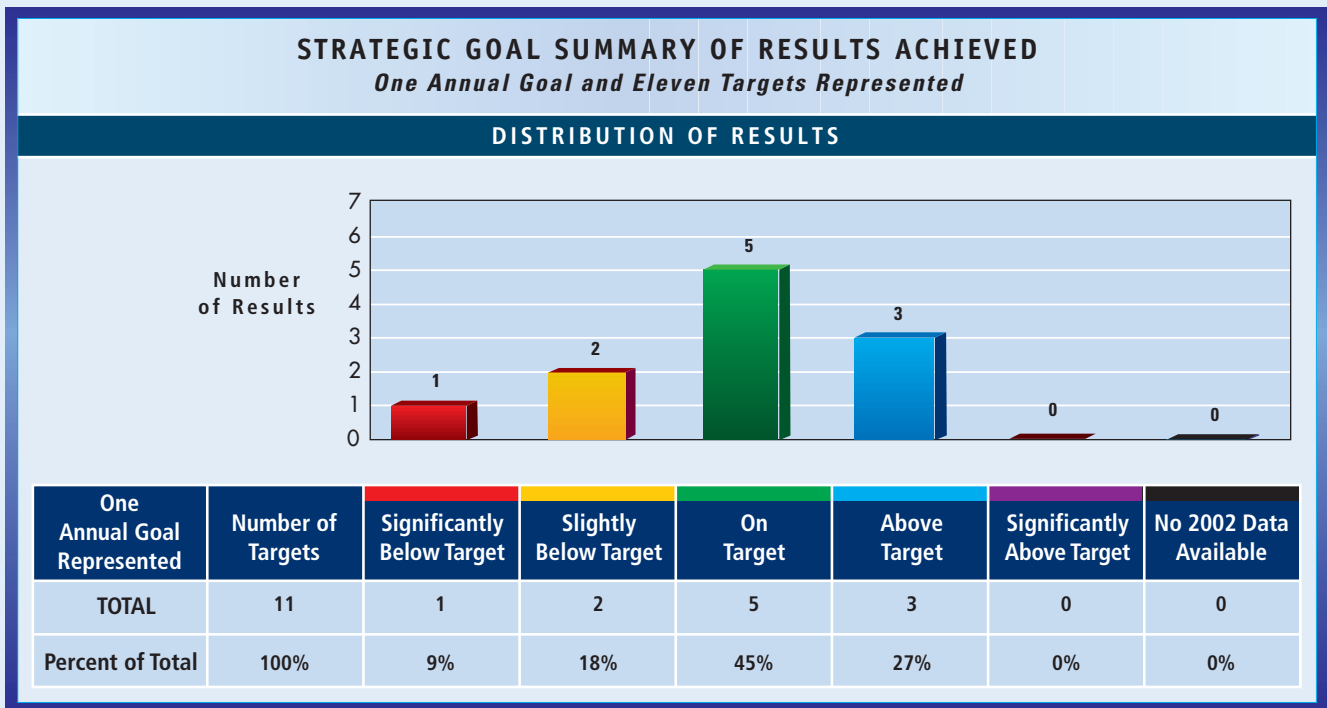
STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

As the world’s biggest importer and exporter, the United States benefits from open markets. A strong U.S. economy promotes economic and social development worldwide while helping foreign nations and societies to resist terrorism.

Exports: Over the past decade alone, growth in exports has accounted for one-quarter of U.S. economic growth. Twenty percent of U.S. manufacturing jobs depend on exports; exports generate 25 percent of gross cash sales for U.S. farmers and ranchers.

Imports: As the largest market for developing countries’ exports, the U.S. market is crucial to global stability and for these countries’ economic growth and development. Imports also boost the standard of living for Americans by making available lower cost inputs for U.S. industries and consumer goods.

Investment Flows: Over the past decade, U.S. investment overseas grew three times faster than U.S. exports, generating \$230 billion in related exports in 1999, and accounting for one-third of total merchandise exports. U.S. investment abroad creates demand for U.S. products and jobs for U.S. workers.



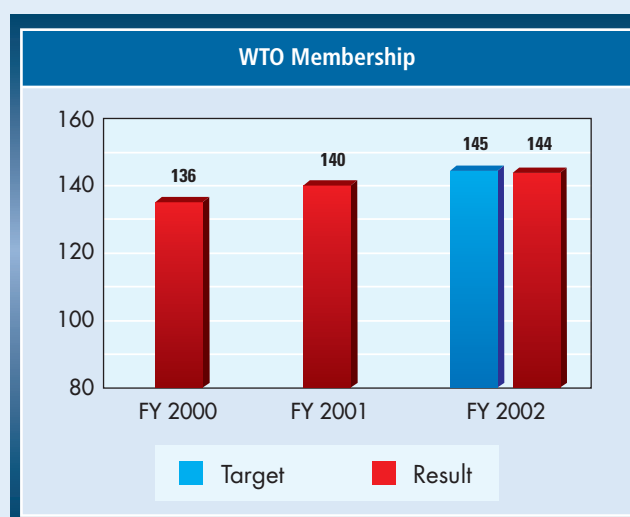
ANNUAL PERFORMANCE GOAL 1

A robust international framework for free trade in goods, services, and investment ensures the openness of international markets for new technologies

SUMMARY OF KEY RESULTS AND IMPACT

Work in support of this goal results in the creation of a predictable, rules-based international environment for trade and investment, making it easier to do business across borders. For example, adequate protection of intellectual property is an important item on the Department's agenda. Ensuring markets for products of modern biotechnology, particularly agriculture crops, is also a high-priority area of activity.

During FY 2002, China and Taiwan joined the World Trade Organization (WTO) and a new round of WTO talks was launched in Doha, Qatar. Progress is being made towards the accession of Macedonia, Armenia, and Russia to the WTO. The United States is also working with Saudi Arabia in its bid to join the WTO. In accordance with the Doha mandate, negotiations in Geneva are focusing on twelve substantive trade sectors. As shown in the adjacent chart, through September 30, 2002, 144 countries have joined the WTO.



China has started conforming to the WTO by taking steps to remove trade barriers and open its markets. China enacted or changed over 2,000 laws and regulations to comply with WTO rules, cut tariffs on over 5,000 product lines, and increased foreign access to its financial and tourism sectors. In its initial year in the WTO, China made significant progress in conforming to international trade rules and liberalizing its trade regime, but problems arose in some key areas including agriculture. The scope and complexity of China's implementation efforts will require close monitoring in 2003.

The conclusion of free trade agreements (FTAs) has been a major priority for several years. FTAs open markets for U.S. producers, promote economic growth and stability in important economic and political partners, and improve cooperation in other fora. The passage of Trade Promotion Authority allows the United States to pursue an ambitious reciprocal trade-liberalization strategy at global, regional, and bilateral levels through the WTO Doha Development Agenda, the Free Trade Area of the Americas (FTAA) negotiations, and a number of bilateral free trade initiatives. In FY 2002, Jordan's FTA with the United States entered into force, increasing interest in better trade ties with the United States throughout the Middle East. FTAA negotiations continued during FY 2002. Four new FTA candidates (Central America, Morocco, the Southern African Customs Union, and Australia) were formally identified and the intent to negotiate FTAs has been communicated to Congress. The United States agreed on core elements of an FTA with Singapore in November 2002, and concluded an FTA with Chile in December 2002 (FY 2003).



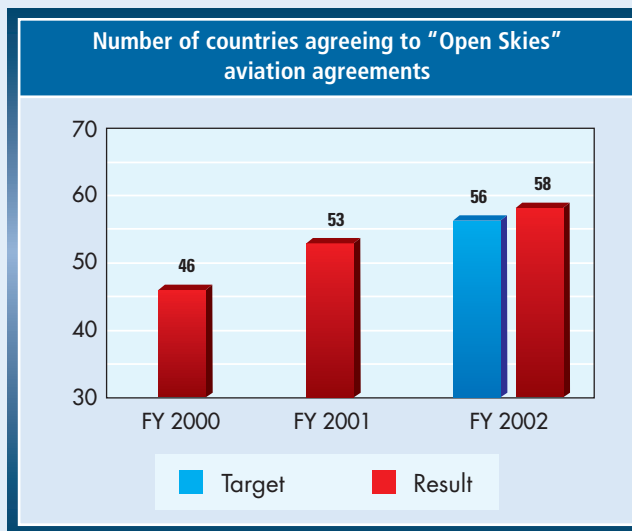
Secretary of State Colin Powell addresses international business leaders during the CEO Summit of the Asia Pacific Economic Cooperation on October 24, 2002 in Los Cabos, Mexico.

AFP Photo/Omar Torres

Working with the Asia Pacific Economic Cooperation (APEC) economies, the Department is reducing traditional barriers to trade and investment, and opening "new economy" opportunities in e-commerce and information technology. The Department has expended much effort to build broad support for a scientific and non-trade distorting regulation of agricultural biotechnology. Unilateral trade benefit programs, such as the Andean Trade Promotion and Drug Eradication Act (ATPDEA), the Caribbean Basin Trade Partnership Act (CBTPA), and the African Growth and Opportunity Act (AGOA) help expand trade, regional economic integration, good governance, prosperity, and stability.

Discussions continued with several other nations to increase the number of Bilateral Investment Treaty (BIT) signatories. While productive discussions were held with Peru, and the Department was working to re-engage with Russia on a BIT, political factors limited engagement with Colombia, South Korea, and Venezuela. The Department is currently updating the Model BIT text from which it negotiates agreements. This text will expedite the Department's ongoing BIT discussions and information exchanges with over a dozen countries.

In 2002, the Department negotiated five new "Open Skies" aviation agreements, creating major transport services expansion in new markets. These arrangements have created jobs, increased trade, and attracted investment. The United States now has "Open Skies" agreements with fifty-eight countries, and other liberalized agreements with three countries.



The complete privatization of INTELSAT has leveled the playing field in the international telecommunications satellite service market, providing a basis for other governments to adopt open, competitive regulatory regimes. Additional work will be required to complete the congressionally-mandated public offering of INTELSAT shares, as well as to address other remaining regulatory and diplomatic issues.

Finally, thirty-six countries have agreed to liberalize their telecommunications regimes by adopting Mutual Recognition Agreements (MRAs) for equipment certifications. This will avoid duplication of effort and cost by U.S. companies seeking certification of equipment overseas. The Department will continue multilateral and bilateral efforts to encourage additional nations to adopt MRAs.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

STATUS OF MARKET OPENING NEGOTIATIONS IN THE WTO			
Initial Target	Revised Target ¹	Result	Rating
Negotiations continue.	Consensus reached to launch new trade negotiations.	WTO launched new round in Doha; China and Taiwan joined WTO.	On Target New Round launched, negotiations underway.
WTO MEMBERSHIP			
Target	Result	Rating	
Add five new members.	China and Taiwan entered WTO; Macedonian and Armenian accessions approved. WTO membership was 144 at end of FY 2002.	Slightly Below Target Russian, Saudi Arabian and other accession processes were more difficult than expected; less progress than planned.	
CHINA'S WTO ACCESSION			
Target	Result	Rating	
China begins to conform to WTO obligations.	China took concrete steps to remove trade barriers and open its markets; some shortfalls remain in areas of interest.	Slightly Below Target China made significant progress in its initial year, but problems emerged in some key sectors.	
STATUS OF BILATERAL TRADE AND INVESTMENT POLICY DIALOGUES			
Initial Target	Revised Target ¹	Result	Rating
Measurable progress on improvement of trade and investment climates.	Implement Jordan FTA. Negotiations with Chile and Singapore ongoing. Identify candidates for FTA negotiations	Agreement on core elements with Singapore in November 2002, FTA with Chile concluded in December 2002; Jordan FTA entered into force;. FTAA negotiations continued; and Morocco, Central America, the South African Customs Union (SACU), and Australia identified as partners for FTAs.	On Target
STATUS OF INTEGRATED FRAMEWORK (IF) FOR TRADE-RELATED CAPACITY BUILDING ROUNDTABLES			
Target	Result	Rating	
Majority of needs met, as identified in IF roundtables.	Donors and recipients using country trade integration studies to determine needs and how to use liberalization to reduce poverty.	On Target	
STATUS OF BILATERAL INVESTMENT TREATY (BIT) NEGOTIATIONS			
Target	Result	Rating	
Increase total number of signed BITs by four (10%).	BIT discussions continued with Venezuela, Peru, Colombia, and Korea; discussions with Russian officials reinvigorated BIT discussions.	Significantly Below Target The Department expects to conclude a BIT with Peru in the near future. Despite repeated U.S. attempts to engage, Colombia, South Korea and Venezuela have not moved forward due to political events and uncertainty.	
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

STATUS OF MULTILATERAL POLICY DIALOGUES			
Initial Target	Revised Target ¹	Results	Rating
Substantial new progress on new OECD initiatives.	Continue investment policy dialogues and related OECD outreach events with China and Russia.	Announcement of U.S.-China Foreign Direct Investment (FDI) Conference; USG backing for OECD outreach to Russia and China culminated in financial contribution and Global Forum on International Investment in China (December 2002).	On Target
NUMBER OF COUNTRIES AGREEING TO "OPEN SKIES" AVIATION AGREEMENTS			
Target	Result		Rating
56	58 Open Skies agreements plus 3 other liberalized agreements (Russia, Ecuador, and Samoa).		Above Target In addition to the target, 2 more Open Skies agreements and 3 liberalizations were achieved.
STATUS OF INTELSAT PRIVATIZATION			
Target	Result		Rating
INTELSAT privatization established.	INTELSAT privatization established.		On Target
NUMBER OF COUNTRIES AGREEING TO LIBERALIZE TELECOM EQUIPMENT CERTIFICATION AND STANDARDS REGIMES			
Target	Result		Rating
34	36		Above Target Nations in APEC, EU and Inter-American Telecommunications Commission (CITEL) adopted Mutual Recognition Agreements (MRAs) for equipment certification.
NUMBER OF COUNTRIES AGREEING TO ESTABLISH INDEPENDENT TELECOM REGULATORY AGENCIES			
Target	Result		Rating
12	15		Above Target

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.

NATIONAL INTEREST: ECONOMIC PROSPERITY

STRATEGIC GOAL 4: U.S. EXPORTS

Expand U.S. exports to \$1.2 trillion early in the 21st century

STRATEGIC GOAL OVERVIEW / PUBLIC BENEFIT

During the past decade, America’s prosperity has become increasingly dependent on the prosperity of the rest of the world. As the President has made clear, increased trade will help our workers, farmers, and consumers by creating more jobs, providing more choice in goods and services, and lowering costs. In statistical terms, the importance of exports is clear:

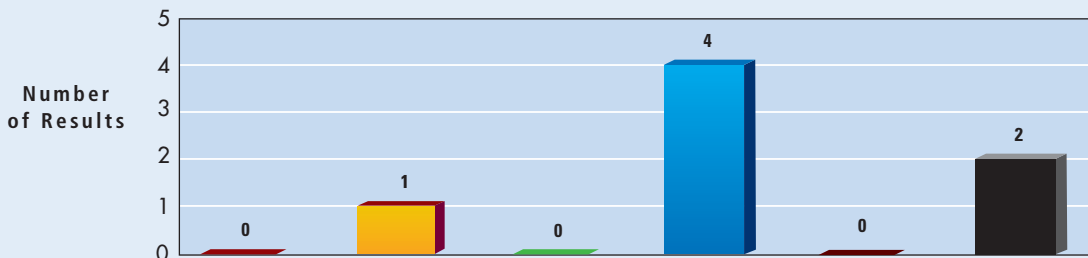
- Exports accounted for over one-quarter of U.S. economic growth in the 1990s.
- Exports now account for about 11 percent of GNP.
- Exports support twelve million American jobs.
- One in five manufacturing workers depend on exports for their jobs.
- U.S. agricultural exports were \$53 billion in FY 2002.
- One-third of U.S. farmland is planted for export.
- Exports generate 25 percent of gross cash sales for U.S. farmers and ranchers.
- U.S. investment abroad generated about \$200 billion in U.S. exports (growing twice as fast as overall U.S. exports).

The Department defends the rights of U.S. businesses operating overseas, leads efforts to strengthen the rule of law, fights corruption, promotes open and transparent trade and investment regimes, and encourages corporate responsibility. By coordinating private-sector dialogues in key markets, such as Turkey and Mexico, the Department is encouraging institutional development and reform in developing countries in order to increase their economic growth and expand U.S. exports.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

One Annual Goal and Seven Targets Represented

DISTRIBUTION OF RESULTS



One Annual Goal Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	7	0	1	0	4	0	2
Percent of Total	100%	0%	14%	0%	71%	0%	29%

ANNUAL PERFORMANCE GOAL 1

U.S. companies compete successfully for worldwide sales

SUMMARY OF KEY RESULTS AND IMPACT

Approximately 360 outreach meetings and business briefings were held with the following beneficial impact:

- Helped alleviate consumer boycotts of American products in Arab countries.
- Increased awareness of business-visa processing problems after the events of 9/11 through distribution of information to the business community .
- Increased USG and private-sector efforts to encourage countries to reduce corruption.
- Increased corporate social responsibility and public-private partnerships improved the climate for U.S. exports and business overseas.
- Increased awareness by U.S. companies of opportunities available in Africa and in Jordan as a result of organizing roundtables on both AGOA and the Qualifying Industrial Zones respectively.

Advocacy services were provided to approximately 120 companies. The following are some examples of the results:

- Sale of eight aircraft to Pakistan worth \$1.5 billion.
- Nortel Networks USA won a \$64-million judgment against TELECOM, a Colombian quasi-governmental corporation.
- GE collected \$6 million in arrears from the Kenyan Government for locomotive engines.
- Resolved American investors' problems (e.g., Coca-Cola, for \$800,000) with the Uzbekistan Government regarding privatization and currency convertibility.

Groundbreaking for the Caspian Main Export Pipeline (Baku-Tbilisi-Ceyhan) is underway. This event represents a major victory in the U.S effort to diversify world oil production. It also enhances the stability and sovereignty of Caspian states and provides major benefits for U.S and world energy security. U.S. firms will play an important role in this \$2.9 billion-pipeline project, which has extensive equipment export potential.

U.S. firms began construction on a major export pipeline in Ecuador, resulting in a 64 percent increase in U.S. oil and gas field equipment exports to Ecuador. U.S. gas field equipment exports to Brazil increased by 22 percent. U.S. investments in Venezuelan heavy oil came on line. Trinidad and Tobago's expansion of its vast liquid natural gas (LNG) capacity resulted in a 48 percent increase of U.S. exports to that nation. Saudi Arabia awarded \$20 billion in natural gas development contracts to U.S. and international oil companies; U.S. equipment sales to Saudi Arabia increased by 9 percent.

The Business Facilitation Incentive Fund (BFIF) program supports commercial advocacy training and business promotion at 105 of the Department's 243 posts not served by the Foreign Commercial Service of the Department of Commerce. These posts represent billions of dollars in export market and investment potential. Posts are actively reaching out to larger audiences and want to develop higher impact projects.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

NUMBER OF OUTREACH MEETINGS AND BUSINESS BRIEFINGS HELD			
Target	Result		Rating
300	360		Above Target
NUMBER OF BUSINESS CONFERENCES ATTENDED			
Target	Result		Rating
75	100		Above Target
NUMBER OF COMPANIES FOR WHOM ADVOCACY SERVICES WERE PROVIDED			
Target	Result		Rating
100	120		Above Target
TELECOM AND IT EQUIPMENT SALES			
Target	Result		Rating
\$138 billion	Data not yet available.		N/A
MINUTES/MESSAGES OF OVERSEAS SERVICE PROVIDED BY U.S. TELECOM OPERATORS INCLUDING SATELLITE COMPANIES			
Target	Result		Rating
33.2 billion minutes 6.2 billion messages	Data not yet available.		N/A
OIL AND GAS SECTOR EXPORTS			
Target	Result		Rating
New energy investment in Middle East, Latin America, and the Caspian Region resulting in increased flows of energy equipment and service exports by U.S. firms.	New energy investments resulted in increased energy-related U.S. exports.		Above Target
AGRICULTURAL EXPORTS			
Initial Target	Revised Target ¹	Results	Rating
\$32.4 billion	\$54.5 billion	\$53 billion	Slightly Below Target

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" will be reported for both sets of targets.

NATIONAL INTEREST: ECONOMIC PROSPERITY

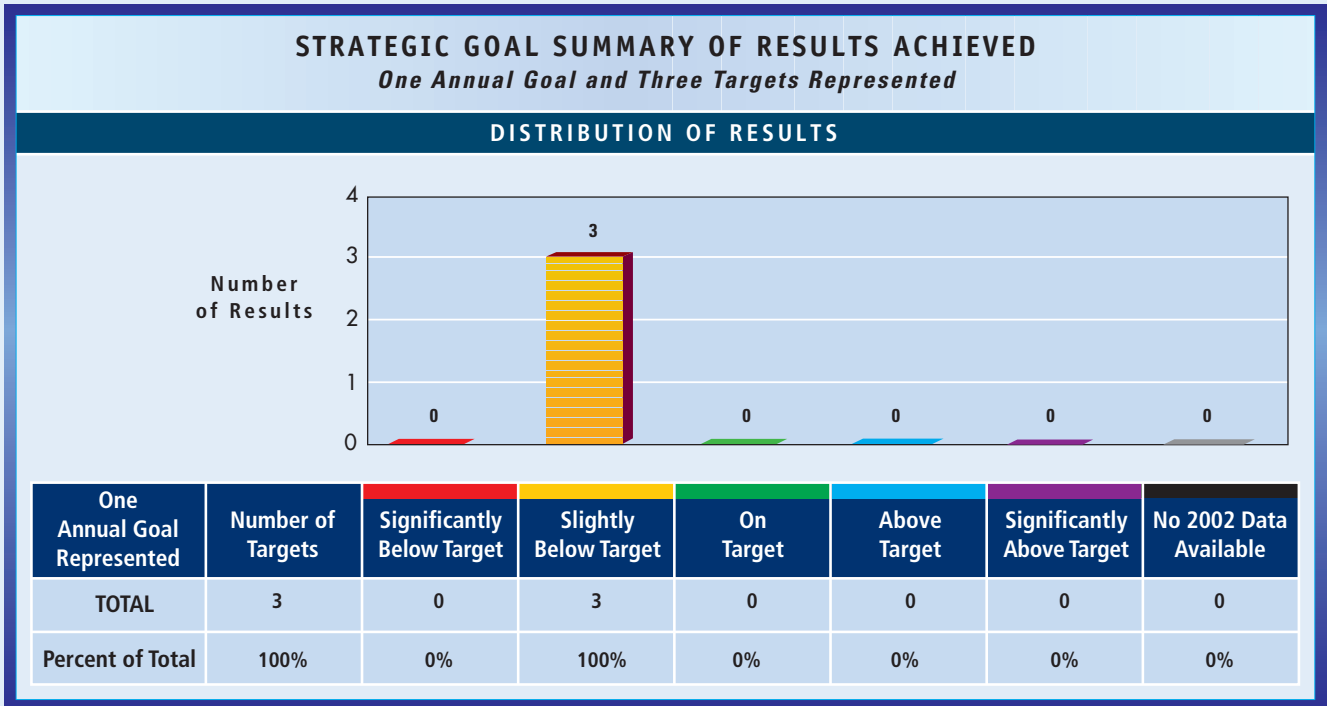
STRATEGIC GOAL 5: GLOBAL ECONOMIC GROWTH

Increase global economic growth and stability.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

Global macroeconomic conditions have a significant impact on the ability of the United States to sustain stable economic growth. U.S. export, income, and employment levels benefit from faster growth and greater economic stability worldwide. To achieve this, Department officials in Washington and abroad work closely with the IMF, the World Bank, other regional and multilateral organizations, and foreign governments to support sound macroeconomic and structural policies that lay the groundwork for growth. The Department strongly supports more selective and effective conditioning of International Monetary Fund (IMF) and World Bank activity to implement economic reform programs.

In the decades ahead, making effective and appropriate use of science and technology will be key to ensuring strong, sustained economic growth. There is widespread recognition in the United States of the value generated by investments in information technology and biotechnology. The Department plays a major role in promoting the effective use of these technologies abroad to enhance growth and stability.



ANNUAL PERFORMANCE GOAL 1

*Countries around the globe adopt and maintain growth-oriented economic policies;
economic crises are less likely and less severe*

SUMMARY OF KEY RESULTS AND IMPACT

By adopting and maintaining growth-oriented economic policies, countries directly contributed to global economic growth, avoided economic crises, reduced social turmoil, and promoted stability.

Indonesia, Brazil, Uruguay, Russia, Thailand, Ukraine, Pakistan, Turkey, and Yugoslavia implemented IMF reform programs during 2002, ameliorating economic crises and social misery, while protecting the global financial system and U.S. investments. Argentina abandoned its IMF program in December 2001, but continued U.S. support for other regional economies and renewed IMF-Argentine engagement helped contain the crisis and keep the door open for a new reform program.

In FY 2002, International Telecommunications Union (ITU) states adopted 25 new telecom "recommendations", making a total of 385 adopted "recommendations". The downturn in the telecom market led to a decline in participation; nevertheless, the ITU continued to expand its standardization work. U.S. industry continued its deep involvement in that work.

The Department has increased U.S. energy security by working within the International Energy Agency (IEA) to achieve an increase in IEA collective oil stocks from 111 days of net imports in 2000 to 114 days of net imports in 2002, despite increased imports. In addition, the Department's efforts have contributed to a decision by China, a significant non-IEA net importer, to set up strategic oil reserves.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

GLOBAL GDP GROWTH (IMF MEASURE)			
Initial Target	Revised Target ¹	Result	Rating
3.6% during CY 2002	4.0%	2.8%	Slightly Below Target Global economic growth slowed, in part due to consequences of the events of 9/11.
KEY COUNTRIES IMPLEMENTING IMF REFORM PROGRAMS			
Initial Target	Revised Target ²	Result	Rating
Indonesia, Argentina, Brazil, Uruguay, S. Korea, Nigeria, Russia, Thailand, Ukraine, Pakistan, Turkey.	Indonesia, Argentina, Brazil, Uruguay, S. Korea, Nigeria, Russia, Thailand, Ukraine, Pakistan, Turkey, and Yugoslavia implement IMF reform programs.	Indonesia, Brazil, Uruguay, Russia, Thailand, Ukraine, Pakistan, Turkey, and Yugoslavia implemented IMF reform programs.	Slightly Below Target Political/social problems prevented Argentina and Nigeria from following IMF programs.
NUMBER OF INTERNATIONALLY APPROVED TELECOM "RECOMMENDATIONS" ADOPTED BY ITU MEMBER STATES			
Target	Result	Rating	
400	385	Slightly Below Target The downturn in the telecom market led to a downturn in participation. The ITU nevertheless continued to expand its standardization work.	
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

NATIONAL INTEREST: ECONOMIC PROSPERITY

STRATEGIC GOAL 6: ECONOMIC DEVELOPMENT

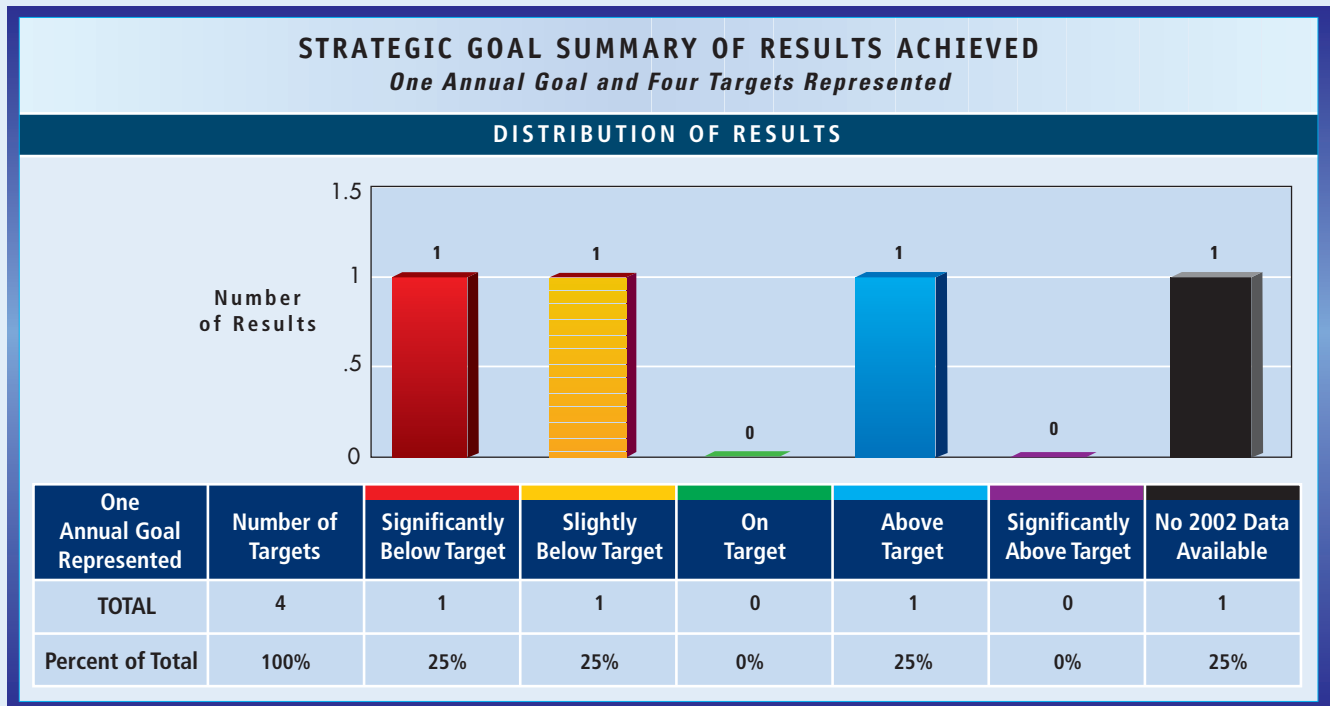
Promote broad-based, sustainable growth in developing countries and transitional economies.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

Poverty leads to despair, instability, and violence, and contributes substantially to problems that spill across America’s borders, including terrorism, narcotics, illegal immigration, and trafficking in persons. It is in the U.S. interest to help developing and transitional countries make the shift to democratic, market-based, competitive societies that can achieve sustainable development.

World Bank and other studies show that the best way for a country to reduce poverty and spur social development is by generating rapid economic growth. To the extent that such growth can be generated by private investment, developing and transitioning countries will become more competitive and better integrated into the world economy. Economic development will also facilitate the transition to and consolidation of democracy.

In many cases, difficulties in achieving development have stemmed from a reluctance or inability to adopt and implement basic good governance by implementing the rule of law, investing in people, and promoting economic freedom. To this end, the President has proposed the new Millennium Challenge Account, which earmarks up to \$5 billion per year to support efforts by developing countries to implement reforms.



ANNUAL PERFORMANCE GOAL 1

Developing and transition economies experience broad-based, sustainable economic growth

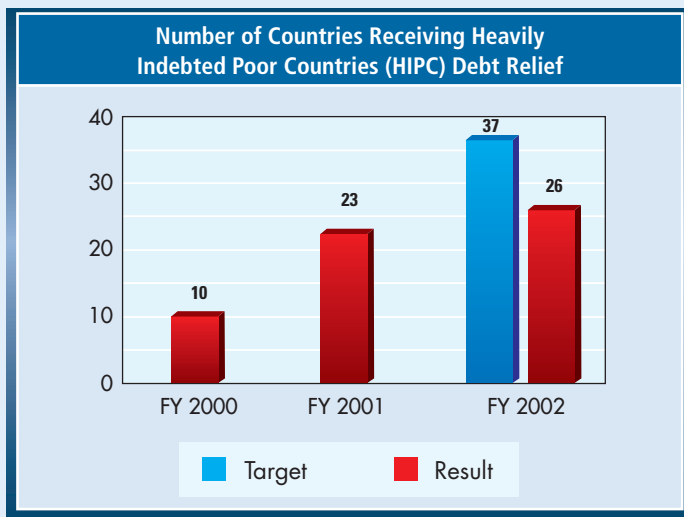
SUMMARY OF KEY RESULTS AND IMPACT

By adopting and maintaining growth-oriented economic policies, countries directly contribute to global economic growth. Avoiding economic crises reduces social turmoil and promotes stability.

Estimated GDP growth in developing countries was 5.1 percent during 2002, slightly below the Department's revised target of 5.3 percent. The shortfall was largely due to global economic factors. Continued economic growth in developing countries remains a Department priority, as evidenced by continued U.S. participation in and leadership of the international development dialogue, especially the Doha Development Round, the G-8 Summit, the Monterrey Conference on Financing for Development (which produced the Monterrey Consensus), and the World Summit on Sustainable Development. These efforts strengthened international support for needed policy reforms at the national level. The Monterrey Consensus was a turning point in international development discussions because it emphasized the critical importance of domestic policies and measures for resource mobilization.

Estimated average GDP growth for "transitional" countries was 3.3 percent during 2002, slightly above the revised rate of 3.2 percent. Continuing U.S. efforts to motivate and support policy reforms in countries with transitional economies, including support for European Union (EU) enlargement and an open international trading system, helped spur economic growth.

More than two-thirds of the world's poor live in rural areas; farming is the main livelihood for three-fourths of these people. Food production must double in the next fifty years in sustainable ways, and raising agricultural productivity is the key to raising living standards and reducing hunger. The United States, therefore, showcased a new agricultural-productivity initiative at the spring World Food Summit, and again at the World Summit on Sustainable Development in late summer.



As an essential element in the war on terrorism in response to the events of 9/11, the United States provided over \$600 million in FY 2002 to stabilize and rebuild Afghanistan, in addition to more than \$5 billion in military expenditures. The United States has built an international coalition for the reconstruction of Afghanistan that has so far pledged more than \$5.2 billion. The assistance and reconstruction effort has supported the formation of an Afghan Government committed to democracy and policy reform, and has provided resources to support its development efforts. As part of the broader USG response, the Department has provided significant support and assistance to "front-line" states in the region, including Pakistan and the Central Asian Republics, to bolster growth and stability.

SUMMARY OF RESULTS BY INDICATOR AND TARGET

AVERAGE DEVELOPING COUNTRY GDP GROWTH RATE			
Initial Target	Revised Target ¹	Result	Rating
5.3% for CY 2002	5.3%	5.1%	Slightly Below Target The slight shortfall was due to global economic factors.
AVERAGE TRANSITION COUNTRY GDP GROWTH RATE			
Initial Target	Revised Target ¹	Result	Rating
4.1% for CY 2002	3.2%	3.3%	Above Target
REDUCTION OF WORLD POPULATION LIVING IN ABJECT POVERTY			
Initial Target	Revised Target	Result	Rating
2-3% for CY 2002	2-3%	Data not yet available.	N/A
NUMBER OF COUNTRIES RECEIVING HEAVILY INDEBTED POOR COUNTRIES (HIPC) DEBT RELIEF			
Initial Target	Result	Rating	
All 37 countries	26	Significantly Below Target Other countries unable or unwilling to undertake reforms.	
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

NATIONAL INTEREST: AMERICAN CITIZENS AND U.S. BORDERS

STRATEGIC GOAL 7: AMERICAN CITIZENS

Protect the safety of American citizens who travel and live abroad.

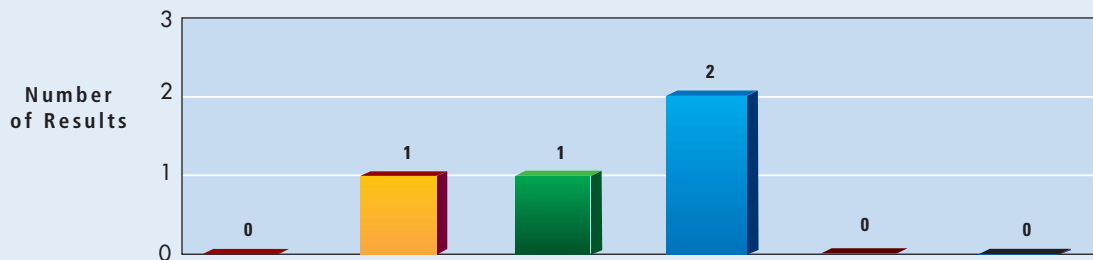
STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

The Department has no responsibility more important than the protection of U.S. citizens. Approximately 3.2 million Americans reside abroad. Americans make about sixty million foreign trips each year. The Department’s passport, which gives Americans the freedom to travel internationally, is a symbol of the protection that the USG affords its citizens. U.S. citizens traveling, studying, or working abroad have always been on the front lines of America’s fight against terrorism and crime. The events of 9/11 and the worldwide campaign against terrorism have placed overseas Americans in the crossfire of a ruthless enemy; U.S. embassies and consulates are ready, willing, and able to help Americans when they encounter trouble.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

Two Annual Goals and Four Targets Represented

DISTRIBUTION OF RESULTS



Two Annual Goals Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	4	0	1	1	2	0	0
Percent of Total	100%	0%	25%	25%	50%	0%	0%

ANNUAL PERFORMANCE GOAL 1

U.S. citizens have the information, services, and protection they need to reside or travel abroad

To protect the safety of American citizens who travel and live abroad, the Department actively helps citizens avoid problems by issuing travel warnings and other information to promote safe travel. When Americans are caught up in political crises, natural disasters, and other situations that they cannot handle alone, the Department provides assistance and often engages foreign authorities to ensure that Americans get the help they need.

SUMMARY OF KEY RESULTS AND IMPACT

To help maintain the safety of American citizens abroad, the Department issued fifty-six travel warnings, ninety-seven public announcements, and one hundred ninety-six consular information sheets on conditions in other countries. The consular website containing this information received an average of about 350,000 hits per day; 94 percent of respondents reported, via an on-line survey, that the website was helpful. The Department developed pilot software that will allow Americans to register overseas travel itineraries through a central Internet site.

During FY 2002, the Department added on-line functionality to five passport application forms. The ability to complete the forms on-line improves the application process and reduces the incidence of processing errors. Website visitors can also obtain travel safety information.

The Department's enhancement of automated case-tracking systems during FY 2002 has improved assistance to Americans, reporting to Congress, and enhanced U.S. border security by preventing the fraudulent use of lost or stolen passports. The Department also developed case-management software to track international parental child- abduction cases, which will be deployed worldwide in 2003.

The Department's update of the American Citizens Services (ACS) case management system, which stores data on U.S. citizens who receive consular services, enabled the collection of data on mistreatment of and consular access to U.S. citizens arrested abroad. Other modifications to ACS improved the Department's ability to publish information about overseas deaths of Americans from non-natural causes. A complete re-engineering of ACS will modernize its software and enhance information sharing among overseas posts starting in 2003.

The Department implemented an updated version of CRISIS, a case-tracking system used when Americans are involved in crises abroad. The Consular Lost and Stolen Passport System (CLASP) was deployed at all overseas posts and domestic passport agencies to track missing U.S. passports and prevent their abuse. The introduction of new software to manage international adoption cases has been delayed until 2004 so it can accommodate the Department's new responsibilities as Central Authority under the Hague Convention on Adoptions.

SUMMARY OF KEY RESULTS BY INDICATOR AND TARGET

ACCURACY AND AVAILABILITY OF CONSULAR INFORMATION			
Initial Target	Revised Target ¹	Result	Rating
<p>Consular Affairs web site accommodates 250,000 hits per day. Additional features and updates are added.</p>	<p>Create new section with fillable forms.</p>	<p>Five passport applications added to the web site for international travelers.</p> <p>The web site received 128 million hits (10M more than in FY 2001), averaging 347,254 hits per day. 94.3% of users participating in an on-line survey found the web site helpful, up from 90% in the past 3 years.</p> <p>Issued 56 travel warnings, 97 public announcements, and 196 consular information sheets (86% of countries updated).</p> <p>Pilot software was developed for an Internet-based system that will allow Americans to register overseas travel itineraries at a central website.</p> <p>A consular call center began operations in the aftermath of the 9/11 terrorist attacks to handle the large volume of calls about travel safety. It received over 60,000 calls in FY 2002.</p>	<p>Above Target</p>
AVAILABILITY OF AUTOMATED CASE-TRACKING			
Initial Target		Result	Rating
<p>System to track international parental child abduction cases is pilot tested and deployed.</p> <p>System to track international adoption cases is pilot tested and deployed.</p> <p>ACS system includes data on mistreatment of and access to arrestees and generates corresponding report.</p>		<p>Case-management software was developed for international parental child-abduction cases and is in use by the Office of Children's Issues.</p> <p>Software to manage international adoption cases was delayed to accommodate the Department's new responsibilities as Central Authority under the Hague Convention on Adoptions. The system is scheduled for completion in 2004.</p> <p>American Citizens Services (ACS) case management system now collects data and can report on mistreatment of and consular access to U.S. arrestees abroad. ACS system was updated to comply with a new requirement in PL 107-228 to publish information about overseas deaths of Americans from non-natural causes. Detailed system requirement analysis for the complete re-engineering of the ACS system was completed. It will replace current software with a state-of-the-art program that enables greater information sharing among posts.</p>	<p>On Target</p>
<p>¹ Target was modified; activities related to achieving both initial and revised targets were initiated. "Result" reported for both sets of targets.</p>			

ANNUAL PERFORMANCE GOAL 2
Timely and effective passport issuance, with document integrity assured

U.S. passports identify travelers as U.S. nationals entitled to USG protection while abroad. The U.S. passport is a highly secure, machine-readable, internationally recognized, and respected document that provides a basis for safe international travel. Timely and effective passport issuance ensures that Americans can depart for scheduled travel on time.

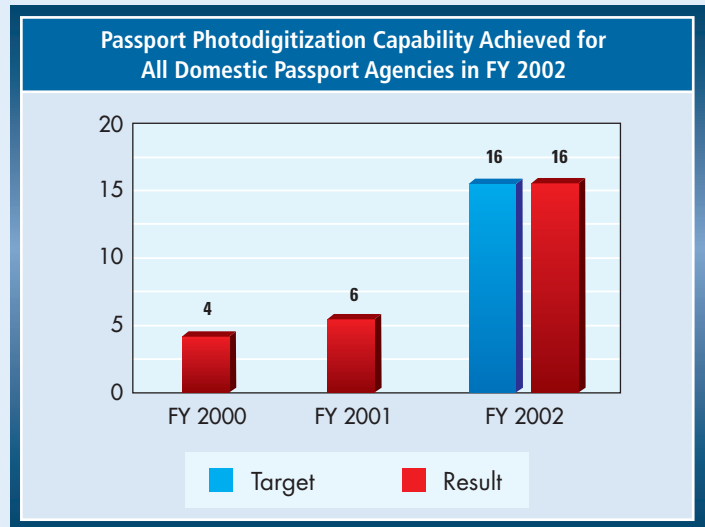
SUMMARY OF KEY RESULTS AND IMPACT

During FY 2002, the Department issued more than seven million passports. The worldwide demand for passports was less than originally projected due to the economic downturn and concern about terrorism. The demand amounted to somewhat less than the projected target and should not be seen as a performance failure on the Department’s part.

The centralized application process helped decrease average wait-times for in-person applications, which ranged from fifteen to thirty-two minutes, a significant improvement over the previous year’s twenty-five to forty-six minutes.

The photo-digitized passport issuance system (TDIS-PD) was installed at the passport agencies in Washington and Chicago, finalizing the conversion of all sixteen domestic facilities. All passport issuance, except for emergencies, was shifted from U.S. embassies and consulates to the United States to take advantage of photo-digitization. The digitized photograph and data page of the photo-digitized passport make it much less vulnerable to tampering.

The Department upgraded TDIS-PD to include CLASP software and a new Social Security matrix that assists with validating social security numbers and birth data provided by applicants. The Department also modified ACS and Passport Services systems to allow direct, electronic transmission of passport data and photographs from overseas posts to the National Passport Center.



SUMMARY OF KEY RESULTS BY INDICATOR AND TARGET

PASSPORT APPLICATIONS			
Target		Result	Rating
8.3 million passports issued		7.1 million passports issued	Slightly Below Target Due to lower demand for U.S. passports.
STATUS OF PASSPORT PHOTO-DIGITIZATION			
Initial Target	Revised Target ¹	Result	Rating
All of the Department's domestic facilities operate with the new system.	Installed at 2 more passport facilities (total of 16.)	Photo-digitized passport issuance system (TDIS-PD) installed in Washington and Chicago, finalizing the conversion of all 16 domestic facilities. All but emergency passport issuance shifted to U.S. to take advantage of photo-digitization technology. TDIS-PD updated to include Consular Lost and Stolen Passport System (CLASP) software and Social Security matrix to assist in validating social security numbers and birth data provided by applicants. American Citizens Services (ACS) and Passport Services systems were modified to allow direct, electronic transmission of passport data and photographs from overseas posts to the National Passport Center in New Hampshire, which will greatly enhance speed and security for overseas passport applicants.	Above Target
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGES

Three Program Evaluations were conducted in FY 2002 that pertained to this Strategic Goal:

1. Office of American Citizen Services and Crisis Management (IS-I-02-07 2/02), (OIG)
2. Review of Domestic Passport Operations (ISP-CA-02-32 3/02), (OIG)
3. Information Management: Selected Agencies' Handling of Personal Information, (GAO)
4. Border Security (Visa and Consular Services Program), (OMB PART)

Detailed information on major findings, recommendations, and actions to be taken can be found in the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

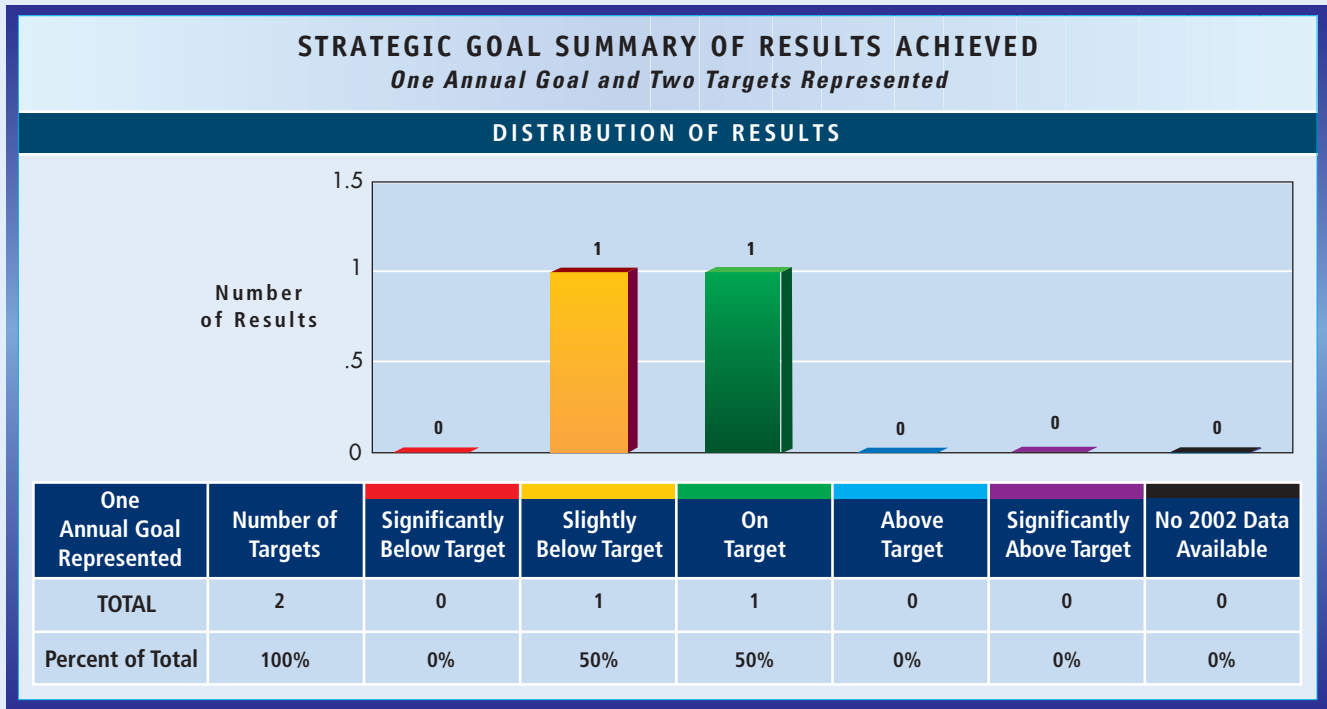
NATIONAL INTEREST: AMERICAN CITIZENS AND U.S. BORDERS

STRATEGIC GOAL 8: TRAVEL & MIGRATION

Facilitate travel to the United States by foreign visitors, immigrants, and refugees, while deterring entry by those who abuse or threaten our system.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

In accordance with U.S. law, the Department’s consular officers are responsible for determining whether foreign nationals are eligible to receive visas, thereby protecting the security of the United States and its citizens. Consular officials also facilitate admission to the United States of millions of legitimate travelers every year, including tourists, businesspeople, students, and refugees.



ANNUAL PERFORMANCE GOAL 1

Timely and effective visa issuance; reduction of visa fraud

Timely and effective visa issuance facilitates the travel of foreigners who seek to enter the United States for legitimate purposes, either temporarily or as immigrants. Screening all visa applicants using consular, intelligence, and law enforcement information helps identify fraudulent applications and impede the travel of terrorists, criminals, and other undesirables by flagging their applications for visa denial.

SUMMARY OF KEY RESULTS AND IMPACT

During FY 2002, the Department's consular officials processed over 600,000 immigrant visa cases, reuniting families and bringing workers to U.S. employers. The Department expected that there would be demand for 715,000 immigrant visas (IVs). However, the actual goal in any year is to process in a timely manner all applications presented. Actual demand for IVs was somewhat less than the target; this is not a performance failure, but reflects a reduction in demand for visa services.

Officials processed more than eight million non-immigrant visa cases, enabling non-immigrants using valid visas to visit family and friends, study at U.S. colleges and universities, perform at cultural events, provide skills and services needed by U.S. employers, and benefit the U.S. economy. This work was done in conjunction with the Immigration and Naturalization Service (INS) and other USG agencies involved in homeland security.

According to U.S. Department of Commerce projections, spending on travel expenses by international visitors within the United States is expected to total over \$93.4 billion during 2002, \$12 billion more than U.S. travelers were projected to spend abroad. In addition, international visitor expenditures directly supported more than one million jobs in the United States, according to travel industry sources.

During FY 2002, the Department continued to design, deploy, and improve the systems that help identify terrorists and criminals among visa applicants. To improve homeland security, it issued a supplemental visa application form for all men aged sixteen to forty-five from all countries, and tightened visa interview requirements for applicants whose home countries are state sponsors of terrorism. In conjunction with other USG agencies, the Department required more security checks for groups of visa applicants from specific countries. The Department provided INS with access to data on issued visas, including applicants' photos from consular offices worldwide replicated in near real-time, which enables immigration inspectors to verify the link between a traveler and the travel document presented.

Records from the FBI's National Crime Information Center expanded the Consular Lookout and Support System (CLASS) by more than seven million records. The intelligence community provided a threefold increase in CLASS namecheck records through the INR's TIPOFF office. The Department introduced better training to help consular officers use the CLASS system, especially linguistically-based namecheck returns. It also expanded Intranet resources to assist officers with reading entry/exit cachets in Arabic or Persian script.

As part of a strengthened U.S. border security program, the Department also:

- ◆ Created a new Lincoln non-immigrant visa (NIV) to prevent alteration and duplication
- ◆ Heightened security for canceling machine-readable visas to deter "visa washing"
- ◆ Electronically verified the legitimate entry of foreign students and exchange visitors through the Interim Student and Exchange Authentication System
- ◆ Expanded the Foreign Lost and Stolen Passport Database
- ◆ Began cooperation with the Virginia DMV to share information on fraudulent foreign documents

- ◆ Improved document fraud training provided to Diplomatic Security agents and Social Security Administration investigators.
- ◆ Compiled a “Law Enforcement Package” that Diplomatic Security field offices, Passport Agency offices and other Department offices may provide to state and local law enforcement contacts and banks or other businesses that request general guidance on assessing U.S. visas and passports as identity documents.
- ◆ Began participation in the EU fraudulent documents working group, sharing information on smuggling trends, fraud patterns, and document fixers.
- ◆ Provided over one million photographs of visa applicants to the National Institute of Standards and Technology to use in their facial recognition evaluation tests and continued work on biometric identifier standards and electronic systems.
- ◆ Worked more closely with law enforcement and intelligence agencies to share information on a timely basis.

Finally, working with the INS, U.S. Customs, and the Department of Transportation, the Department approved an Entry-Exit Project Charter that sets the parameters for an automated system, which records visitor arrivals, departures, and activities while in the United States.

NUMBER OF IMMIGRANT VISA CASES PROCESSED			
Target	Result		Rating
715,000	608,133		Slightly Below Target
NUMBER OF NON-IMMIGRANT VISA CASES PROCESSED			
Initial Target	Revised Target	Result	Rating
10,300,000	7,600,000	8,367,861	On Target

PERFORMANCE RESULTS BY INDICATOR AND TARGET

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGE

Two Program Evaluations were conducted in FY 2002 that pertained to this Strategic Goal:

1. Consular Affairs Information Security Program (IT-A-02-04 9/02), (OIG)
2. Border Security (Visa and Consular Services Program) (OMB PART)

Detailed information on major findings, recommendations, and actions to be taken can be found in the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

NATIONAL INTEREST: LAW ENFORCEMENT

STRATEGIC GOAL 9: COUNTERING TERRORISM

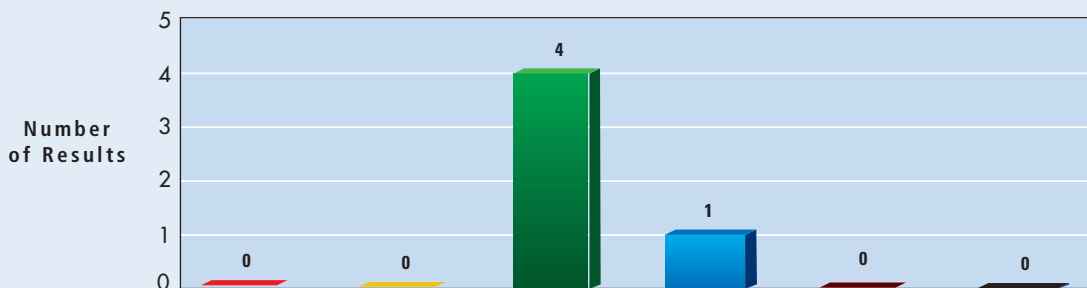
Reduce international terrorist attacks, especially on the United States and its citizens.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

Since the events of 9/11, combating international terrorism has become the USG’s top priority. The Department is the lead federal agency working with other nations to counter terrorism and minimize the threat of terrorist violence at home and abroad to the United States, its interests, and its allies. It has made key contributions to the worldwide campaign against terrorism in its efforts to create international coalitions that are willing and able to accomplish U.S. counterterrorism objectives.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED
One Annual Goal and Five Targets Represented

DISTRIBUTION OF RESULTS



One Annual Goal Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	5	0	0	4	1	0	0
Percent of Total	100%	0%	0%	80%	20%	0%	0%

ANNUAL PERFORMANCE GOAL 1

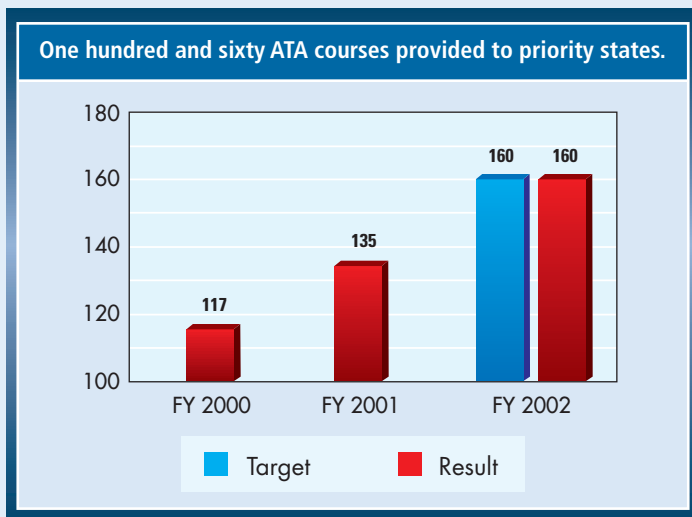
Reduced danger of terrorist attacks on American citizens and interests; effective international cooperation and efforts curtail the capabilities of would-be terrorists and punish known offenders

SUMMARY OF KEY RESULTS AND IMPACT

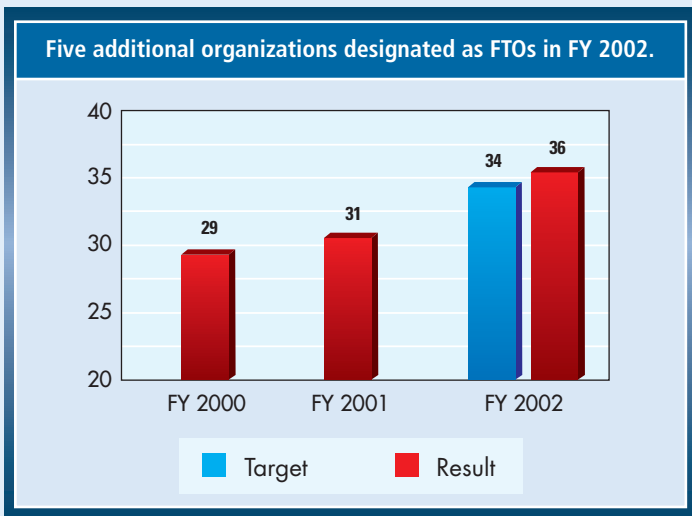
During 2002, the Department made significant progress in creating and sustaining the international political will necessary for states to take strong, decisive action against terrorism.

Bilateral and multilateral consultations resulted in unprecedented cooperation with foreign partners in all areas of the global war on terrorism. In this context, a Joint Working Group with Pakistan was established, China agreed to an FBI Legal Attaché Office in Beijing, and NATO invoked Article V for the first time in its history to assist the United States with countering terrorism.

In addition, 179 states have reported to the UN Security Council about their efforts to implement UN Security Council Resolution 1373 which sets the standard that terrorism is unacceptable, illegal, and is to be opposed. This is an important step towards taking practical legal and political measures to prevent and suppress terrorism. The United States provided leadership in the UN Security Council to monitor compliance with this resolution.



One hundred and sixty anti-terrorism assistance (ATA) training courses that the Department provided to forty-one priority states have improved counterterrorism capabilities. Officials who received U.S.-sponsored counterterrorism training included police officers who dismantled the November 17 terrorist organization in Greece, Turkish officials who successfully negotiated a hostage situation at an Istanbul luxury hotel, and Tanzanian police who apprehended the perpetrator of an armed attack against a Peace Corps volunteer in southwestern Tanzania.



During FY 2002, the Department designated five organizations as Foreign Terrorist Organizations (FTOs), over two hundred persons and entities associated with terrorist financing under Executive Order 13224, and forty-eight organizations under the Terrorist Exclusion List (TEL). This made it more difficult for terrorists to raise and move money, increased the amount of terrorist assets blocked, prevented designated persons from gaining entry to the United States, and heightened international attention to the need for aggressive action to combat terrorist financing. The United States also worked through the UN Security Council's Counter Terrorism Committee to designate terrorist entities and individuals for assets freezes.

The Department installed the Terrorist Interdiction Program at sites in Pakistan and Yemen, allowing security and border officials to check travelers against a list of individuals of concern. The Department also spearheaded work on the USG-initiated G-8 Cooperative Action on Transport Security, which will enhance security for people and cargo; aircraft, ships, trucks, and

containers; and airports and seaports. The Department also encouraged multilateral organizations such as the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) to develop new global standards for aviation and maritime security.

The Department has also led USG efforts to develop a strong response by Asia Pacific Economic Cooperation (APEC) leaders to the President’s call for a worldwide coalition to defeat terrorism. The leaders issued statements that condemned terrorist attacks in the strongest terms, and committed the Asia-Pacific region to a series of concrete actions to enhance the security of international trade, information, and financial systems to prevent their use by terrorists.

PERFORMANCE RESULTS BY INDICATOR AND TARGET⁵

NUMBER OF BILATERAL AND MULTILATERAL CT CONSULTATIONS COMPLETED		
Target	Result	Rating
13	13	On Target
NUMBER OF STATES THAT HAVE REPORTED TO THE UN SECURITY COUNCIL ON THEIR EFFORTS TO IMPLEMENT UNSCR 1373		
Target	Result	Rating
157	179	Above Target
ANTI-TERRORISM TRAINING ASSISTANCE (ATA) COURSES AND PROGRAM REVIEWS PROVIDED TO PRIORITY STATES		
Target	Result	Rating
Provide 160 courses to 41 states; 160 reviews.	Provided 160 courses to 41 states;160 reviews.	On Target
DEGREE OF SUPPORT FOR COMBATANT COMMANDERS’ CT EXERCISE PROGRAMS		
Target	Result	Rating
No exercises scheduled because of Operation Enduring Freedom.	No exercises scheduled because of Operation Enduring Freedom.	On Target
Co-chair the CSG Exercise Sub-Group and develop the next 18-month, national and international-level exercise schedule.	Co-chaired the CSG Exercise Sub-Group and developed the next 18-month, national and international-level exercise schedule.	
Finalize Exercise Sub-Group’s Operating Charter.	Finalized Exercise Sub-Group’s Operating Charter.	
TIMELINESS OF THE REVIEW OF GROUPS DESIGNATED AS FOREIGN TERRORIST ORGANIZATIONS (FTOs) PURSUANT TO U.S. LAW		
Target	Result	Rating
Three additional organizations designated as FTOs. One additional group due for periodic review awaiting other agency action. Two additional groups in the process for first-time designation and awaiting other agency action. Seven groups under review for possible designation.	Five additional organizations designated as FTOs. One additional group was redesignated. Five groups were under review for possible FTO designation.	On Target

⁵ The indicators specified in the FY2001/2002 Performance Plan are not shown in this report. The original indicators were dropped from this goal because the events of 9/11 caused the Department to reformulate completely its counterterrorism policies and priorities in order to respond to a radically new situation in which substantial new responsibilities were added to the Department’s counterterrorism programs. The new indicators in this report accurately reflect the Department’s current counterterrorism policy and programs, and better measure the Department’s progress in the post-9/11 environment.

NATIONAL INTEREST: LAW ENFORCEMENT

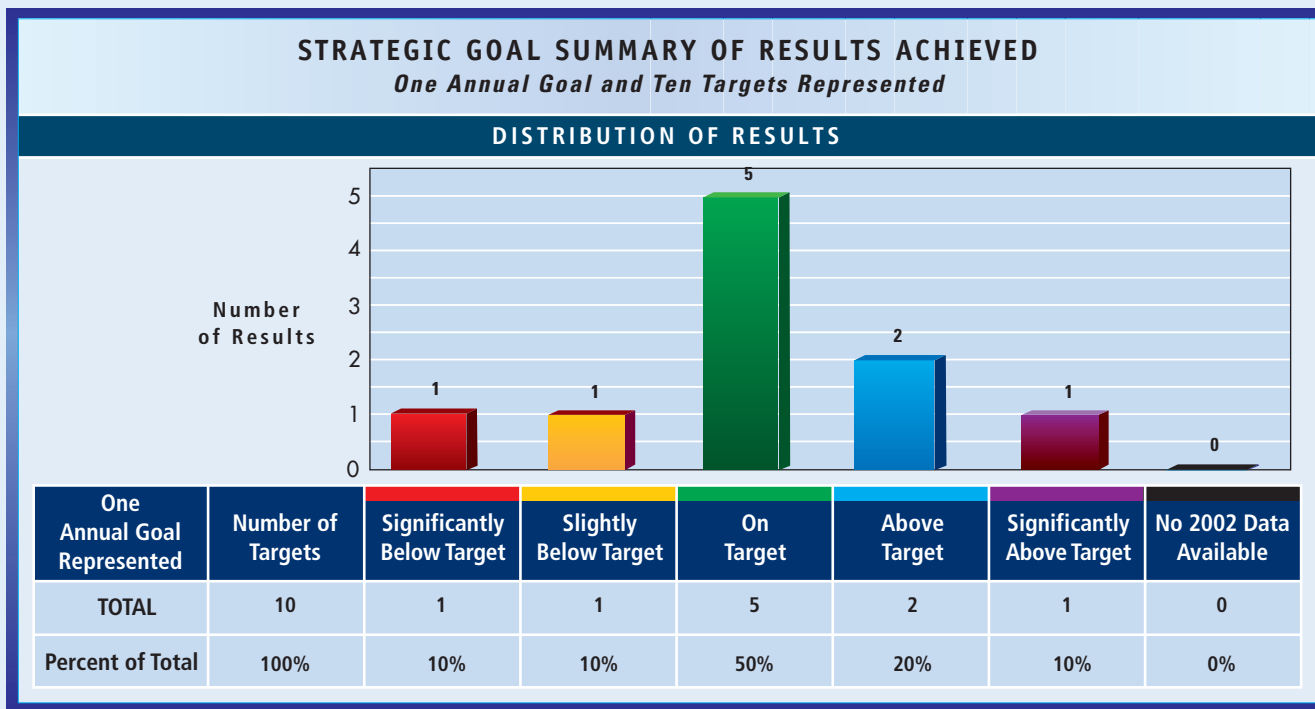
STRATEGIC GOAL 10: INTERNATIONAL CRIME

Minimize the impact of international crime on the United States and its Citizens.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

Like terrorism and drug trafficking, international crime simultaneously targets domestic and external U.S. interests, affecting a wide range of U.S. citizens daily. Trafficking in women and children, migrant smuggling, contraband smuggling, money laundering, credit card fraud, cybercrime, theft of intellectual property rights (IPR), vehicle theft, public corruption, environmental crimes, and trafficking in illegal firearms cost U.S. taxpayers and businesses billions of dollars each year. International crime groups threaten the rule of law and stability.

Following the events of 9/11, the Department refocused its anti-crime efforts to emphasize counterterrorism. To that end, the Department obtained supplemental funds to initiate or expand border security, identified and engaged countries whose financial sectors were most closely involved with the financing of terrorist groups, and revamped the curricula of International Law Enforcement Academies (ILEAs) and other training courses.



ANNUAL PERFORMANCE GOAL 1

More effective criminal justice institutions and law enforcement in targeted countries

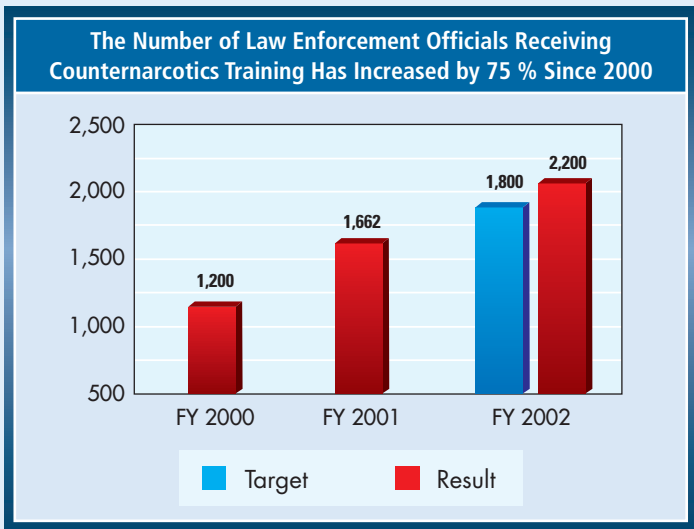
Transnational crime groups often operate from or through countries with weak criminal justice and banking systems that lack the resources, ability, and often the political will to confront organized crime. Department programs in targeted countries help strengthen criminal-justice and law-enforcement institutions, which are necessary for detecting, investigating, arresting, and convicting transnational crime figures and breaking up their operations. This not only improves foreign governments' abilities to act directly against crime groups but also enables these countries to cooperate with the United States and the international community. Department training programs also improve enforcement of regulatory regimes in such areas as international property protection.

SUMMARY OF KEY RESULTS AND IMPACT

The Department signed an agreement with Costa Rica to establish a regional ILEA there, the fifth such academy to be established worldwide. During FY 2002, the ILEA program trained 2,200 students; other programs trained an additional 9,500 students, thereby upgrading the skills and professionalism of justice sector and law enforcement officials. ILEA training focuses specifically on regional issues and problems. U.S.-trained officials are more likely to apply U.S. standards and methods in their daily operations and training curricula, and are more willing and able to cooperate with the United States. During FY 2002, the number of students trained through bilateral programs dropped drastically as U.S. training agencies redirected training resources to counterterrorism operations and programs, but by the end of the year, those numbers began to rebound.



The International Law Enforcement Academy in Gaborone, Botswana



PERFORMANCE RESULTS BY INDICATOR AND TARGET

NUMBER OF ILEAS ESTABLISHED			
Target	Result		Rating
5	4		Slightly Below Target
NUMBERS OF ILEA AND OTHER PROGRAMS' STUDENTS TRAINED			
Initial Target	Revised Target ¹	Result	Rating
ILEA: 4,100 Other: 4,400	ILEA: 1,800 Other: 15,000	ILEA: 2,200 (estimated) Other: 9,500 (estimated)	Significantly Above Target Significantly Below Target
ASSESSMENTS FOR AFRICAN ANTI-CRIME PROGRAM REQUIREMENTS			
Target	Result		Rating
6	6		On Target
NUMBER OF MIGRANT SMUGGLING AND TRAFFICKING IN PERSONS COORDINATION CENTER (MSTCC) ANTI-SMUGGLING/TRAFFICKING OPERATIONS			
Initial Target	Revised Target ⁶	Result	Rating
4	0	The MSTCC has begun monitoring international smuggling and trafficking operations but has not yet provided support for any disruption operations.	On Target
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets. ⁶ Target was revised because of a delay in opening the MSTCC.			

ANNUAL PERFORMANCE GOAL 2
Transnational cooperation and action to counter crime

Regional and international cooperation among governments is essential for combating transnational crime. Working together, members of the international community set standards and agree on collective actions, thereby paving the way for operational cooperation and allowing the United States to share the financial and political burden of fighting international crime.

SUMMARY OF KEY RESULTS AND IMPACT

The UN Convention on Transnational Organized Crime, which defines standards for combating transnational organized crime, has now been signed by 143 countries and ratified by two dozen states. This progress represents a major step toward forging an international response to the growing threat of transnational crime. The treaty will enter into force when forty states have ratified it; meanwhile, all signatories are obliged not to take steps contrary to the Convention.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

STATUS OF CONVENTION AGAINST TRANSNATIONAL ORGANIZED CRIME (TOCC) AND SUPPLEMENTAL PROTOCOLS			
Initial Target	Revised Target ¹	Result	Rating
A strategy and an action plan developed for implementation of TOCC & Protocols.	20 states ratify the main convention; implementation plan developed.	143 states had signed and 24 states had ratified. 107 had signed trafficking in persons protocol; 14 had ratified. 103 states had signed migrant smuggling protocol; 13 had ratified. 35 states had signed the firearms protocol; 2 had ratified.	Above Target
STATUS OF CONVENTION AGAINST CORRUPTION			
Target		Result	Rating
Negotiations to establish an international corruption instrument begin.		Three rounds of negotiations completed.	On Target
OVERALL LEVEL AND SOURCES OF FUNDING OF UN CENTER FOR INTERNATIONAL CRIME PREVENTION (CICP)			
Target		Result	Rating
Voluntary contributions to CICP continue to increase.		2002 contribution target will likely be reached; final data not yet available.	On Target
Two countries which have not previously contributed make voluntary contributions.		Two additional countries became donors.	On Target
LEVEL OF U.S. FUNDING TO UN CENTER FOR INTERNATIONAL CRIME PREVENTION (CICP)			
Target		Result	Rating
\$1.5 million		U.S. contributed \$1.7 million to CICP.	Above Target
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Results" reported for both sets of targets.			

NATIONAL INTEREST: LAW ENFORCEMENT

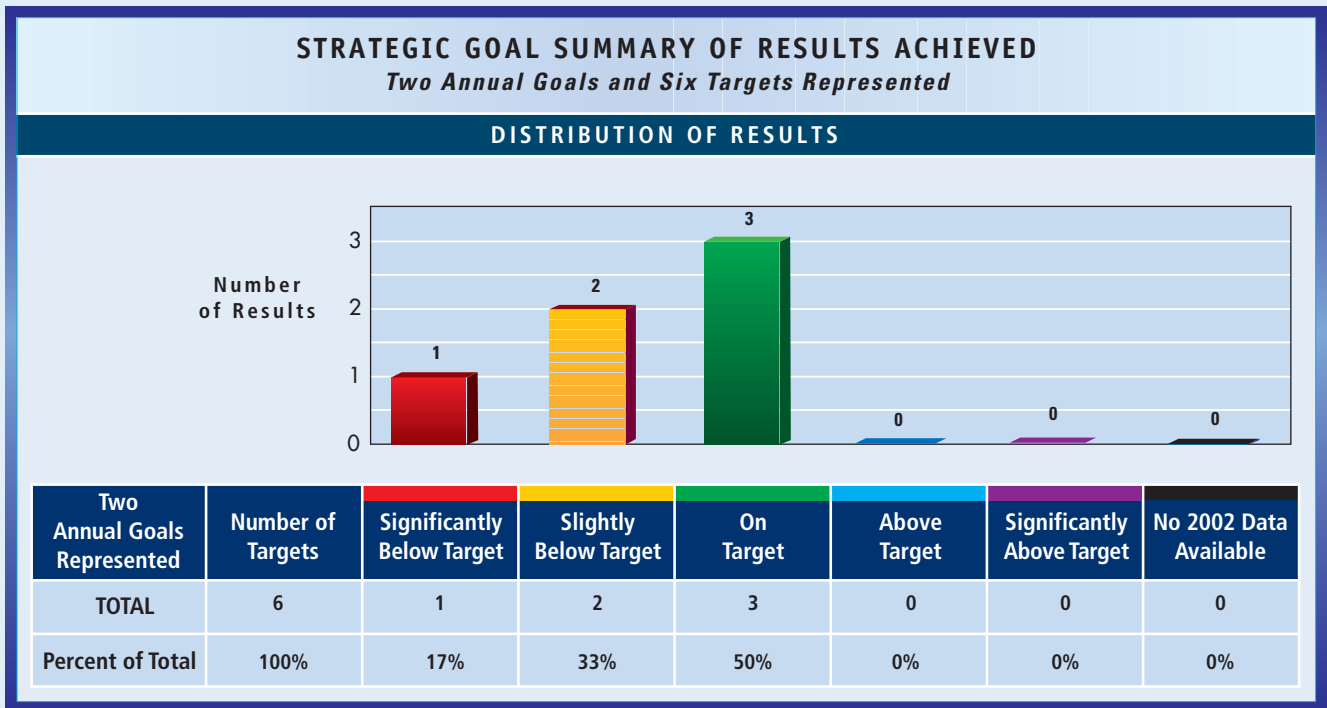
STRATEGIC GOAL 11: COUNTERING ILLEGAL DRUGS

Reduce the entry of illegal drugs into the United States.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

Illegal drugs, most of which originate abroad, impose a staggering toll on the American people, killing thousands of Americans annually and costing more than \$160 billion in terms of law enforcement, health care, and lost productivity. In the President’s words, “Illegal drug use threatens everything that is good about our country.” Drug traffickers, many with links to terrorists groups, threaten the rule of law, political and economic stability, and even the sovereignty of many countries, including some key allies and friends. No country is immune.

The primary focus of the Department’s counternarcotics efforts during FY 2002 was a multifaceted program aimed at destroying the coca crop and breaking up trafficking organizations in Colombia, the source of 90 percent of the cocaine entering the United States, and preventing spillover of trafficking activities into Colombia’s neighbors. The Department also worked with the United Kingdom and other key allies to combat the resurgence in opium poppy trafficking in post-Taliban Afghanistan and elsewhere in Central Asia destined for Russia and Europe. The fight against drug trafficking and the traffickers themselves is also an attack on the terrorist groups that feed off drug trafficking; in some cases, they are the same groups.



ANNUAL PERFORMANCE GOAL 1

Reduced foreign cultivation of opium poppies, coca and marijuana

SUMMARY OF KEY RESULTS AND IMPACT

Targeting coca, opium poppies, and marijuana during cultivation is the single most effective means of reducing the quantity of such drugs entering the international market and the United States. In recent years, aggressive eradication programs in Pakistan (opium poppy), Bolivia (coca), and Peru (coca) reduced illicit cultivation in those countries by more than 90 percent.

Although the number of hectares of coca under cultivation in Colombia apparently increased to about 210,000, actual production of cocaine likely decreased because 122,000 hectares were sprayed.

The Department worked with the United Kingdom and others to coordinate an eradication/alternative development assistance program that reduced opium production in Afghanistan by up to 25 percent. The United States and its partners are looking for ways to increase the effectiveness and speed the implementation of this initiative.

Under pressure from the United States and other countries, the new government of Afghanistan officially banned poppy cultivation and trafficking in January 2002, and declared counternarcotics a national priority. Nevertheless, post-war cultivation surged as the new government struggled to extend its authority and control throughout the country.

Mexico, the primary source of foreign marijuana entering the United States, continues to reduce the number of hectares under cultivation through its sustained long-term eradication program.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

NUMBER OF HECTARES OF ILLICIT COCA UNDER CULTIVATION		
Target	Result	Rating
167,760	210,000 (estimated)	Slightly Below Target Production destroyed was at or above target level, despite the increased area of cultivation.
NUMBER OF HECTARES OF ILLICIT OPIUM UNDER CULTIVATION		
Target	Result	Rating
131,495	161,000 (estimated)	Significantly Below Target Post-war Afghan crop was unexpected.
NUMBER OF HECTARES OF MARIJUANA UNDER CULTIVATION		
Target	Result	Rating
6,500	6,500 (estimated)	On Target
NUMBER OF REGIONAL AND INTERNATIONAL PREVENTION SUMMITS		
Target	Result	Rating
2	0	Significantly Below Target Shift of attention to terrorism decreased ability/priority to organize such conferences at the summit level.

ANNUAL PERFORMANCE GOAL 2

Criminal justice sectors of foreign governments break up major drug trafficking organizations and effectively investigate, prosecute and convict major narcotics criminals

SUMMARY OF RESULTS AND IMPACTS

The United States depends on the cooperation and assistance of foreign governments to combat international drug trafficking and traffickers. Most source-and transit-zone states are developing countries with weak criminal justice systems. Thus, in coordination with other USG agencies, the United Nations and other international organizations, the Department assists these countries with equipment, training, institutional development, and operational cooperation essential for mounting effective counternarcotics programs and operations.

During FY 2002, the number of parties to the 1988 UN Drug Convention rose to 165, further increasing the number of states legally committed to undertake various counternarcotics programs and activities.

The Department provided counternarcotics training to 1,800 law enforcement officials, thereby upgrading specific skills and general professionalization among foreign counterdrug forces. These officials are better able to cooperate with the United States at an operational level, and employ U.S. standards and methods in their work and local training.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

PARTIES TO THE 1988 UN DRUG CONVENTION			
Initial Target	Revised Target ¹	Result	Rating
157	165	165	On Target
NUMBER OF LAW ENFORCEMENT OFFICIALS RECEIVING COUNTERNARCOTICS TRAINING			
Target	Result		Rating
1,800	1,800		On Target

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Results" reported for both sets of targets.

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGES

Two Program Evaluations were conducted in FY 2002 that pertained to this Strategic Goal:

1. Evaluation of Model Programs for Drug Abusing High Risk Youth in Brazil and Peru, (Outside contractors)
2. Drug Abuse Treatment Training in Peru (Outside contractors)

Detailed information on these evaluations' major findings, recommendations, and actions to be taken can be found in the the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

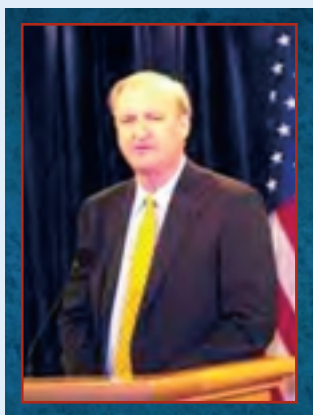
NATIONAL INTEREST: DEMOCRACY

STRATEGIC GOAL 12: DEMOCRACY AND HUMAN RIGHTS

A worldwide community of democracies where human rights, including worker rights, and religious freedom are universally respected.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

Democracy and human rights, central components of U.S. foreign policy, continue to enjoy wide support among Americans. Beyond idealistic appeal, the U.S. commitment to freedom tangibly advances America’s interests. Stable, consolidated democracies that respect the human rights of their citizens are more likely to be prosperous, enjoy peaceful relations with their neighbors and with the United States, and be free from terrorism. The Department provides support for countries in transition, defends democracies under attack, and strengthens the network of established democracies. Departmental efforts to promote democracy and human rights contribute to a safer world in which Americans can live and prosper.

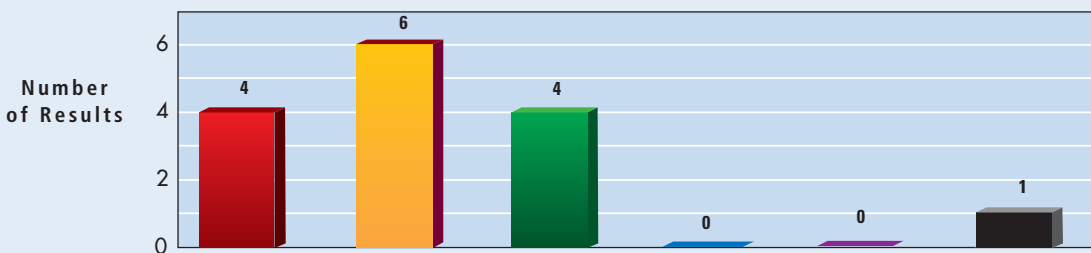


*Lorne W. Craner, Assistant Secretary for Democracy, Human Rights, and Labor, briefs the press corps on March 4, 2002, upon the release of the Country Reports on Human Rights Practices.
State Department photo by Mike Gross*

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

Four Annual Goals and Fifteen Targets Represented

DISTRIBUTION OF RESULTS



Four Annual Goals Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	15	4	6	4	0	0	1
Percent of Total	100%	27%	40%	27%	0%	0%	6%

ANNUAL PERFORMANCE GOAL 1
New democracies move toward political and economic stability; authoritarian regimes carry out liberalizations

The Department strives to encourage foreign countries to move beyond formal elections by instituting authentic and fundamental respect for democracy and human rights.

SUMMARY OF KEY RESULTS AND IMPACT

The Human Rights and Democracy Fund (HRDF) has committed \$11.4 million for fifty-nine active projects. Although the goal was \$30 million, the HRDF nevertheless enabled the Department to support projects that strengthen the rule of law, promote free and fair elections, and build religious tolerance. The Department crafted new approaches to democracy in the Middle East, Central Asia, and China, with HRDF projects carefully integrated into larger initiatives.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

SIZE OF HUMAN RIGHTS AND DEMOCRACY FUND			
Target	Result		Rating
\$30 million	\$11.4 million; projects prioritized with a focus on independent media in Central Asia and civil society in Muslim-majority countries.		Slightly Below Target
TRAINING FOR STATE DEPARTMENT AND USAID OFFICERS WORKING ON DEMOCRACY			
Initial Target	Result		Rating
Presentations in Ambassador and DCM courses.	Undersecretary for Global Affairs spoke at the Ambassadors' Seminars; democracy and human rights was part of the presentation.		On Target
UNITED NATIONS RESOLUTIONS ON THE RIGHT TO DEMOCRACY			
Initial Target	Revised Target ²	Result	Rating
United Nations begins negotiations on draft declaration.	UNCHR begins negotiations on draft declaration and UN General Assembly passes resolution.	No progress; U.S. was not a member of the UNCHR in 2002 but was re-elected as member for 2003.	Significantly Below Target
COMMUNITY OF DEMOCRACIES (CD)			
Initial Target	Result		Rating
Follow-up CD ministerial takes place in Seoul.	Follow-up CD ministerial took place in Seoul.		On Target
² Target language modified slightly but is substantially consistent; reported "Result" corresponds to Revised Target as shown.			

ANNUAL PERFORMANCE GOAL 2

Greater respect for human rights around the world

Authentic and fundamental respect for democracy and human rights includes the full spectrum of political and civil rights; a free economic sector; protection for minorities, women, workers, and other groups; an independent media; rule of law; and freedom of conscience.

SUMMARY OF KEY RESULTS AND IMPACT



The Department developed improved Leahy Amendment implementation guidance for all posts. More stringent compliance with this amendment prevents gross human rights violators from receiving U.S.-sponsored training or funding.

Measures to advance respect for human rights are not limited to sanctions and restrictions. Proactive advocacy, including bilateral dialogues, particularly with China, results in political and legal reform. In Central Asia, steps were taken towards expanding room for political opposition groups, human rights monitors, and independent media.

The Department conducted five presentations on combating trafficking in persons (TIP) at Ambassador and Deputy Chief of Mission courses, increasing understanding of TIP as one of the Department’s priorities.

An activist from the Center for Women and Children Study, a non-government organization (NGO), holds an anti-trafficking poster as demonstrators form a human chain to observe International Human Rights Day in Dhaka, Bangladesh on December 10, 2001. AFP Photo/Jewel Samad

PERFORMANCE RESULTS BY INDICATOR AND TARGET

ENHANCED TRAINING FOR U.S. GOVERNMENT OFFICIALS ON COMBATING TRAFFICKING ²		
Target	Result	Rating
Presentations in Ambassador and DCM courses.	Conducted five presentations at these courses, explaining USG efforts on Trafficking in Persons (TIP).	On Target
ANTI-TRAFFICKING PROTOCOL TO THE CRIME CONVENTION		
Target	Result	Rating
U.S. ratifies anti-trafficking protocol.	Protocol has not been submitted to Congress for ratification.	Slightly Below Target
INSTITUTIONALIZATION OF REPORTING ON TRAFFICKING		
Target	Result	Rating
Congress concludes that no additional global report necessary because issues have been solved.	No conclusion has been reached.	Slightly Below Target

LEAHY AMENDMENT LIMITS ON SECURITY ASSISTANCE			
Initial Target	Revised Target ²	Result	Rating
100% compliance with Leahy.	Department working with 100% of posts to implement procedures.	While implementation was not uniform, 100% of posts are working to comply; worldwide quantitative analysis not currently possible.	On Target

COUNTRY-SPECIFIC RESOLUTIONS AT THE UNITED NATIONS COMMISSION ON HUMAN RIGHTS (UNCHR)		
Target	Result	Rating
Commission stops using no-action motion.	No data available. U.S. was not a member of the UNCHR in 2002, but was re-elected as member for 2003.	No Data Available

² Target language modified slightly but is substantially consistent; reported "Result" corresponds to Revised Target as shown.

ANNUAL PERFORMANCE GOAL 3
Greater observation and protection of worker rights; reduction of child labor; elimination of sweatshops producing goods for the U.S. market

SUMMARY OF KEY RESULTS AND IMPACT

The USG Anti-Sweatshop Initiative received \$4 million in funding in 2002. Although short of the targeted \$7 million, the initiative has made notable progress working with NGOs, governments, and private enterprise to eliminate sweatshop conditions in thirty countries.

WORK OF SECRETARY'S ADVISORY COMMITTEE ON LABOR DIPLOMACY (ACLD)			
Target	Result	Rating	
New recommendations issued and implemented.	Nine recommendations issued, of which, three implemented, one approved and five still under consideration.	Slightly Below Target	

FUNDING OF U.S. GOVERNMENT ANTI-SWEATSHOP INITIATIVE		
Target	Result	Rating
\$7 million	\$4 million	Slightly Below Target

U.S. GOVERNMENT SUPPORT FOR INTERNATIONAL PROGRAM ON THE ELIMINATION OF CHILD LABOR (IPEC) INITIAL TARGET			
Initial Target	Revised Target	Result	Rating
USG provides: <ul style="list-style-type: none"> • \$45 million to support IPEC; • \$55 million to support USAID education programs. 	Labor code changes in Russia; China promotes autonomous trade unions and advances worker rights. World Bank effectively implements U.S.-sponsored provisions of fund replenishments to incorporate respect for worker rights in its country assistance strategies.	No progress made. Other priorities prevented further progress.	Significantly Below Target

ANNUAL PERFORMANCE GOAL 4

Worldwide acceptance of freedom of religion and conscience

SUMMARY OF KEY RESULTS AND IMPACT

The projected benefits from conferences, increasing knowledge of religious freedom concerns in various countries, and of the role of religious freedom concerns in U.S. foreign policy, were not obtained. This performance shortfall occurred because the new Ambassador-at-Large for International Religious Freedom was appointed later than expected.

Programs in Indonesia and Lebanon were intended to promote religious acceptance. Although Druze-Christian reconciliation was facilitated in three Lebanese villages, lack of funding prevented the establishment of a similar intercommunal program in Indonesia, where sectarian violence has continued.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

STATE DEPARTMENT-WIDE AWARENESS OF U.S. RELIGIOUS FREEDOM POLICY			
Target	Result		Rating
Three conferences convened.	No conferences held.		Significantly Below Target
FOREIGN ASSISTANCE PROGRAMMING			
Initial Target	Revised Target ¹	Result	Rating
USAID begins funding IRF-related programming	Reconciliation program in Lebanon brings results; additional program begins in Indonesia.	Druze-Christian reconciliation was facilitated in three villages in Lebanon. Funding shortages prevented the establishment of reconciliation programs in Indonesia.	Slightly Below Target
OUTREACH TO FAITH-BASED COMMUNITIES			
Target	Result		Rating
New outreach programs established	No programs established. This performance shortfall occurred because the new Ambassador-at-Large for International Religious Freedom was appointed later than expected.		Significantly Below Target
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

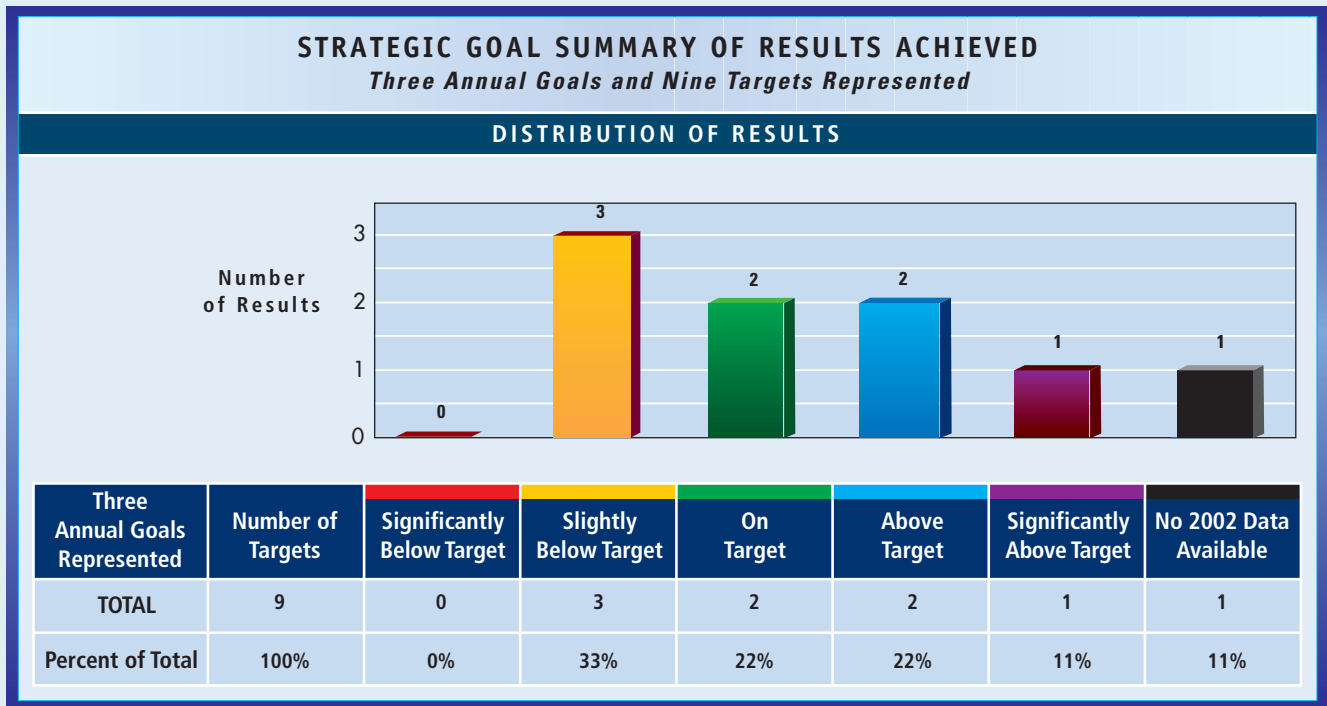
NATIONAL INTEREST: HUMANITARIAN RESPONSE

STRATEGIC GOAL 13: HUMANITARIAN ASSISTANCE

Prevent or minimize the human costs of conflicts and natural disasters.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

In the wake of the events of 9/11, the importance of effective response to the humanitarian problems created by failed states and long-lasting armed conflicts has been magnified. Simply put, assistance to limit the suffering of the displaced and victims of conflict and natural disaster is good foreign policy. In FY 2002, following the United States-led ouster of the Taliban, the Department supported the largest refugee repatriation operation in recent history. The Department also responded to the continued substantial needs of refugees and internally displaced persons (IDPs) in places such as Tanzania, Sudan, Kenya, the Middle East, Kosovo, the Caucasus, and Colombia. Through assistance to relevant multilateral organizations, the Department helped minimize the level of human suffering experienced by these populations while fostering long-term solutions to the root causes of that suffering. In FY 2002, the Department also participated actively in USG efforts to provide food aid to drought-stricken Southern Africa to avert starvation and massive population movements.



ANNUAL PERFORMANCE GOAL 1

Equal access to protection; effective and coordinated assistance; and promotion of durable solutions (including voluntary repatriation) for refugees and victims of conflict

SUMMARY OF KEY RESULTS AND IMPACT

Refugees and displaced persons suffer disproportionately from conflict and other humanitarian problems. By ensuring equal access to protection, effective and coordinated assistance, and the promotion of durable solutions for refugees and displaced victims of conflict, the United States helps meet the needs of these most vulnerable persons, thereby lessening the human cost of conflict.

During 2002, the crude mortality rate (CMR) in crisis zones did not exceed the target of 1/10,000 persons where data were available. Enhanced tracking procedures and Department-funded assistance programs prevented deaths and lowered risk in emergency refugee settings for extended periods. In a related effort, the Department and USAID developed tools to measure and track more accurately CMR and the nutritional status of children under five years of age.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

CRUDE MORTALITY RATES (CMR)		
Target	Result	Rating
Crises do not exceed a crude mortality rate of 1 per 10,000 people/day for an extended period. If necessary, take other measures to address any problems of excess mortality.	Where data were available, refugee crises did not exceed a CMR of 1/10,000 people/day. State/PRM and USAID developed tools to better measure and track CMR and the nutritional status of children under the age of 5; training workshop for practitioners was held in July.	On Target
NUMBER OF UNHCR REPATRIATION PROGRAMS ENDED 2 YEARS AFTER A MAJORITY OF REFUGEES RETURN OR FIND OTHER DURABLE SOLUTIONS		
Target	Result	Rating
Conclusion of one-half of the repatriation programs where the majority of refugees have been home for 2 years or more.	Indicator was not tracked.	No Data Available Indicator has been discontinued and will therefore not appear in subsequent plans. It was deemed an inappropriate measure of performance progress and was never effectively tracked or utilized.

ANNUAL PERFORMANCE GOAL 2
Mitigation, preparedness, and early warning of natural disasters and complex emergencies

SUMMARY OF RESULTS AND KEY IMPACTS

The crux of this goal was the establishment of the Global Disaster Information Network (GDIN), which finds new ways to compile and disseminate operationally-valuable disaster information. To the extent that this goal is met, GDIN will reduce the loss of life and property prevalent in disasters.

Although the goal of establishing a GDIN operations center was not met in FY 2002, substantial progress was made by virtue of agreement among GDIN members to set up five specific GDIN services: conferences and workshops, infectious disease analysis, early warning and response, portal service, and pilot projects. After 2004, GDIN should be able to receive adequate private and governmental funding, to become fully operational.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

GLOBAL DISASTER INFORMATION NETWORK (GDIN) MEMBERSHIP			
Initial Target	Revised Target ¹	Result	Rating
An international agreement is reached on GDIN physical infrastructure.	An operations center is established and the number of data-sharing partners is increased. GDIN members determine status of the entity.	GDIN community agreed on a new approach to set up five specific services in the 2002-2004 time frame.	Slightly Below Target
GDIN members would determine status of the entity.	N/A	GDIN membership agreed to incorporate the funding mechanism as a 501(c)(3) and to retain the rest of the project as an unincorporated partnership until 2004.	On Target

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.

ANNUAL PERFORMANCE GOAL 3

Elimination of deployed landmines and reduction of civilian casualties in mine-affected countries

SUMMARY OF KEY RESULTS AND IMPACT

The elimination of deployed landmines saves lives and prevents civilian injuries. Mine-risk education also reduces civilian casualties, preventing death and debilitating injury in conflict-affected areas.

Thirty-two countries received funding through U.S. Nonproliferation, Anti-terrorism, Demining and Related appropriations (NADR). Although slightly below the target level, these programs contributed to a decrease in the number of civilian landmine casualties and aided the return of agricultural land and infrastructure to productive use. The target was not met because countries that had shown interest in obtaining U.S. assistance did not make a formal request.

In countries where Humanitarian Mine Action programs exist, there was a fourteen-percent reduction of reported civilian casualties, which surpassed the goal of ten percent. In addition to saving lives and preventing injuries, the programs promote economic development by raising the overall health of the workforce.

In 2002, 100,000 landmines and unexploded ordnance were cleared, far surpassing the goal of 35,000. This resulted in more civilians in affected areas being able to use the cleared land safely, thus promoting food security and economic development.

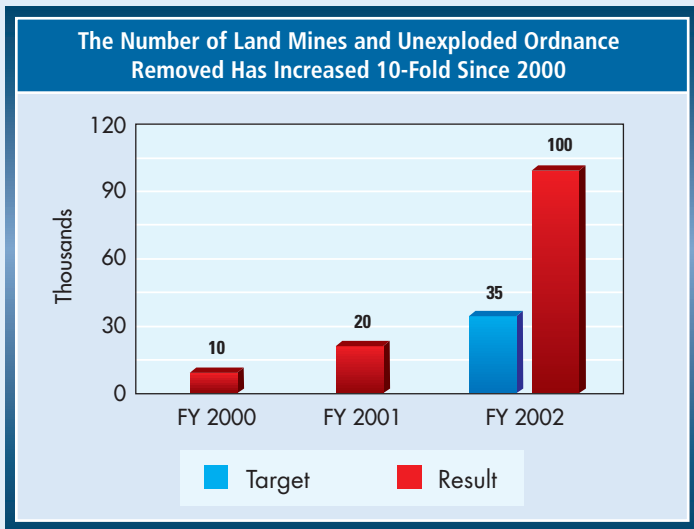


Rear side view of Locust 750 mini-flail mine clearing system



Deputy Secretary of State Richard Armitage being shown demining equipment as he visits the embattled village of Sarasalai in the northern peninsula of Jaffna, Sri Lanka, on August 22, 2002. A U.S.-funded demining team unearthed 772 anti-personnel mines in a 50,000 square meter area from the period May to August 2002.

AFP Photo/Sena Vidanagama



PERFORMANCE RESULTS BY INDICATOR AND TARGET

NUMBER OF COUNTRY PROGRAMS FUNDED BY U.S. NADR APPROPRIATIONS			
Target	Result		Rating
40	32		Slightly Below Target
NUMBER OF U.S. FUNDED HOST NATION PROGRAMS ACHIEVING MINE-SAFE STATUS			
Target	Result		Rating
2	1		Slightly Below Target
REDUCTION OF CIVILIAN CASUALTIES IN COUNTRIES WHERE HUMANITARIAN DEMINING PROGRAMS EXIST			
Target	Result		Rating
10%	14%		Above Target
HECTARES/SQUARE KILOMETERS OF LAND RETURNED TO PRODUCTIVE USE			
Target	Revised Target ²	Result	Rating
3,500 sq. km	8,000 sq. km	8,897 sq. km	Above Target
NUMBER OF LANDMINES AND AMOUNT OF UNEXPLODED ORDNANCE REMOVED			
Target	Result		Rating
35,000	100,000		Significantly Above Target

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGES

Five Program Evaluations were conducted in FY 2002 that pertained to this Strategic Goal:

1. Humanitarian Response Efforts for Women and Conflict Victims (OIG)
2. UNHCR Policy on Refugee Women and Guidelines on Their Protection: An Assessment of Ten Years of Implementation (Women’s Commission on Refugee Women and Children)
3. Independent Evaluation of the Kosovo Women’s Initiative (UNHCR Evaluation and Policy Analysis Unit)
4. Refugee Admissions to the U.S. (OMB PART)
5. Refugees to Israel (OMB PART)

Detailed information on major findings, recommendations, and actions to be taken can be found in the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

NATIONAL INTEREST: GLOBAL ISSUES: ENVIRONMENT, POPULATION, HEALTH

STRATEGIC GOAL 14: ENVIRONMENT

Secure a sustainable environment to protect U.S. citizens and interests from the effects of international degradation.

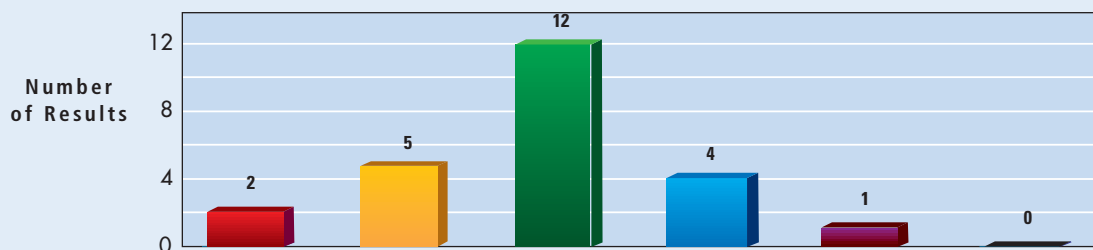
STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

Environmental issues are a major component of U.S. foreign policy, as is evidenced by daily headlines that range from climate change to whales to bio-engineered foods to management of global water resources. Less visible, though no less significant, are the Department’s efforts to advance U.S. interests in ongoing international negotiations concerning the oceans, fisheries, forests, coral reefs, endangered species, chemical/waste management, outer space, and the broader frontiers of scientific research. The Department helps key countries and regions combat piracy and other illegal activities involving forest products, wildlife, hazardous wastes, ozone-depleting substances, fisheries, and maritime issues. The Department also advances the Administration’s policy on science and technology through the thirty-five bilateral and multilateral science and technology agreements it manages.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

Four Annual Goals and Twenty-Four Targets Represented

DISTRIBUTION OF RESULTS



Four Annual Goals Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	24	2	5	12	4	1	0
Percent of Total	100%	8%	21%	50%	17%	4%	0%

ANNUAL PERFORMANCE GOAL 1

Donor countries and international financial institutions support U.S. positions and efforts to make trade and environment policies mutually supportive

SUMMARY OF KEY RESULTS AND IMPACT

The overall U.S. trade negotiating objective as set forth in the Trade Act of 2002 is to ensure that trade and environmental concerns are appropriately addressed in bilateral and multilateral free trade negotiations.



Argentine Foreign Minister Carlos Ruckauf (R) speaks to the press with US Trade Representative Robert Zoellick (C) and Brazilian Foreign Minister Celso Lafer (L) on the Free Trade Agreement of the Americas (FTAA) October 31, 2002 in Quito, Ecuador.

AFP Photo/Roberto Garagiola/Cancilleria

The United States agreed to bilateral free trade agreements (FTAs) with Singapore and Chile in 2002 which established a process that will ensure specific environmental commitments. Environmental concerns were incorporated into the ministerial declaration of the November 2002 Summit in Quito but not yet incorporated into the draft Free Trade Agreement of the Americas (FTAA) text. Progress in bilateral FTA and FTAA talks strengthened the U.S. position on trade and environmental policies at the World Summit on Sustainable Development, the WTO, and at meetings of international financial institutions. The U.S.-Jordan FTA was the first bilateral trade agreement to include a commitment to effective enforcement of environmental laws. While Jordan has not yet established a Ministry of the Environment, the United States has been working actively with Jordanian authorities to promote environmental institutional capacity.

The Department has also been active in promoting strong common guidelines for export-credit agencies (ECAs) in the Organization for Economic Cooperation and Development (OECD). Although the United States declined to sign on to an OECD agreement on ECAs because the agreement failed to provide strong, mandatory guidelines and ensure transparency. Many ECAs already evaluate project proposals using strong World Bank environmental guidelines. The U.S. stance in the OECD negotiations enabled the Department to set the terms of the debate and positioned the United States to bring other countries into an acceptable agreement to apply strong, common environmental guidelines.

Results have been mixed, but generally positive, in the application of environmental guidelines to projects supported by international financial institutions. For example, an independent assessment cited enhanced World Bank efforts to monitor the environmental impact of the Chad-Cameroon Pipeline Project, ensure transparency, and respond to community concerns. While transparency issues and slow overall progress have made it difficult to assess whether China will apply adequate environmental safeguards to the South-North Water Transfer Project, indications are that most aspects of the project are undergoing significant environmental impact assessments.

KEY RESULTS BY INDICATOR AND TARGET

CONTENT AND STATUS OF THE FREE TRADE AGREEMENT FOR THE AMERICAS (FTAA)		
Target	Result	Rating
FTAA negotiators agree on mechanism for incorporation of environmental concerns.	<p>Free Trade Agreement for the Americas (FTAA) negotiations are ongoing, as are negotiations for 3-4 bilateral free trade agreements (FTAs).</p> <p>Negotiations continued in FY 2002; a ministerial meeting held in November 2002. FTAA negotiators agreed to incorporate in the Quito Ministerial Declaration language that included protecting the environment as an FTAA goal.</p>	<p>Slightly Below Target While environmental concerns were incorporated into the declaration of the November 2002 Ministerial Summit, they are not yet incorporated into the draft FTAA text.</p>
STATUS AND IMPACT OF JORDAN'S ENVIRONMENTAL INSTITUTIONAL CAPACITY, LAWS, AND REGULATIONS		
Target	Result	Rating
<p>Jordan's Environment Ministry consolidates its responsibilities.</p> <p>U.S. supports 1-2 capacity building activities.</p>	<p>The Government of Jordan has not yet established a Ministry of the Environment; it is unclear when it might do so. The Jordanian Government's General Corporation for Environmental Protection (GCEP) continued to operate and developed by-laws during 2002. USAID funded an environmental-management capacity assessment. Regional Environment Office supported a workshop for environmental NGOs and GCEP on proposal/grant preparation.</p>	<p>Significantly Below Target Until Jordan's anticipated new Ministry of the Environment is in place, impact of USG activities will be limited.</p>
COMPLIANCE WITH WORLD BANK CHAD-CAMEROON PIPELINE SOCIAL/ENVIRONMENTAL PROGRAM		
Target	Result	Rating
<p>Significant improvement in infrastructure in communities affected by project.</p> <p>Successful management of initial population influxes without excessive environmental impact.</p>	<p>Independent Inspection Panel conducted assessment in spring 2002 at request of Chadian citizens and Government.</p> <p>Results:</p> <p>Some progress in improving infrastructure due to lack of capacity and political will.</p> <p>Successful management of population influxes without excessive environmental impact; no problems found.</p> <p>After successful surface/groundwater contaminant mitigation in Chad, a consortium developed plan illustrating impact of potential pollution sources and how to prevent future similar problems.</p> <p>Oil likely to flow into pipeline in June 2003.</p>	<p>On Target</p> <p>Slightly Below Target Slow progress in improving infrastructure.</p> <p>On Target Inspection showed compliance with social compliance indicators.</p> <p>On Target Contamination effectively controlled.</p> <p>Above Target Progressing one year ahead of schedule.</p>

INTERNATIONAL PRIVATE CAPITAL FLOWS FOR THE SOUTH-NORTH WATER PROJECT IN CHINA INCORPORATE ENVIRONMENTAL PROTECTION

Target	Result	Rating
South-North Project proceeds with environmental protection safeguards in place.	FY 2002 progress was limited by slow development of the project by Chinese planners and delays in releasing information to the public about specific aspects of the plan. Indications are that most aspects of the project are undergoing significant EIA reviews.	Slightly Below Target

NUMBER OF COUNTRIES' EXPORT CREDIT AGENCIES THAT AGREE TO COMMON ENVIRONMENTAL GUIDELINES

Target	Result	Rating
All OECD member states sign onto common quantitative and qualitative environmental guidelines.	OECD countries disagree with USG concepts for strong, common environmental guidelines. USG chooses not to join OECD agreement, viewing it as insufficiently transparent and lacking common standards.	<p>Slightly Below Target</p> <p>Although the Department was unable to secure OECD agreement for strong, mandatory environmental guidelines, it succeeded in setting the terms of debate, and maintaining negotiating leverage. The Department is positioned to reach an agreement with other countries covering what they are already now do in practice – evaluating project proposals against strong World Bank environmental guidelines.</p>

ANNUAL PERFORMANCE GOAL 2

International treaties, agreements, and voluntary initiatives that protect the environment are negotiated, implemented, and enforced

SUMMARY OF KEY RESULTS AND IMPACT

International endorsement of the U.S. emphasis on private capital, trade, and domestic good governance as key to sustainable development was secured at the World Summit on Sustainable Development in September 2002. The Summit also emphasized public-private partnerships as a key mechanism to implement sustainable development goals. More than two hundred such partnerships were launched, including four U.S. signature partnerships in water, energy, forests, and hunger. The Johannesburg Plan of Implementation (JPOI) provided a workable blueprint for advancing the broad range of sustainable development issues.

In fulfillment of the President's commitment to address climate change, the Department worked internationally, especially with developing nations, to demonstrate that future prosperity can be built along a cleaner and better path. Ten regional and bilateral partnerships on global climate change were initiated or advanced in FY 2002.



An employee arranges flags during preparations for an opening welcoming ceremony in conjunction with the World Summit on Sustainable Development in Johannesburg, South Africa, August 2002. AFP Photo/Pedro Ugarte

Progress has been made toward ratifying the Rotterdam and Stockholm Conventions, which promote sound management of chemicals. Among other things, these important agreements will lead to a virtual phase-out in the use of persistent organic pollutants, which continue to pose a global environmental threat despite being banned or severely restricted in the United States and most developed countries decades ago. The two Conventions were submitted to the Senate for advice and consent. Implementing legislation introduced in Congress in 2002 was not acted upon.

The United Nations Fish Stocks Agreement entered into force in FY 2002. This legally-binding agreement will help achieve sustainable fisheries and regional-level management, dispute settlement, and data exchange.

Some progress was made towards achieving sustainable marine fisheries, rebuilding depleted fish stocks, preserving the marine ecosystem, and minimizing the impact of fishing on associated and dependent species such as sharks, sea turtles, and seabirds. In 2003, the Department will seek stronger fishing capacity caps in regional fisheries management organizations and work to increase the acceptance and national implementation of the International Plans of Action of the UN Food and Agriculture Organization (FAO) and two binding UN global fisheries treaties.

The Department played an instrumental role in the use by member-states of the UN Convention to Combat Desertification's (UNCCD's) Famine Early Warning Systems Network (FEWSNET), which uses technology to provide decision makers with critical information on weather patterns, projected food scarcity, and changes in land-use patterns.

KEY RESULTS BY INDICATOR AND TARGET

RESPONSE OF THE INTERNATIONAL COMMUNITY TO THE ADMINISTRATION'S NEW APPROACH TO CLIMATE CHANGE		
Target	Result	Rating
To address climate change, consider new international negotiation that takes a longer term view and includes commitments for development.	<p>New partnerships announced or initiated with Australia, Canada, the EU, India, Korea, and China.</p> <p>Implementation of partnerships with Japan, (more than 30 projects in science, technology, and policy cooperation identified), Central American countries, Italy (more than 20 projects relating to climate science and technology), and Australia (19 projects initiated).</p> <p>Key working groups established, specific projects and project-related activities agreed upon and begun.</p>	On Target

EFFECT OF PRIOR INFORMED CONSENT CONVENTION

Target	Result	Rating
Implementation of the convention.	Congress considering steps to allow U.S. ratification to proceed, but process was not completed in 2002.	Slightly Below Target Made progress with Congress toward ratification of the Rotterdam Convention.

CONVENTION TO COMBAT DESERTIFICATION MITIGATES THE EFFECTS OF DROUGHT ON ARID, SEMI-ARID, AND DRY SUB-HUMID LANDS

Target	Result	Rating
Expand opportunities for research centers and universities to share technical expertise.	<p>Department promoted U.S. scientists to the UN Convention to Combat Desertification's (UNCCD) Roster of Experts.</p> <p>Results: 7 U.S. scientists on UNCCD's Roster of Experts, 1 U.S. scientist on UNCCD's Committee for Science and Technology, and language in the National Action Programs that support education and information sharing.</p>	On Target Department promoted U.S. scientific input in the UNCCD, provided models for investigating causes of and remedies for desertification; and emphasized the importance of a) education and information sharing for implementing National Action Programs, b) applied research, c) synthesis work, and d) concrete implementation issues for the UNCCD committees. .

STATUS OF RATIFICATION OF STOCKHOLM CONVENTION ON PERSISTENT ORGANIC POLLUTANTS (POPS) CONVENTION

Target	Result	Rating
U.S. ratification complete.	Congress considered necessary steps to allow U.S. ratification to proceed, but this process was not completed in 2002.	Slightly Below Target Department made progress with Congress regarding ratification of the Stockholm Convention. The process on track for the Senate to give advice and consent, and for Congress to pass implementing legislation in 2003.

STATUS OF UN FISH STOCKS AGREEMENT AND FAO COMPLIANCE AGREEMENT

Target	Result	Rating
UN Fish Stocks Agreement enters into force following ratification by 30 states.	Since entry into force, the Department has begun consultations with other States Parties to promote implementation, particularly provisions that pertain to cooperation with developing states. The UN General Assembly and States Parties to the Agreement agreed in principle to establish a voluntary trust fund for implementing the Agreement.	On Target The Department began consultations with other States Parties to the UN Fish Stocks Agreement to promote its implementation.

EFFECT OF AN INTEGRATED USG POSITION ON THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT		
Target	Result	Rating
USG position is refined as needed to secure international support.	USG successfully secured international support for its position through unanimous adoption of the Johannesburg Plan of Implementation and the Johannesburg Declaration on Sustainable Development at the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, September 2002.	Significantly Above Target USG success in securing international support for its position at the WSSD went beyond merely achieving an integrated USG position. It was the direct result of the outstanding level of coordination and cooperation of the more than 20 USG agencies involved.
TRADE DECISIONS ASSISTED BY BIOSAFETY PROTOCOL IMPLEMENTATION		
Target	Result	Rating
Biosafety Protocol implementation assists countries in making environmentally informed trade decisions.	The Biosafety Protocol did not enter into force in 2002. Nevertheless, the USG developed a biotechnology regulatory web page to share relevant information on environmentally-informed trade decisions. USG also supported the development of the Protocol's Biosafety Clearinghouse which will become operational when the protocol enters into force. The Department's work created the mechanism for information sharing and established a model for other countries to follow that is in place ahead of schedule.	Above Target Although the Protocol did not enter into force, U.S. efforts have established the foundation for countries to make environmentally-informed trade decisions.
EFFECT OF FAO INTERNATIONAL PLANS OF ACTION FOR SEABIRD BY CATCH AVOIDANCE, FOR SHARK CONSERVATION AND MANAGEMENT, AND FOR FISHING VESSEL CAPACITY REDUCTION BY FAO MEMBERS		
Target	Result	Rating
Proportion of stressed stocks declining.	Recovery of North Atlantic swordfish stocks through the work of a regional fisheries management organization; development of a shark management plan to implement the shark international plan of action of the Asia Pacific Economic Cooperation Forum (APEC), and resolutions in other regional bodies that minimize the by-catch of sharks, adoption by the Inter-American Tropical Tuna Commission of its first limitations on fishing capacity, entry into force of the Southern Ocean Albatross and Petrel Agreement; and progress toward establishment of a regime to conserve and manage highly migratory fish stocks in the central and western Pacific.	On Target

ANNUAL PERFORMANCE GOAL 3

International financial and multilateral institutions and donor countries provide greater development assistance dealing with key environmental issues

SUMMARY OF KEY RESULTS AND IMPACT

The United States led the international community in securing replenishment of the Global Environment Facility (GEF) and increasing its overall funding. The United States also made a commitment to pay its arrears. The GEF will focus on implementing concrete measures in the areas of biodiversity, climate change, persistent organic pollutants, combating desertification, and protecting international waters and the ozone layer.

At the World Summit on Sustainable Development (WSSD), the U.S. launched the Congo Basin Forest Partnership with thirty governments and private partners to conserve and manage Central African forests in a sustainable manner.

During FY 2002, Russia met its targets under the Montreal Protocol for phasing out its use of chemicals that deplete the earth's stratospheric ozone layer. It also disposed of its remaining unused ozone depleting products in an environmentally sound manner.

Discussions about shared waters have helped strengthen relationships among countries in several key conflict-prone regions including the Balkans and the Okovango and the Nile Basins. Discussions about water have been successful in promoting cooperation, building trust, and developing mechanisms and skills useful for resolving disputes. At the WSSD, the United States launched a \$970-million, three-year initiative to improve access to safe drinking water. The United States also formed a partnership with Japan to identify areas where the two countries can work together to address critical water issues.



Congo Brazzaville President Denis Sassou Nguesso and Secretary of State Colin Powell give a press conference on September 4, 2002 after a meeting on the Congo Basin Forest Partnership, at the World Summit on Sustainable Development in Johannesburg, South Africa. AFP Photo/Pedro Ugarte

Balkan countries worked together to develop a legal framework for navigation on the Sava and on several joint development projects. Participants intend to establish a regional institution for managing the Sava and host a donor conference in 2003 to raise financial support. Countries in the Okovango Basin participated in joint technical sessions and dispute resolution training – reinvigorating a moribund regional process. The Nile Basin Initiative has become an international organization that has already funded several joint projects. Countries meet regularly to discuss development of the Nile, perhaps the single most contentious issue in the region.

Multilateral water projects had significant positive impact in Jordan, the West Bank, and Gaza. Cooperation between the parties helped alleviate the region’s third year of drought, despite the difficult political situation. New wells and pipelines in the West Bank produced additional water resources during the summer to meet basic needs for the Palestinian population. The water curriculum provided to schools, which encourages recognition of water as a collective regional issue and stresses individual responsibility, should improve awareness among youth about the region’s serious water conditions.

The Government of Indonesia failed to prosecute a single haze-pollution violation. Millions of people in Indonesia, Malaysia, Singapore, and Bruenei continue to suffer ill health from these annual but preventable hazes, most of which are caused by intentionally-lit forest fires.

ACTIVITY OF CFC-PRODUCING ENTERPRISES		
Target	Result	Rating
CFC-producers in Russia have properly disposed of all ozone-depleting products.	CFC-producers in Russia have properly disposed of all ozone-depleting products.	On Target Russia has achieved its target of phasing out ozone depleting products and disposing of unused product in an environmentally sound manner.
REGIONAL ENVIRONMENTAL CENTERS (RECS)		
Target	Result	Rating
All RECs function as organizations actively participating as environmental/civil society organizations. Additional donors add funding support.	All RECs have been established and are functional. EU provides additional donor support to all RECs. Other donor support exists at or significantly above target for RECs in Georgia, Hungary and Almaty, and is being explored for RECs in Moldova, Russia, and Ukraine. RECs promoted progress regionally on Agenda 21 implementation and water management, helped organize regional participation in international conferences, with participation by governments, NGOs and the private sector.	Above Target All RECs are functioning. The Central Asia REC hosted a broad range of activities, coordinated regional positions, promoted sustainable development, and recognized regional needs, particularly in the Environment for Europe process.

PROGRESS BY USG, DONORS AND RIPARIANS IN ADDRESSING TRANSBOUNDARY WATER ISSUES IN KEY REGIONS

Target	Result	Rating
<p>Riparians meet regularly. Significant increase in number of joint activities. Donors meet, efforts are well coordinated.</p>	<p>Nile riparian countries continue to work on a legal framework and have raised more than \$140 million in donor support for joint development projects.</p> <p>Riparian countries negotiated a framework agreement for navigation on the Sava and started joint development activities. Angola, Namibia, and Botswana have participated in joint training on conflict resolution and joint watershed management. Joint projects among NGOs within the Araks and Kura watersheds are underway. Regular regional discussion on joint management of the Amu and Syr Darya Rivers of Central Asia are taking place under the auspices of the International Fund to Save the Aral Sea (IFAS) and related organizations.</p>	<p>Above Target</p> <p>Results were within or exceeded expectations given the political and technical complexities inherent in this target.</p>

MANAGEMENT OF WATER IN WEST BANK AND GAZA

Target	Result	Rating
<p>Additional West Bank wells come online.</p> <p>West Bank village water systems come online.</p> <p>Construction on Amman wastewater and system rehabilitation continues.</p> <p>Construction of Gaza carrier begins.</p>	<p>Two new functioning West Bank wells . Designs were developed, to supply water to 100,000 additional people in West Bank villages. Parties signed an agreement for the Amman As Samra wastewater project. Construction is continuing on the Amman water supply system rehabilitation project.</p> <p>Bidding process for the Gaza carrier continued; contract award anticipated in FY2003. Water projects also completed to supply the Ein Sultan refugee camp near Jericho and villages near Jenin.</p>	<p>On Target</p>

EFFECT OF WATER RESOURCES AND ENVIRONMENT WORKING GROUPS

Target	Result	Rating
<p>Initiation of additional 1-2 new water and environment activities; water curriculum placed in Arab and Israeli schools; expansion of electronic water network.</p>	<p>During FY 2002, Middle East experts and officials (Mostly Jordanians, Israelis, and Palestinians; Egyptians and Tunisians also involved in one project) continued to work together on multilateral water and environment projects. In the regional water databanks project, one new activity on hydro-geologic databases began; and several more are in the planning stages. The rainfall-intensity activity was completed, and regional participants agreed on a follow-up activity for FY 2003. A new combined water environment activity in the field of wastewater treatment and re-use was under preparation. The USG-funded participants in the Dryland Management Initiative to attend a workshop on sustainable agro-ecosystems. The water curriculum for high school students was published in Arabic and Hebrew; its placement in schools began. Progress on the Waternet electronic network slowed because software replacement needed.</p>	<p>On Target</p>

INTERNATIONAL CONSORTIUM FOR COOPERATION ON THE NILE (ICCON) ACTIVITIES

Target	Result	Rating
<p>Initiation of 1 or 2 supported activities of the International Consortium for Cooperation on the Nile (ICCON).</p>	<p>Nile riparian countries established an international organization to facilitate joint management of the watershed. These countries continue to work on a legal framework and have raised more than \$140 million from donors for joint development projects.</p>	<p>Above Target</p>

UNEP ASSISTANCE AND CAPACITY BUILDING

Target	Result	Rating
<p>UNEP, including the Trade Unit, places greater importance on technical assistance that deals with trade-related environmental issues and allocates a larger proportion of the budget to those activities.</p>	<p>UNEP expanded its work in the field of trade-related activities in 2002 to participate more fully in work on environmental aspects of the WTO Doha Ministerial Conference.</p>	<p>On Target UNEP held an intergovernmental experts meeting in 2002 to consider trade related issues, with an emphasis on technical assistance to help developing countries take these issues into consideration.</p>

STATUS OF U.S.–JAPAN GLOBAL ISSUES COOPERATION AND ENVIRONMENTAL POLICY DIALOG

Target	Result	Rating
<p>Status of U.S. – Japan Global Issues Cooperation and Environmental Policy Dialog Indicator has been discontinued in subsequent plans because it was deemed too specific for purpose of tracking general Department progress.</p> <p>Array for Real-time Geostrophic Oceanography (ARGO) and integrated ocean drilling (IODP) fully deployed; launch U.S.-Japan global issues cooperation on Mekong Water Assessment project.</p>	<p>U.S. and Japan currently drafting a memorandum of understanding to deploy the Integrated Ocean Drilling Program (IODP) in 2003.</p> <p>579 Argo floats deployed and operational by December 2002, of which, 197 are U.S. and 90 are Japanese.</p> <p>FY 2002 milestones since FY 1999 funding include 1,624 floats funded globally, with the U.S. funding 737 and the Japanese 202. Many purchased floats are not yet operational. For FY 2003 - FY 2005, funding has been proposed for 2,517 floats, of which the U.S. will contribute 1,313 and Japan 300.</p> <p>Mekong Water Assessment project not yet launched. Fund site scheduled to be established in Manila before the end of 2002. Pre-award audit completed and passed.</p>	<p>On Target</p> <p>U.S. and Japan are cooperating across the board with regular meetings on all three projects listed above.</p>

STATUS OF EU FISHERIES

Target	Revised Target ¹	Result	Rating
<p>EU adds value in international fora as an advocate for fisheries conservation.</p>	<p>Conservation included as an important element in EU Common Fisheries Policy.</p>	<p>Department raised U.S. concerns about EU fisheries policies at a high level and in other multilateral fora; continues to work with EU counterparts as the Common Fisheries Policy (CFP) is finalized.</p>	<p>On Target</p>

HAZE POLLUTION SITUATION IN INDONESIA

Target	Result	Rating
<p>Government prosecution of violators reaches 75%.</p>	<p>No prosecutions. The Government of Indonesia has shown no clear interest in pursuing violators.</p>	<p>Significantly Below Target</p>

STATUS OF GRID SIOUX FALLS

Target	Result	Rating
<p>Donors begin to commit funds.</p>	<p>U.S., Canadian, and Mexican scientific institutions contributed funding and in-kind resources to GRID Sioux Falls research programs.</p>	<p>On Target</p> <p>GRID Sioux Falls now encompasses research input from the entire North American region, improving its capabilities to forecast future environmental trends.</p>

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.

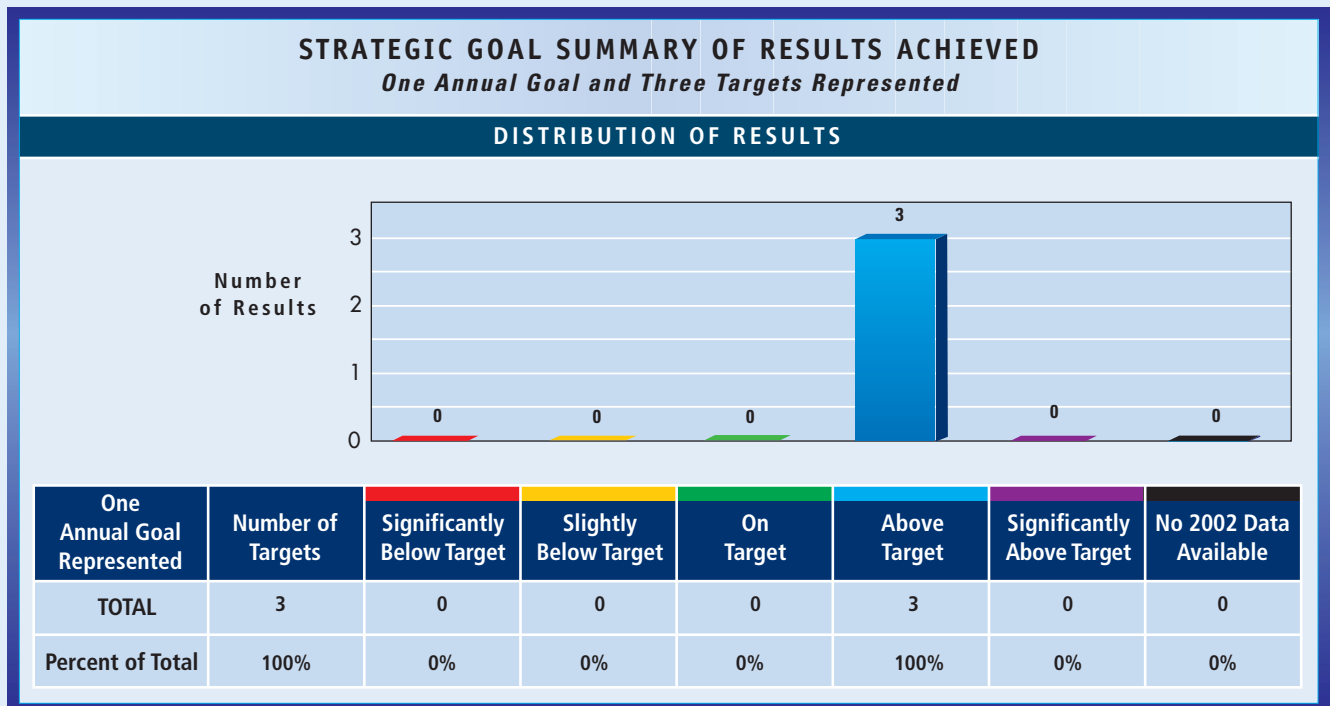
NATIONAL INTEREST: GLOBAL ISSUES: ENVIRONMENT, POPULATION, HEALTH

STRATEGIC GOAL 15: POPULATION

Achieve a healthy and educated world population.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

The Department aims to help people worldwide achieve healthy families of the size they desire, through the use of voluntary, non-coercive means that respect human rights and do not involve abortion.⁷ Women should be able to make voluntary and informed choices about when, whether, and how many times to become pregnant, and couples should be able to support and raise healthy children. To do so, couples need health education and care, as well as nutrition, sanitation, shelter, and education. The Department works to promote good governance, economic opportunity, and other methods of making these goods available, and also works to decrease the incidence of abortion, mortality, and morbidity (whether caused by disease or violence). The Department also works to help governments react appropriately to new demographic challenges, including declining fertility rates, gender imbalances, aging populations, and abnormal demography caused by diseases such as HIV/AIDS. These efforts promote American security, growth, and values by helping create a healthy and educated world population that can participate in and promote global democratic governance, economic opportunity, and protection of environmental and human rights.



⁷ In conformity with the Mexico City policy as reinstated by President Bush, USAID assistance to foreign NGOs is provided only to those that do not perform or promote abortion. In addition, in accordance with law, U.S. aid does not go to organizations that support or participate in the management of a program of coercive abortion or forced sterilization.

ANNUAL PERFORMANCE GOAL 1

Improved reproductive health, reduced incidence of maternal mortality and other problems that particularly threaten women, universal access to primary and secondary education, and appropriate governmental reaction to world demographic changes

SUMMARY OF KEY RESULTS AND IMPACT

The United States promoted the goals described in the overview at meetings of the UN Commission on Population and Development, the UN General Assembly Special Session on Children, the World Health Assembly, the World Summit on Sustainable Development, and other multilateral conferences. In addition, as a member of the Executive Board of the UN Population Fund (UNFPA) and the UN Development Program, the United States took steps to improve the activities of these organizations. In 2002, the United States withheld funding from UNFPA because the Secretary of State determined that UNFPA provided funds and other support to the Chinese governmental entities charged with enforcing China's birth limitation program, which relies on coercive laws and practices that can lead to coercive abortion. The United States is working to encourage UNFPA to make reforms, and cease its involvement with coercion, so that future U.S. funding of UNFPA will be legally possible.

In 2002, the proportion of births assisted by a skilled attendant increased in the following fourteen countries with high maternal mortality rates: Burundi, Cambodia, Cameroon, Chad, Guinea-Bissau, Haiti, Laos, Lesotho, Malawi, Nepal, Nigeria, Rwanda, Senegal, and Tanzania. Assistance from skilled birth attendants reduces risks of maternal and infant mortality and morbidity.

Thirty countries where girls' enrollment in secondary school was less than 50 percent in 2001 increased girls' enrollment by 2 percent or more in 2002. Providing more girls with access to education has been shown to improve their access to health care and economic opportunity.



East Timorese children play near a sea shore in Dili, July 1, 2002. The newest country in the world has a 60% illiteracy rate, a per capita gross national product of \$340, and life expectancy of only 48 years. The infant mortality rate is 135 per 1000 live births and the maternal mortality rate is twice that of other countries in Southeast and the Western Pacific. AFP Photo/Antonio Dasiparu

PERFORMANCE RESULTS BY INDICATOR AND TARGET

MATERNAL MORTALITY AT THE NATIONAL LEVEL		
Target	Result	Rating
Where maternal mortality rate (MMR) is very high, 10 additional countries increase births assisted by a skilled attendant by 2%.	The proportion of births assisted by a skilled attendant increased by 2% or more in 14 countries where the maternal mortality rate is very high.	Above Target

Note: The three indicators shown below have been discontinued. Revised indicators that are better measures of success are being used for FY 2003 and beyond.

AVAILABILITY OF MODERN FAMILY PLANNING AND OTHER REPRODUCTIVE HEALTH CARE FOR INDIVIDUALS REQUESTING SUCH SERVICES		
Target	Result	Rating
Ten countries increase Contraceptive Prevalence Rates (CPR) (modern methods) by 2%.	More than 20 countries increased CPR (i.e., modern methods) by 2% or more in 2002, of which 10 countries increased CPR by at least 10 percentage points: Cambodia, Costa Rica, Czech Republic, Laos, Lesotho, Mongolia, Malawi, Turkmenistan, Uganda, Uzbekistan, and Yugoslavia.	Above Target

SECONDARY SCHOOL ENROLLMENT RATES AMONG GIRLS		
Target	Result	Rating
Ten countries under 50% increase girls' enrollment by 2% or more.	Thirty countries where girls' enrollment in secondary school was less than 50% in 2001 increased by 2% or more in 2002.	Above Target

NATIONAL INTEREST: GLOBAL ISSUES: ENVIRONMENT, POPULATION, HEALTH

STRATEGIC GOAL 16: HEALTH

Improved global health for a more secure world.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

International health issues, particularly epidemics, pandemics, and bio-terrorism pose a serious threat to American citizens and the international community. The burden of HIV/AIDS, tuberculosis, malaria, and other diseases weighs heavily upon developing nations by disrupting economic and social growth, contrary to the U.S. foreign-policy objective to promote stable societies and economies. HIV/AIDS particularly devastates entire countries and regions in Africa and the Caribbean, and has extended its reach into the next tier of large, vulnerable nations such as Russia, India, and China. In conjunction with other USG agencies, the Department engages senior government leaders and international organizations to raise awareness, mobilize resources, inspire public-private partnerships, and spur action.



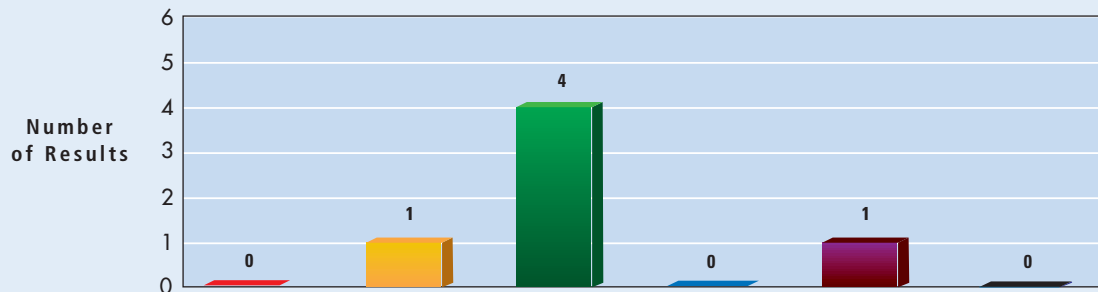
President George W. Bush announces a new International Mother and Child HIV Prevention Initiative as Secretary of Health and Human Services Tommy Thompson and Secretary of State Colin Powell look on at a White House ceremony on June 19, 2002.

AFP Photo/Paul J. Richards

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

One Annual Goal and Six Targets Represented

DISTRIBUTION OF RESULTS



One Annual Goal Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	6	0	1	4	0	1	0
Percent of Total	100%	0%	16%	67%	0%	17%	0%

ANNUAL PERFORMANCE GOAL 1

Increased political and financial commitment to health

SUMMARY OF KEY RESULTS AND IMPACT

In 2002, the Global Fund to Fight AIDS, Tuberculosis and Malaria became operational and significantly expanded thanks to pledges that now total \$2.1 billion. The Global Fund will be a major force in addressing epidemic and pandemic diseases. The Department is actively engaged in an interagency effort in the WTO to improve access for the world's poorest countries to medicines against infectious epidemics, without violating intellectual property protection.

The number of sub-Saharan African countries that have developed national strategies to fight HIV/AIDS has almost tripled since the year 2000. The increased commitment by countries in sub-Saharan Africa, the region most heavily affected by the HIV/AIDS pandemic, will prevent new infections and result in better treatment and care for people who are HIV-positive.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

NATIONS IN TARGETED REGIONS AND DONOR PARTNERS APPOINT EXECUTIVE-LEVEL AIDS ENVOYS TO ENGAGE ON HIV/AIDS ISSUES AT THE HEAD-OF-STATE LEVEL			
Initial Target	Revised Target ¹	Result	Rating
Twenty additional appointed; fifteen representing targeted countries.	Increase in high-level support for combating HIV/AIDS.	Combating HIV/AIDS is a higher priority for U.S. ambassadors, and officials of the Department, other USG agencies, and foreign governments. The April 2001 chief-of-mission conference in Haiti resulted in an action plan to combat the HIV/AIDS.	On Target
LONG-TERM TREND IN NATIONAL HEALTH EXPENDITURES/RESPONSIVENESS (E.G., WHO INDEX ON SYSTEM RESPONSIVENESS, PERCENT OF GDP SPENT ON HEALTH) OF COUNTRIES IN TARGETED REGIONS			
Target	Result		Rating
A continued net increase in number of countries with higher responsiveness.	Thirty-two countries and a multilateral institution pledged over \$2 billion to the Global Fund. Forty sub-Saharan African countries have developed national strategies to fight HIV/AIDS, almost three times as many as in 2000. Nineteen sub-Saharan African countries now have national AIDS councils, a six-fold increase since 2000.		On Target
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

LEVEL OF INTERNATIONAL COLLABORATION AND PARTNERSHIPS TO SUPPORT HEALTH GLOBAL FUND IS MANIFESTATION OF COLLABORATION AND PARTNERSHIP, BECOMES FULLY OPERATIONAL

Initial Target	Revised Target ²	Result	Rating
Further increase international support for, and expand, global surveillance and response efforts, TB and malaria research and control efforts.	Further increase international support and expansion for global surveillance, response efforts, and research and control for AIDS, malaria, and TB.	Global Fund begins work; negotiations continue to establish mechanisms that guarantee program and financial accountability, set rules for procurement, etc. Global Fund has multi-year pledges totaling \$2.1 billion with approximately \$750 million available for the year; one large contribution from the private sector.	Significantly Above Target

DISEASE INCIDENCE RATES HIV/AIDS

Target	Result	Rating
Decline in the number of new infections.	The number of new HIV/AIDS infections is estimated to have declined from 5.3 million in 2000 to 5 million in 2001, and remained at 5 million in 2002.	Slightly Below Target

DISEASE INCIDENCE RATES FOR POLIO

Target	Result	Rating
Continued drop in incidence; eradication.	The number of polio cases is estimated to have decreased from 2,979 in 2000 to 537 in 2001. Estimate for 2002 is not yet available.	On Target

NUMBER OF HEAVILY INDEBTED POOR COUNTRIES (HIPC) COUNTRIES COMMITTING TO INCREASE SOCIAL AND HEALTH SPENDING AND TO INCREASE VACCINATION RATES FROM DEBT SAVINGS

Target	Result	Rating
Remaining HIPC eligible countries qualify for and receive debt relief; those that began the process sooner receive debt stock reduction.	As of September 2002, 26 of 38 highly indebted poor countries (HIPC) had qualified for and received interim or final debt relief under the enhanced HIPC initiative.	On Target

² Target language modified slightly but is substantially consistent; reported "Result" corresponds to Revised Target as shown.

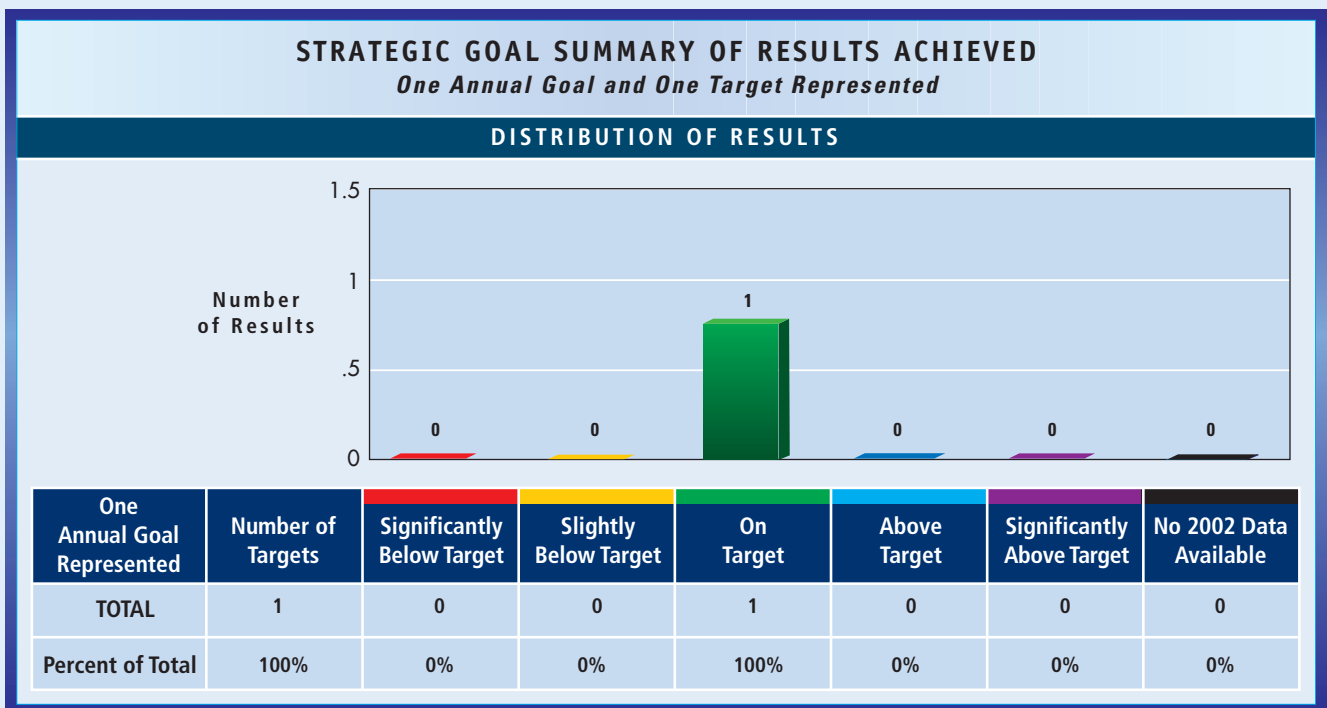
NATIONAL INTEREST: DIPLOMATIC ACTIVITIES

STRATEGIC GOAL 17: MUTUAL UNDERSTANDING

Improve and strengthen the international relations of the United States by promoting better mutual understanding between the people of the United States and the peoples of the world through educational and cultural exchange.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

According to the President and Secretary of State, the events of 9/11 underscored the need to communicate America’s values more effectively to the rest of the world. In response to the events of 9/11, the Department increased the share of “Mutual Understanding” in the Department’s exchanges budget for the Near East and South Asia regions from 16 to 20 percent. In the war against terrorism, the battle for values also requires gaining ground the old-fashioned way, with patient, relentless work to influence individuals, cultures, and climates of opinion.



The Department utilizes public diplomacy to understand, inform, engage, and influence foreign audiences. It reaches beyond government-to-government relations to establish a foundation of trust upon which specific policy and societal issues can be addressed by foreign audiences in a context of informed understanding and mutual respect.

The Department manages various programs to achieve these aims. Exchange programs provide key foreign audiences with participatory involvement in a range of activities that build on U.S. perspectives and enhancement of skills and knowledge related to areas relevant to specific strategic goals. Exchange programs also promote greater understanding of foreign peoples and cultures by U.S. audiences. The Department groups and customizes its exchanges around specific sub-groups such as secondary school and undergraduate students (the successor generation); undergraduate and graduate students,

researchers and junior faculty, and junior professionals (the emerging generation); mid-level professionals, academics, and officials (the mid-level generation), and senior professionals, academics, and officials (the senior generation).

Following the events of 9/11, the Department launched several "Quick start" counterterrorism activities aimed at providing balanced information about the United States and creating dialogue with foreign audiences about common values. For example, the Joel Meyerowitz photo exhibit on Ground Zero has been shown in 150 cities worldwide. Reaction to the exhibit has been extremely positive. Information about the exhibit can be found at <http://www.911exhibit.state.gov/>.

In another initiative, the Department brought to the United States approximately 100 journalists, senior and mid-level officials, and religious and youth leaders from countries with large Muslim populations. They have attended programs focusing on issues of responsibility of the media, civic life, democracy building, ethnic and religious conflict resolution, diversity in America, and U.S. foreign policy-making. Participants noted that they increased their understanding of these topics and the United States (ranging from 3.79 to 4.41 on a 5-point scale). Ninety-seven percent of the participants stated they will share information gained in the United States with colleagues, friends, and family.

In collaboration with the U.S.-Afghan Women's Council, the Department brought fourteen Afghan women representing five ministries and the Kabul Public Security Court to the United States for leadership training. The project was designed to provide an opportunity to prepare to re-enter the social, political, and economic life of a reconstructed Afghanistan. The project includes follow-up training in Afghanistan and laptop computers for each participant donated by the private sector. The participants will train others in their respective ministries.

In addition to its rapid response to the events of 9/11, the Department continued to administer highly effective exchange programs. In a feature story in the May 29, 2002 Jakarta *Post*, the chairman of Indonesia's second largest Islamic organization (the Muhammadiyah, with 30-40 million members) credited his Fulbright experience in the United States with a drastic change in his views. He stated that he abandoned his idea of establishing an Islamic state in Indonesia after he obtained his Ph.D. in Islamic Studies from the University of Chicago.

The president of Afghanistan, the highest-ranking woman in the Afghan government, and the Afghan minister of education are all alumni of the International Visitor Program. Numerous alumni of the Department's educational and cultural programs gained prominent political positions in 2002, including the prime minister of Turkey and the Director-General of Islamic Institutions Development in the Indonesian Ministry of Religious Affairs.

ANNUAL PERFORMANCE GOAL 1

Improve and strengthen the international relations of the United States by promoting better mutual understanding between the people of the United States and peoples of the world through educational and cultural exchanges

For 2002, the annual performance goal and the strategic goal were the same. The Department views the promotion of mutual understanding as a critical element in to foster long-term stability and prosperity. Educational and cultural exchanges are the essential foundation of the Department's efforts to conduct foreign policy and resolve crises around the world. The rationale behind exchange programs is that if people experience democratic ideas, concepts, values, or information, they are more likely to change their behavior or take action to change the behavior of their organizations or nations. This behavioral change will make U.S. relations with other countries more peaceful, friendly, and sympathetic.

SUMMARY OF KEY RESULTS AND IMPACT

The 94-percent rating represents the percentage of exchange participants who viewed their experience as valuable, and demonstrates progress toward the strategic goal. This result implies that foreign participants in exchange programs have gained a greater understanding of the United States. Independent evaluations find that 90 percent of participants gain a better understanding or a more positive view of the United States. This understanding translates into changed attitudes and behavior for the participant, which should reduce the participant’s hostility toward the United States, increase linkages between Americans and people from other countries, and contribute to more peaceful, sympathetic and friendly relations.

While it is satisfying to know that participants perceive their experiences as being valuable, the indicator is not the best measure for demonstrating the actual change of understanding, attitude, or behavior. Therefore, there will be changes to indicators and upward adjustments to targets.

KEY RESULT BY INDICATOR AND TARGET

INDEPENDENT POLLING AND ANALYSIS OF SUCCESS AND POSITIVE PROFESSIONAL PROGRAM EVALUATIONS		
Target	Result	Rating
70% of ratings “highly successful.”	94% of ratings “highly successful or valuable.”	On Target

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGES

Seven Program Evaluations were conducted in FY 2002 that pertained to this Strategic Goal:

1. Outcome Assessment of the U.S. Fulbright Scholar Program (State/Internal)
2. Outcome Assessment of the American Council on Young Political Leaders (ACYPL) Program (External)
3. Evaluation of the International Visitor Program Special Initiative Projects (State/Internal)
4. Muskie/FSA Graduate Program Evaluation (External)
5. Georgian Institute of Public Administration (External)
6. Assessment of Selected Educational Exchange Programs in Turkey (External)
7. Educational and Cultural Exchange Programs in Near East Asia and South Asia (OMB PART)

Detailed information on these evaluations’ major findings, recommendations, and actions to be taken can be found in the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

NATIONAL INTEREST: DIPLOMATIC ACTIVITIES

STRATEGIC GOAL 18: HUMAN RESOURCES

An optimum number, distribution, and configuration of the Department’s workforce both domestic and overseas under the highest quality leadership employed in response to the foreign policy priorities identified in the strategic plan.

STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

To maintain the U.S. role as a world leader in the twenty-first century, the Department must have sufficient resources to attract, train, promote, and retain its employees, America’s foreign policy representatives.

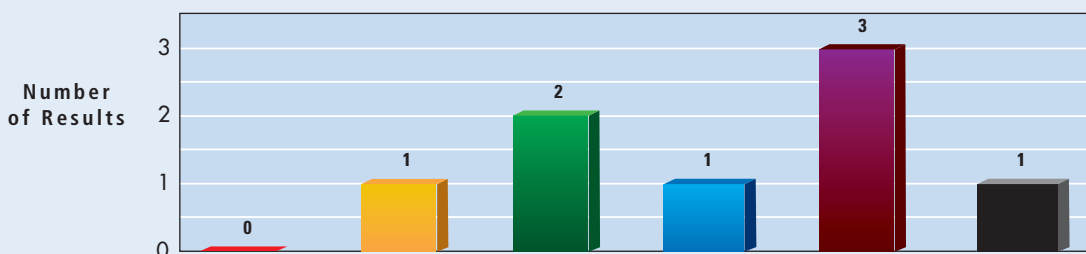
In FY 2002, the Department increased its hiring to close skill and numerical gaps that opened in the 1990s. The hiring of 360 people beyond attrition has started to close mission-critical gaps at overseas posts. This increased hiring allows the Department to address emerging issues such as the war on terrorism and its increasing homeland security responsibilities. In addition, recruitment and outreach efforts have begun to yield results. FY 2002 witnessed the greatest annual number of applicants who have ever taken the Foreign Service exam, including the highest numbers and percentages of minorities.

The Department also established mandatory training requirements that ensure that all senior-level, mid-level, and junior-level employees are trained in leadership and management. Overall, the Department has provided over 2.6 million hours of training to about 38,000 enrollees to ensure an ongoing level of professional development that supports the Department’s hiring and assignments plan, including the expanded Diplomatic Readiness Hiring Plan.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

Three Annual Goals and Eight Targets Represented

DISTRIBUTION OF RESULTS



Three Annual Goals Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	8	0	1	2	1	3	1
Percent of Total	100%	0%	13%	25%	13%	37%	13%

ANNUAL PERFORMANCE GOAL 1

The Department will hire and retain an adequate number of talented, diverse Foreign Service, Civil Service, and Foreign Service National employees

SUMMARY OF KEY RESULTS AND IMPACT

The Department’s most critical resource is its people. Committed, career employees and locally-engaged staff carry out foreign policy overseas and in Washington, D.C. Sixty percent of the Department’s operating budget is devoted to its employees. To respond to the challenges of the global environment and ensure that the Department can bring America’s message to the world, the Department must have a workforce capacity that is able to meet ongoing challenges, respond to crises, and allows employees to be released for training.

During FY 2002, about 59,000 individuals registered to take the Foreign Service Exam, which is the highest ever for a given twelve-month period. This level of supply provides the Department with a wider pool of talent from which to choose future foreign service officers, without lowering hiring standards. Moreover, this points to the Department’s growing image as an employer of choice that offers competitive opportunities. Finally, this pool provides a qualified group from which to fill vacancies in key skill areas.

KEY RESULTS BY INDICATOR AND TARGET

NUMBER OF REGISTRANTS FOR THE FOREIGN SERVICE WRITTEN EXAM, THE ALTERNATE EXAM PROGRAM AND STUDENT AND SPECIALIST PROGRAMS⁸				
Target		Result		Rating
FSWE: 20,000		FSWE: 59,000		Significantly Above Target
AEP: 650		AEP: 677		
Student: 1,510		Student: 4,000		
Specialist: 3,200		Specialist: 2,000		
HIRING LEVELS <i>(to meet expanding priorities and mandates and to provide an adequate personnel complement)</i>				
Initial Target	Revised Target¹	Result	Rating	
Hire 400 above normal intake to adequately meet the expanding priorities and mandates of the Department, plus, 1250 to provide training float and an additional 60 support positions.	Hire 400 above normal intake; hiring of additional specialists in security, consular affairs, and IT programs as needed.	Hired 470 Junior FSOs, more than 700 FS specialists, and more than 600 CS employees, including more than 300 security personnel and 150 IT professionals.	On Target	
⁸ In FY 2002, 27,000 people actually took the FSWE as compared to 13,000 in FY 2001 and 8,000 in FY 2000.				
¹ Target was modified; activities related to achieving both initial and revised target were undertaken. "Result" reported for both sets of targets.				

ANNUAL PERFORMANCE GOAL 2

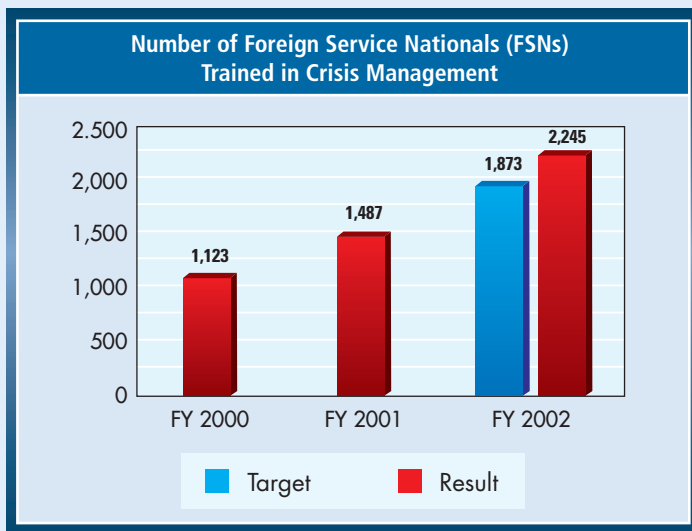
Develop and implement training and professional development programs and make them available to all full-time employees throughout their careers

SUMMARY OF KEY RESULTS AND IMPACT

In FY 2002, the Department made leadership and management training mandatory for key personnel. This training is the linchpin of the employee-training program. With increased staffing from new hires, more mid-level and senior employees will be able to take needed training. Training curricula were also established to serve both Civil Service and Foreign Service employees, and to assist managers in their role of guiding employee development. As shown in the adjacent chart, over two thousand Foreign Service Nationals (FSNs) were trained in crisis management during FY 2002.

The Department continues to support the Leadership Competencies Development Initiative (LCDI) but has focused more on empowering line managers to use it as a tool in employee development. During FY 2002, the performance indicator for the LCDI was changed from individual participation to the number of bureau briefings delivered. The change reflected need to transfer ownership of the process to the bureaus and resulted in broadened organizational learning. Through active marketing, a total of twenty-one bureaus received instructional briefings and were provided with resource materials.

The Foreign Service Institute (FSI) continued to broaden opportunities beyond the traditional classroom through technology-based training, including upgrading digital capacity, expanding Internet-Intranet-based distance learning, and developing new multimedia programs and tools for foreign-language learning and crisis-management training. The upgrade of multimedia labs from analog to digital allowed increased technology-based learning and the development of new tools and products to further efforts that create and foster "training anytime, anywhere."



The Foreign Service Institute (FSI) continued to broaden opportunities beyond the traditional classroom through technology-based training, including upgrading digital capacity, expanding Internet-Intranet-based distance learning, and developing new multimedia programs and tools for foreign-language learning and crisis-management training. The upgrade of multimedia labs from analog to digital allowed increased technology-based learning and the development of new tools and products to further efforts that create and foster "training anytime, anywhere."

KEY RESULTS BY INDICATOR AND TARGET

NUMBER OF CIVIL SERVICE EMPLOYEES IN CAREER DEVELOPMENT PROGRAM			
Target	Result		Rating
5% increase	Program was decentralized to bureaus; no data available.		N/A
PERCENTAGE OF LANGUAGE STUDENTS ASSIGNED FOR AT LEAST THE RECOMMENDED AMOUNT OF TIME AND WHO MEET THEIR TRAINING GOAL			
Initial Target	Revised Target ²	Results	Rating
Maintain/improve current rate (FY 2000 Baseline: 66%).	Maintain and/or improve current rate.	75%	On Target
NUMBER OF FOREIGN SERVICE NATIONALS (FSNS) TRAINED			
Target	Result		Rating
1,873	2,245 total (1,984 Department, 261 other USG agencies).		Significantly Above Target
STATUS OF UPGRADE OF ANALOG MULTIMEDIA LABORATORIES (INSTALLED IN 1993) TO DIGITAL			
Target	Result		Rating
Acquire and install second digital lab.	Second lab installed in FY 2001; third lab installed in FY 2002.		Significantly Above Target Lab upgrade one year ahead due to available funding.
FORMAL CAPACITY REVIEW			
Target	Result		Rating
Recommendations made and reviewed. Indicator has been discontinued in subsequent plans because it was determined to be an inappropriate measure of performance progress.	Funding identified; initial needs assessed to prepare a Statement of Work for a formal capacity study.		Slightly Below Target Funding to allow formal capacity study in FY 2001 did not materialize until late FY 2002, pushing plan back at least a year.
² Target language modified slightly but is substantially consistent; reported "2002 Results" correspond to Revised Target as shown.			

ANNUAL PERFORMANCE GOAL 3

Current and new work-life programs improve the quality of the workplace for all employees and the quality of life of Foreign Service employees and their dependents abroad

Quality of life and retention are crucial to a strong Department workforce. Life in the Foreign Service involves families as well as employees; the impact of that lifestyle is key to retention. Consequently, the Department is obliged to monitor the quality of life of its employees, particularly overseas. With few options for financial incentives in the federal workplace, workplace environment can be a key factor for retaining talented employees.

SUMMARY OF KEY RESULTS AND IMPACT

The Department has determined that measurement of attrition rates is not an appropriate quality-of-life indicator. Historically, the Department’s attrition levels have been very low compared to that of other USG agencies. Therefore, measures relating to the baseline FY2002 employee survey and the success of spousal employment programs will be utilized. Spousal employment is the key factor in Foreign Service retention.

FOREIGN SERVICE AND CIVIL SERVICE RESIGNATION RATES ⁹				
Initial Target		Result		Rating
Foreign Service generalists	1.1%	Foreign Service generalists	0.5%	Above Target
Foreign Service specialists	1.2%	Foreign Service specialist s	0.8%	
Civil Service full time	1.8%	Civil Service	1.2%	

⁹ Indicator has been discontinued in subsequent plans because attrition and resignations are historically low in the Foreign Service and Civil Service; attrition will be caused mostly by retirements.

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGES

Five Program Evaluations were conducted in FY 2002 that pertained to this Strategic Goal:

1. Hardship Staffing Review, (GAO)
2. Language Review (GAO)
3. Bureau of Human Resources – Compliance Follow up Review (OIG)
4. Employee Satisfaction and Commitment Survey (State/Internal)
5. Foreign Service Promotion System (OIG)

Detailed information on major findings, recommendations, and actions to be taken can be found in the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

RELATED HUMAN RESOURCE ISSUE BEING MONITORED BY THE DEPARTMENT

Employment of Americans by the United Nations

The Department remains concerned about the continued under-representation of Americans throughout the UN system. In many UN agencies, increased hiring of Americans is needed to achieve equitable representation. The Department’s recruitment strategy includes establishing and coordinating USG-wide efforts; promoting the detail and transfer of federal employees; enhancing employment information and offering applicant support; monitoring UN staffing and hiring efforts; and working with UN agencies to encourage their hiring of more Americans.

Below are FY 2002 targets and staffing results for U.S. citizens in UN-agency posts subject to geographic distribution.

	FY 2002 Targets Number or Percent	Results Number or Percent	Progress on Goals
UN Secretariat	330 / 13.8%	308 / 12.5%	Not Achieved
ILO	86 / 13.7%	94 / 14.4%	Achieved
ITU	19 / 6.8%	16 / 5.5%	Not Achieved
ICAO	20 / 9.0%	11 / 5.2%	Not Achieved
FAO	140 / 14.4%	125 / 12.7%	Not Achieved
UNHCR	N/A / 12.0%	116 / 9.5%	Not Achieved
WHO	155 / 14.3%	156 / 13.2%	Achieved

Results data is as of 12/31/2001.

The lack of progress in many UN agencies paralleled the apparent decline in the number of American applicants for UN positions. This decline could be attributed to a number of factors such as Americans finding more attractive private sector employment opportunities and the scarcity of attractive employment opportunities overseas for spouses. Limited foreign language skills also made some American applicants less competitive and in some UN agencies where Americans were under-represented, the agencies did not take good faith steps to hire American applicants.

The Department will continue to monitor progress and make efforts to increase U.S. representation in UN agencies.

NATIONAL INTEREST: DIPLOMATIC ACTIVITIES

STRATEGIC GOAL 19: INFORMATION RESOURCES

Fully modernized, secure, and advantageous IT infrastructure and information systems, relying largely on commercial services and approaches, supporting the mission of the Department of State and the international community.

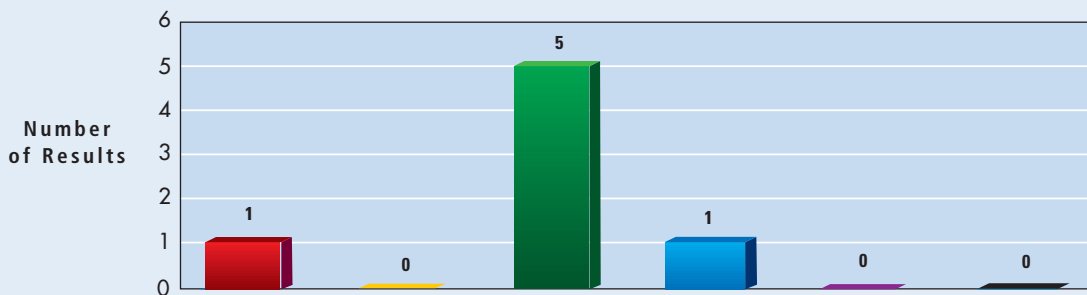
STRATEGIC GOAL OVERVIEW/PUBLIC BENEFIT

High-quality information technology (IT) systems are required to ensure that the Department and its employees are informed quickly and accurately about world events and have the IT tools necessary to achieve the Department’s foreign policy goals. To accomplish this, the Department is pursuing a disciplined, multi-year IT strategic plan aimed at deploying top-quality IT systems. Using virtual teaming, the IT plan enables members of the international affairs community to collaborate internally and with other governmental and private organizations on a secure network, fulfilling the goals of the President’s e-Government vision. Utilizing the concept of user empowerment, the IT plan will also streamline many administrative and substantive tasks, which in the past have required the involvement of administrative staff. For instance, employees will be able to access and update portions of their personnel files, thus reducing paperwork and increasing efficiency.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

One Annual Goal and Seven Targets Represented

DISTRIBUTION OF RESULTS



One Annual Goal Represented	Number of Targets	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2002 Data Available
TOTAL	7	1	0	5	1	0	0
Percent of Total	100%	14%	0%	72%	14%	0%	0%

ANNUAL PERFORMANCE GOAL 1

Secure, advantageous, commercial-quality information technology (IT) supporting the full range of international affairs activities of the United States

SUMMARY OF KEY RESULTS AND IMPACT

Substantial progress was made in expanding overseas Internet access through the Open Net Plus program. Open Net Plus now offers high-speed, convenient access to the Internet, via the Department’s Intranet, at 105 posts with a total of 21,000 users. The number of users of the outdated Rich Internet Access (RIAnet), which will be phased out, system was reduced; communication with the public, private businesses, other government agencies, and NGOs was enhanced; and users were able to perform their jobs more efficiently.

In anticipation of a program surge in FY 2003, fifty-four additional Classified Connectivity Program (CCP) installations were completed in FY 2002. This program provides speedy and convenient access to classified communications.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

PERCENTAGE OF COMMERCIAL NETWORKING FACILITIES AVAILABLE FOR UNCLASSIFIED AND CLASSIFIED PROCESSING COMPLETED			
Initial Target	Revised Target ¹	Result	Rating
OpenNet+ pilot period is completed and lessons learned documented. Deployment to domestic and overseas begins.	OpenNet+ pilot period is completed and lessons learned documented.	OpenNet+ (Internet) pilot period completed and lessons learned documented.	On Target
	Deployment to domestic and overseas posts begins.	Substantial progress made on deployment to domestic and overseas posts.	On Target
	Fifty Virtual Private Networks installed.	Fifty-four Virtual Private Networks installed.	Above Target
	Enterprise Network Management improves network availability to 97%.	Enterprise Network Management improved network availability to 97%.	On Target
PERCENTAGE OF CLASSIFIED AND UNCLASSIFIED DESKTOP COMPUTERS OLDER THAN 4 YEARS			
Initial Target	Result		Rating
Classified Connectivity Program (CCP) is significantly increased for a surge in installations in FY 2002 and completion in FY 2003.	Classified program was significantly increased; 54 new installations in FY 2002, completion expected in FY 2003.		On Target
	Seven percent of classified desktop computers are slower than the 450MHz standard; 35% of unclassified desktop computers are over 4 years old.		
¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.			

REDUCTION OF OVERSEAS SERVERS		
Target	Result	Rating
Strategy adopted for reducing numbers of servers through consolidation (regionalization and centralization).	Resources were redirected to focus initially on the large domestic portion of total requirements; the strategy for consolidating overseas servers will be completed by end of CY 2003.	Significantly Below Target
PROGRESS TOWARD ELIMINATION OF THE CURRENT CABLE SYSTEM AND PROCESSES (E.G., ACP-127 AND IRM COMMUNICATIONS CENTERS)		
Target	Result	Rating
Comprehensive requirements analysis completed.	Comprehensive requirements analysis completed; steering committee formed, users consulted to determine requirements; Business Process Reengineering work plan completed, and prototype developed.	On Target

NATIONAL INTEREST: DIPLOMATIC ACTIVITIES

STRATEGIC GOAL 20: INFRASTRUCTURE AND OPERATIONS

Establish and maintain infrastructure and operating capacities that enable employees to pursue policy objectives and respond to crises.

STRATEGIC GOAL OVERVIEW / PUBLIC BENEFIT

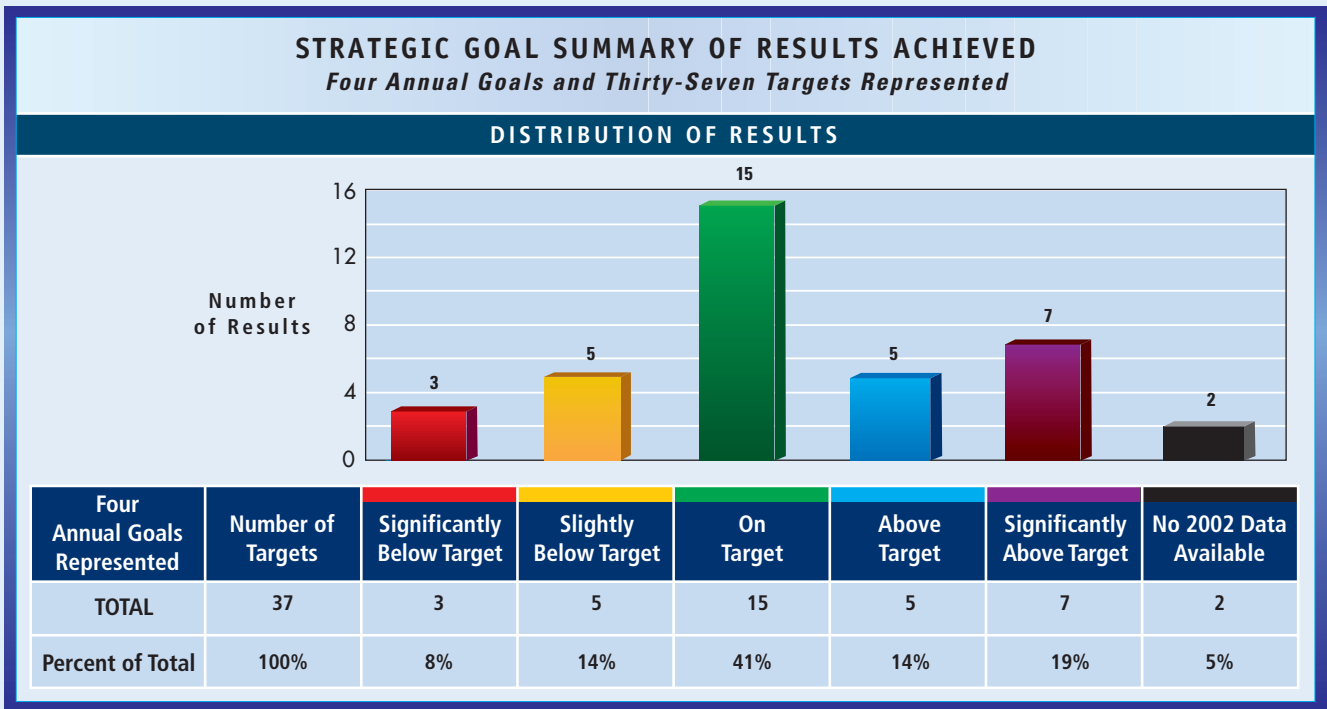
In order to accomplish its mission, the Department must establish and maintain infrastructure and operating capacities that enable employees to pursue policy objectives. The events of 9/11, and the 1998 attacks on U.S. embassies in Nairobi and Dar es Salaam and the recent attack on the U.S. consulate general in Karachi underscore the daunting challenges that the Department faces in protecting employees and information, maintaining secure and functional facilities, and providing a sound financial and administrative infrastructure. The Department strives to ensure that its employees can live and conduct business safely and effectively, even in dangerous and difficult locations, through work in four key areas:

Diplomatic Security: Maintain security programs, measures and procedures to protect personnel and information.

Overseas and Domestic Facilities: Maintain a network of secure, safe, and functional facilities for 15,000 properties at 260 locations overseas and 96 facilities in the United States.

Financial Management: Maintain corporate financial management systems and financial operations.

Administrative Programs: Deliver efficient, web-enabled and customer-focused administrative and information services in support of diplomacy.



ANNUAL PERFORMANCE GOAL 1¹⁰

Protection of personnel and information involved in diplomatic pursuits

SUMMARY OF KEY RESULTS AND IMPACT

Ninety-five percent of the 1999 Emergency Security Budget Amendment projects met the FY-2002 target. These projects heightened security at all posts, but most significantly at lower-threat posts. As provided under the Amendment this met standards formerly required only at high-and critical-threat posts.

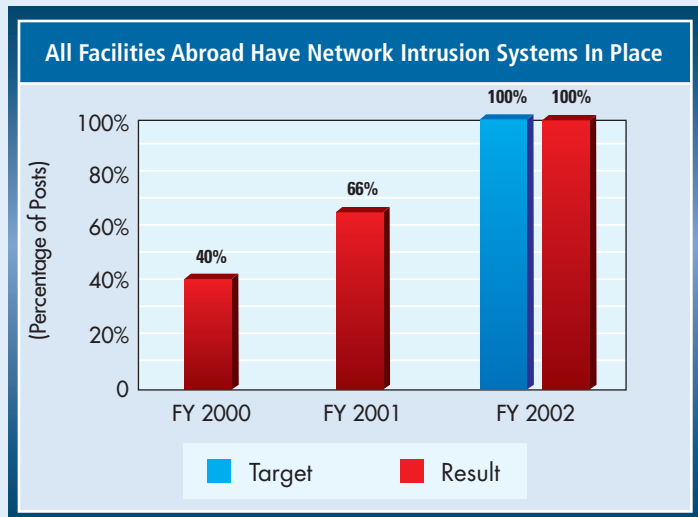
Fifty-eight percent of the Department's 177 diplomatic posts received technical security equipment upgrades. The events of 9/11 and subsequent anthrax incidents delayed technical security equipment shipments to overseas posts, resulting in performance slightly below target.

During FY 2002, 99 percent of all newly-hired staff with security clearances received an introductory security briefing. This briefing guaranteed that employees requiring access to sensitive information and/or assets received the training and information on security procedures necessary for protecting the Department's sensitive work.

As shown in the adjacent chart, a comprehensive intrusion detection system to protect the Department's Sensitive But Unclassified information network is fully operational in all locations, both domestically and abroad. This system protects information assets from compromise at the Department's domestic and foreign facilities.

The Department completed an average of 1,495 security clearance investigations per month, about 340 more cases per month than in FY 2001. These investigations, which included 189 periodic reinvestigations in accordance with Executive Order 12968, were mostly initial background checks required to reduce potential counterintelligence and other risks to the Department's information and personnel, but also included other agency cases. Although the target of 300 periodic re-investigations per month was not achieved in FY 2002, the rate of these types of investigations was almost double that of FY2001.

Introduction of newly-designed building passes and access control systems were 85 percent completed. Seventy-five percent of personnel data was gathered for the computer database, both were short of their targeted performance levels; the prime contractor defaulted, resulting in a three-month delay.



¹⁰ This Annual Performance Goal collapses 3 previous goals: DR/IO-DS-01 Security for formerly lower threat posts is heightened to meet standards used at higher threat posts; DR/IO-DS-01 All classified and sensitive information overseas and in domestic facilities is safeguarded from physical and technical compromise; and DR/IO-01 All employees working in Department of State domestic facilities and designated foreign dignitaries within the United States are safe from physical harm.

Sixty-seven percent of Level V facilities were provided with shatter-resistant window film, enhancing employee safety and upgrading facilities. Lack of funding prevented the full achievement of target performance during FY 2002 (i.e., only one Level IV facility completed). In the National Capital Region, the current list of eligible (i.e., Level IV and V) buildings has increased from seven to eleven and plans are in place to complete five buildings in FY 2003. The criteria for building levels were established by the 1995 Department of Justice study "Vulnerability Assessment of Federal Facilities."



During FY 2002, no foreign or U.S. diplomats suffered physical harm while under the protection of the Department's Diplomatic Security Service.

A Department of State security officer keeps watch in the area as Secretary of State Colin Powell holds a joint press conference with Jordanian Foreign Minister Marwan Jamil Al-Muasher, Egyptian Foreign Minister Ahmed Maher Al-Sayyed and Saudi Arabian Prince Al Faisal on July 18, 2002 outside the State Department in Washington, DC. AFP Photo/Paul J. Richards

PERFORMANCE RESULTS BY INDICATOR AND TARGET

PERCENTAGE OF 38 EMERGENCY SECURITY BUDGET AMENDMENT PROJECTS COMPLETED		
Target	Result	Rating
95%	95%	On Target
PERCENTAGE OF POSTS WITH TECHNICAL SECURITY EQUIPMENT UPGRADES		
Target	Result	Rating
68%	58%	Slightly Below Target
ACCOUNTABILITY REVIEW BOARDS FINDING THAT A SERIOUS INJURY, LOSS OF LIFE, OR SIGNIFICANT DESTRUCTION AT A U.S. GOVERNMENT MISSION WAS DUE TO INADEQUATE SECURITY MANAGEMENT OR COUNTERMEASURES		
Target	Result	Rating
No Findings	No Findings	On Target
PERCENTAGE OF CLEARED DEPARTMENT EMPLOYEES WHO HAVE RECEIVED AN ANNUAL SECURITY BRIEFING		
Target	Result	Rating
95%	99%	Above Target
PERCENTAGE OF NETWORK INTRUSION-DETECTION SYSTEMS FOR OPENNET IN PLACE (ABROAD AND DOMESTIC)		
Target	Result	Rating
100%	100%	On Target

NUMBER OF PERIODIC RE-INVESTIGATIONS BEING DONE TO MEET 5-YEAR REQUIREMENT OF E.O. 12968

Initial Target	Revised Target ¹	Result	Rating
150 re-investigations/month.	300 re-investigations/month.	189 re-investigations/month.	Significantly Below Target

PERCENTAGE OF ACCESS-CONTROL SYSTEM AND NEWLY-DESIGNED BUILDING PASSES IN PLACE

Target	Result	Rating
60%	Phase II 85% completed for the Harry S Truman Building; data for badge issuance gathered for 75% of personnel in the Washington, D.C. Capital area.	Slightly Below Target

PERCENTAGE OF LEVEL V AND IV FACILITIES WITH SHATTER-RESISTANT WINDOW FILM

Target	Result	Rating
100%	Two of three Level V buildings completed; one Level IV building completed.	Significantly Below Target

NUMBER OF PROTECTEES THAT SUFFERED PHYSICAL HARM WHILE UNDER DS PROTECTION

Target	Result	Rating
0	0	On Target

¹ Target was modified; activities related to achieving both initial and revised targets were undertaken. "Result" reported for both sets of targets.

ANNUAL PERFORMANCE GOAL 2 ¹¹

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

Secure, safe, and functional facilities provide an environment that allows employees to work efficiently and effectively as they pursue the policy objectives of the United States.

SUMMARY OF KEY RESULTS AND IMPACT

Eighty-seven percent of 1,262 identified overseas Physical Security Upgrade Projects were completed by the end of FY 2002, two percentage points above the stated performance target. This provided a more secure environment for USG employees at overseas missions.

During FY 2002, the Department initiated a substantial number of overseas based site acquisitions, capital construction projects, and rehabilitation projects, in accordance with the Department's Long-Range Overseas Buildings Plan (LROBP). This increased the safety and security of assets and personnel. Specific results were as follows:

Site acquisition: Ten new embassy compound sites were acquired for capital projects, exceeding the target of seven.

Capital construction: Thirteen new capital construction projects were awarded, exceeding the target of nine.

Rehabilitation: Fourteen rehabilitation projects were initiated, meeting the target to bring these facilities in line with current security standards.

Planned FY-2002 work for completing the Foggy Bottom Master Real Estate Plan was accomplished. Specifically, the first phase of demolition of the oldest part of the Department's Harry S Truman (HST) Building was completed; construction of new infrastructure has begun and is on schedule for occupancy in April 2004. Consolidation of the agencies involved in the Foreign Affairs Reorganization in Foggy Bottom is 85 percent complete.

The Department did not achieve its goal of attaining a 5-percent reduction in annual BBTUs (Billion British Thermal Units) consumed, as set forth in Executive Order 13123. This was due to the continuing major renovation of the HST Building, which created an artificial, temporary boost to energy consumption, as measured in BBTUs. Since BBTUs often increase during renovations, GSA regulation exempts federal buildings that are undergoing renovation, such as the HST Building, from Executive Order 13123.

¹¹ This Annual Performance Goal collapses 2 previous goals: DR-10-02-OP Overseas facilities under the Department of State's stewardship meet physical security standards and technical security requirements, and allow State and other U.S. Government agencies employees to perform their duties safely; DR-10-02 The Department of State's domestic facilities are cost-effective and energy efficient and enable employees to perform their duties.

SUMMARY OF KEY RESULTS AND IMPACT

PHYSICAL SECURITY UPGRADE PROGRAM: PROJECTS COMPLETED		
Target	Result	Rating
85%	87%	Above Target
NEW CAPITAL CONSTRUCTION SITES ACQUIRED		
Target	Result	Rating
7 New Embassy Construction (NEC) Sites.	10 NEC Sites Acquired.	Above Target
NEW CAPITAL CONSTRUCTION PROJECTS AWARDED		
Target	Result	Rating
9 Capital Projects Awarded.	13 Capital Projects Awarded.	Significantly Above Target
MAJOR REHABILITATION PROJECTS PLACED INTO CONSTRUCTION		
Target	Result	Rating
14 Major Rehabilitation Projects.	14 Major Rehabilitation Projects.	On Target
MASTER REAL ESTATE PLAN: HST BUILDING AND FOREIGN AFFAIRS CONSOLIDATION		
Target	Result	Rating
Phase I – internal demolition.	Old State internal demolition: 100% Complete; Foreign Affairs Consolidation: 85% Complete.	On Target
USUN CONSTRUCTION AT UN PLAZA		
Target	Result	Rating
a) Relocate USUN staff to leased IOB space. b) Work closely with GSA on 2002 NOB planning/construction milestones.	a) Interim space sought. b) 98% of design-level work completed.	Slightly Below
CAPITAL IMPROVEMENT PLAN		
Target	Result	Rating
Major projects completed based on funds available.	First allotment received; 18 projects completed.	On Target
FACILITIES READINESS (BILLION BRITISH THERMAL UNITS – [BBTU])		
Target	Result	Rating
302 BBTUs (5% reduction)	60 BBTUs (1% reduction)	Significantly Below Target

ANNUAL PERFORMANCE GOAL 3 ¹²

Adequate funding to achieve the Department's foreign policy and diplomatic readiness goals is founded on results-oriented budgeting, effective financial management systems and demonstrated financial accountability

SUMMARY OF KEY RESULTS AND IMPACT

The Department's FY 2002 and FY 2001 financial statements were issued timely and attained an "unqualified opinion," the best possible outcome for financial statements, which confirms the Department's progress toward improved financial performance and reporting. The Department's FY 2001 Accountability Report received the Association of Government Accountants' "Certificate of Excellence in Accountability Reporting."

All line items in the Department's FY 2001 budget request refer to goals in its FY 2001 Performance Plan, establishing linkage between plans and budgets, and paving the way for informed decision-making based on the program results attained.

In early FY 2002, the Department created a new Office of Strategic and Performance Planning (SPP) in the Bureau of Resource Management (RM). SPP brings centralized coordination and policy analysis to the Department's strategic, program, and performance planning activities. It has made improvements to the Department's Mission Performance Plan (MPP) process, the FY 2004 Annual Performance Plan, and the Performance Report, as reflected herein. SPP is also working to implement the President's Management Agenda initiative on Budget and Performance Integration.

In order to have an integrated, worldwide financial management system, the Department is modernizing its major corporate financial management systems, consolidating its financial operations, and adopting new technologies to improve and re-engineer its business processes. The Regional Financial Management System (RFMS) will replace legacy systems at regional financial service centers and will be the backbone of the overseas global accounting and disbursing system. It is comprised of a commercial off-the-shelf accounting system and a disbursing system developed by the Department. The Department's



core accounting system, the Central Financial Management System (CFMS), will be converted to a modern, client-server system. The Department is also in the process of consolidating much of its financial operations from overseas locations and Washington, D.C. to its Charleston Financial Service Center.

*Main entrance to the Charleston
Financial Service Center.*

¹² This Annual Performance Goal collapses 2 previous goals: DR-10-03 Obtain funding to achieve all of the Department's foreign policy and diplomatic readiness goals, effectively administering funds obtained, and DR-10-04 Improved financial management with demonstrated financial accountability as evidenced by required financial documentation, through substantial compliance with legislative requirements, and by the implementation of better business practices and enhanced customer service.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

TIMELINESS OF BUDGETS AND FINANCIAL STATEMENTS		
Target	Result	Rating
All OMB, passback and congressional submissions meet deadlines.	FY 2003 budget submission was delivered late.	Slightly Below Target
AUDIT OPINION ON PREVIOUS YEAR'S FINANCIAL STATEMENT		
Target	Result	Rating
FY 2001 Statements issued on time with "unqualified" opinion.	FY 2001 Statements issued on time with "unqualified" opinion.	On Target

DEPARTMENT'S RESOURCES ALLOCATED BY GPRA PLAN GOALS		
Target	Result	Rating
90%	All line items in the Department's budget requests refer to the Department's goals.	Above Target
STATUS OF JOINT PROGRAM PLANNING WITH NATIONAL SECURITY COMMUNITY		
Target	Result	Rating
Department and partner USG agencies negotiate changes in programs and budget to improve efficiencies, performance and compatibility with strategic plans.	Partnered with national security community to make improvements in interagency collaboration, budget data exchange, and IT program planning.	On Target
STATUS OF ACCOUNTABILITY REPORT (REF: GOV. MGMT. REFORM ACT)		
Target	Result	Rating
FY 2001 Accountability Report submitted March 2002, including Performance Plan data; Report should receive AGA "Certificate of Excellence in Accountability Reporting."	FY 2001 Accountability Report submitted March 2002, including Performance Plan data; Report received AGA "Certificate of Excellence in Accountability Reporting."	On Target
DEBT COLLECTIONS (COUNT)		
Target	Result	Rating
3,870 debts	7,321 debts	Significantly Above Target
DEBT COLLECTIONS (DOLLAR VALUE)		
Target	Result	Rating
\$18,368,024	\$703,304,323	Significantly Above Target
CREDIT CARD PURCHASES OVERSEAS (COUNT)		
Target	Result	Rating
36,000 transactions	42,000 transactions	Significantly Above Target
CREDIT CARD PURCHASES OVERSEAS (DOLLAR VALUE)		
Target	Result	Rating
\$19,950,000	\$21,450,000	Above Target
CREDIT CARD PURCHASES IN THE UNITED STATES (COUNT)		
Target	Result	Rating
39,500 transactions	52,000	Significantly Above Target
CREDIT CARD PURCHASES IN THE UNITED STATES (DOLLAR VALUE)		
Target	Result	Rating
\$24,050,000	\$31,264,000	Significantly Above Target

COLLECTIONS BY CREDIT CARD (DOLLAR VALUE)

Target	Result	Rating
\$10,000,000	\$25,000,000	Significantly Above Target

SECURITY ORIENTATION AND TRAINING

Target	Result	Rating
100% of all personnel trained.	100% of all personnel trained.	On Target

STATUS OF POSTS' USAGE OF DATA COLLECTED AND TRANSFERRED ON A REGIONAL BASIS TO SUPPORT BUDGET AND FINANCIAL FUNCTIONS

Target	Result	Rating
Data used for effective decision making.	All posts incorporated ICASS information into their Mission Performance Plans (MPPs); ICASS data were basis for FY 2004 funding request.	On Target

PERCENTAGE OF GRANT PAYMENTS PROVIDED ELECTRONICALLY

Target	Result	Rating
95% of grant payments to be made electronically.	95% of grant payments were made electronically.	On Target

ANNUAL PERFORMANCE GOAL 4 ¹³

Better business practices and increased focus on customers ensure excellence in the provision of administrative and information services

SUMMARY OF KEY RESULTS AND IMPACT

The Department reduced the backlog of Freedom of Information Act (FOIA) requests by 14 percent in FY 2002. Delays in hiring and procurement resulted in performance short of target because the Department did not fully initiate needed hiring and procurement activity until the last quarter of FY 2002. Hiring continues in order to achieve full staffing.

The Department met its e-commerce target of seventy-five offices and posts using the Statebuy Interactive Platform to make purchases online, which resulted in a return on investment of \$26 for each \$1 spent.

One hundred and one of the Department's cars and two buses met energy-efficient vehicle goals pursuant to the Energy Policy Act of 1992 and Executive Order 13149, exceeding the target of ninety-five vehicles.

¹³ This Annual Performance Goal renames the previous goal, DR-10-05, Domestic and overseas Department of State employees, other USG employees, and public customers receive goods and services when needed.

PERFORMANCE RESULTS BY INDICATOR AND TARGET

REDUCTION IN FOIA INFORMATION ACCESS STATUTORY BACKLOG		
Target	Result	Rating
50% reduction	20% reduction	Slightly Below Target
LOGISTICS MANAGEMENT CUSTOMER SATISFACTION, CYCLE TIME, INTEGRATED LOGISTICS MANAGEMENT SYSTEM (ILMS) OPERATION PLAN AND IMPLEMENTATION		
Target	Result	Rating
90% customer satisfaction rate. 20% cycle-time reduction. Initial ILMS (Providers) Implementation: June 2002.	ILMS Implementation delayed until FY 2003.	N/A
E-COMMERCE: NUMBER OF OFFICES AND POSTS ONLINE		
Target	Result	Rating
75	75	On Target
SMALL, DISADVANTAGED BUSINESS UTILIZATION		
Target	Result	Rating
Small, women-owned business 5% prime and subcontract (EO 13157 of May 2000). Two percent of domestic procurement dollars to disabled veterans (statutorily mandated). Three percent of domestic procurement dollars to firms located in Historically Underutilized Business (HUB) zones (statutorily mandated).	FY 2002 data not yet available from the Small Business Administration.	N/A
GENERAL SERVICES MANAGEMENT ALTERNATIVE FUEL VEHICLES ACQUISITION		
Target	Result	Rating
Ninety-Five vehicles using alternative fuels.	One hundred and one cars and two buses using alternative fuels.	Above Target

PROGRAM EVALUATIONS AND MANAGEMENT CHALLENGES

One Program Evaluation was conducted in FY 2002 that pertained to this Strategic Goal:

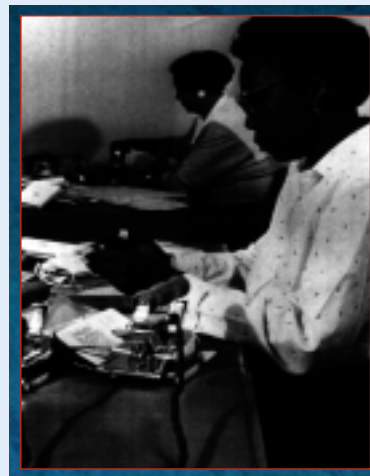
- ◆ Embassy Security Construction Project (OMB PART)

Detailed information on major findings, recommendations, and actions to be taken can be found in the FY 2002 Key Program Evaluations by Strategic Goal section of the Appendix.

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.



ILLUSTRATIVE EXAMPLES OF FY 2002 RESULTS BY STRATEGIC GOAL

REGIONAL STABILITY

Afghanistan

The Department provided the leadership, resources, and expertise needed to support Afghanistan's efforts to rebuild its institutions, as well as restore stability, security, and democracy to the country. This effort began with a broad range of diplomatic support for Operation Enduring Freedom by obtaining military forces from nearly sixty countries and negotiating airspace use, landing rights, and military assistance from one hundred thirty-six countries. Neighboring countries in Central Asia, such as Uzbekistan and Kazakhstan, that did not previously play a regional security role, joined in the effort that provided basing, troop support, and other contributions critical to military operations. The Department also orchestrated intensive reconstruction and humanitarian assistance in the areas of food security; refugee assistance; education; and the human rights, judicial, and constitutional commissions. The Department was instrumental in formulating plans and working with the Department of Defense to establish the new Afghan National Army and in providing training to the Afghan National Police, critical elements for preserving the physical security necessary to allow other societal institutions to take hold.



Secretary of State Colin Powell speaks to the press with His Excellency, Abdullah Abdullah, Minister of Foreign Affairs of the Afghan Transitional Authority of Afghanistan, on July 25, 2002.

WEAPONS OF MASS DESTRUCTION

U.S.-Russian Strategic Offensive Weapons Reductions



President George W. Bush and Russian President Vladimir Putin exchange documents after signing a nuclear arms reduction agreement on May 24, 2002 inside the Kremlin in Moscow.

AFP Photo/Paul J. Richards

In May 2002, Presidents Bush and Putin signed the Moscow Treaty, reflecting the dramatic shift from Cold War rivalry to partnership based on the principles of mutual security, trust, openness, and cooperation. The treaty legally binds both the United States and Russia to reduce the level of its own strategic nuclear warheads to between 1,700 and 2,200 warheads by the end of 2012 – about one-third of current levels.

Iraq Export Control

In May 2002, the Department negotiated a new Goods Review List, as part of the new Iraq export control regime, to help ensure that Iraq is fully disarmed pursuant to UN Security Council Resolution 687. The Department led diplomatic efforts with the five permanent Security Council members to sustain a Security Council consensus that UNMOVIC and IAEA inspectors will have unambiguous rights to inspect anywhere, anytime in order to verify Iraq's disarmament.

COUNTERING TERRORISM

Terrorist Interdiction Program

In February 2002, the Department deployed a mobile Terrorist Interdiction Program Unit to Afghanistan to process travelers making the Haj (pilgrimage) to Mecca. With Operation Enduring Freedom still going on, the high volume of travelers and lack



of border security infrastructure created an opportunity for Al Qaeda and Taliban to escape from Afghanistan undetected. The Department therefore provided the Afghan Interim Government with a mobile database system that allowed Afghan security and border control officials to record traveler information quickly and check it against a list of individuals of concern. The Department's efforts helped prevent the escape of Al Qaeda and Taliban forces, without imposing undue restrictions on religious practices and the normal flow of travel.

U.S. Colonel Douglas Lengenfelder briefs journalists on the strategy of counter-insurgency adopted by the joint U.S.-Philippine Special Operation Task Force during a press conference at the U.S. embassy in Manila January 28, 2003. Lengenfelder, commander of U.S. troops in the Philippines, said a possible U.S. military strike in Iraq will not affect counterterrorism operations in the Philippines where the United States is committed to helping Manila against local Islamic "terrorist groups" for the long term. AFP Photo/Romeo Gacad

OPEN MARKETS

The World Trade Organization (WTO) – Doha Development Agenda

The mandate for the WTO's Doha Development Agenda negotiations launched in November 2001 lays the groundwork for an ambitious agenda to improve market access, reduce export subsidies and price supports, lower tariff and non-tariff barriers, open markets in sectors of key interest to the United States, and stimulate growth of the global economy. It calls for enhanced efforts to enable the poorest and least-developed nations to secure the benefits of trade by giving them the tools and training needed to participate more effectively in the international trading system. In the Doha round of WTO negotiations, the United States is advocating the elimination of tariffs that cost world consumers \$6 trillion per year.

U.S. ambassador to Qatar Maureen Quinn arrives at Doha's Sheraton hotel on November 8, 2001, where the WTO began five days of talks on November 9. AFP Photo/Kaim Jaafar

U.S. EXPORTS

U.S. Foreign Investments

As a key part of the interagency advocacy and outreach process, the Department helped U.S. companies secure contracts and investments, including investments by PSEG Global in Peru (\$227 million), General Electric in Kenya (\$6 million) and Noble America in Colombia (\$4 million). The Department supported the Export-Import Bank's \$252-million financing for export of a satellite launch servicer project to Thailand. Working with OPIC, the Department helped resolve an expropriation dispute in Indonesia on a \$350 million oil and gas project.

ECONOMIC GROWTH

Debt Negotiations

The Department led fourteen multilateral debt re-scheduling talks – with a combined value of \$39 billion – with key countries such as Pakistan, the Ukraine, Yugoslavia, and Indonesia. The Department collected the data needed for these multilateral debt negotiations, led the negotiations, and drafted the bilateral debt agreements. These debt treatments were critical to these countries' recovery from conflict and economic mismanagement, returning them to economic growth and contributing to world economic prosperity.

ECONOMIC DEVELOPMENT

The Monterrey Conference



As a result of strenuous efforts by the United States, more than fifty heads of state/government and two hundred ministers adopted the Monterrey Consensus at the UN Conference on Financing for Development in Monterrey, Mexico in March 2002. This groundbreaking document states, "Each country has primary responsibility for its own economic and social development, and the role of national policies and developmental strategies cannot be overemphasized." Monterrey launched a new international partnership for development. The World Summit on Sustainable Development, held in September 2002 in Johannesburg, affirmed the key role of focused public/private partnerships in achieving sustainable growth, thereby furthering economic and social development.

President George W. Bush speaks at the International Conference on Financing for Development March 22, 2002 in Monterrey, Mexico. Bush urged leaders at the UN anti-poverty summit to make political, economic, and legal reforms conditions for enhanced aid to poor nations. AFP Photo/Mauricio Lima

AMERICAN CITIZENS

Federal Benefits

After an anthrax attack shut down the Department's Dulles Airport mail facility and impeded the timely delivery of monthly U.S. federal benefits checks to overseas recipients, the Department worked with the Treasury Department and benefit-paying agencies to arrange alternative methods for delivering checks to recipients. What could have been an acute financial hardship for thousands of beneficiaries and a management nightmare for embassies around the world was instead a stellar example of interagency cooperation, customer service, and efficiency.



Employees of the international airport in Rio de Janeiro wear protective masks and gloves as they load a truck with outgoing mail from the U.S. consulate in Rio on October 17, 2001. The anthrax scare which has touched many parts of the world also reached Brazil, at the U.S. consulate in Rio, where two people were given antibiotics after they handled an envelope containing powder. AFP Photo/Vanderlei Almeida

TRAVEL AND MIGRATION

 Visa Denials

The Department recommended that forty Chinese nationals, several of whom sought to conduct cutting-edge medical research in the United States, be found ineligible for visas under INA section 212(a)(3)(A), due to technology transfer concerns. The interviewing consular officers developed information linking the applicants to Chinese institutions known to be developing biological or chemical weapons, and therefore prevented them from entering the United States.

INTERNATIONAL CRIME

 Pakistani Border Control


To help stop the flow of drug traffickers, terrorists, and other illegal combatants along Pakistan's porous, 1,500-mile border with Afghanistan and to prevent Pakistan's border provinces from being used as staging areas for terrorist groups in the aftermath of the events of 9/11, the Department provided urgent assistance to Pakistan's border guard and other law enforcement units. This aid included vehicles, communications equipment, pilot training, and the setting up of aircraft maintenance facilities. By August 2002, five Huey-II helicopters had been delivered, providing much needed mobility for police units.

Pakistan army troopers stay alert in their picket in Eysha post near Miran Shah, close to the Afghanistan border, June 18, 2002. Pakistani army troops and paramilitary forces have been deployed along the border with Afghanistan to prevent fleeing members of Osama bin Laden's al-Qaeda network seeking refuge in Pakistan following the U.S. attacks on their hide-outs in eastern Afghanistan. AFP Photo/ Tariq Mahmood

COUNTERING ILLEGAL DRUGS

 Afghanistan

Following the fall of the Taliban, the Department spearheaded a successful international campaign to convince the new Afghan Interim Administration to include counternarcotics as one of its early priorities and to ban the cultivation of opium poppies. Although the ban came too late to prevent the poppy crop that was harvested in the spring of 2002, this political and legal commitment by the new government, which will require future U.S. counternarcotics and other assistance, provides an historic window of opportunity to curb significantly the opium trade in Afghanistan, the world's leading producer of heroin.

DEMOCRACY AND HUMAN RIGHTS

 Cuba

With strong U.S. support, Latin American members of the UN Commission on Human Rights introduced and helped pass a resolution on Cuba, the only non-democratic state in the Western Hemisphere. Over 10,000 Cubans signed petitions calling for a referendum on democratic change, known as the Varela Project. The Administration's new Cuba initiative will lead to greater outreach to the Cuban people.

HUMANITARIAN ASSISTANCE

Afghan Refugees

In Afghanistan, the ousting of the Taliban regime made it possible for over two million refugees (mostly living in Pakistan and Iran) and over six hundred thousand internally displaced persons (IDPs) to return home. The Department contributed over \$140 million to international and NGO partner organizations, including the UN High Commissioner for Refugees and the International Committee of the Red Cross. These organizations were then able to respond to the Afghan emergency and meet the immediate protection and reintegration needs of returning refugees and IDPs, including return transportation, shelter, public health, water, sanitation, and education. These funds also assisted refugees who remained in neighboring countries of asylum.



A newly arrived Afghan refugee family with their belongings returns from Pakistan on their way to get relief at a refugee camp on the outskirts of Kabul, July 29, 2002. More than 1.1 million refugees have returned from Pakistan since March 2002 and the UNHCR estimates around 2 million refugees will have returned from countries neighboring Afghanistan by the end 2002. AFP Photo/Jewel Samad

ENVIRONMENT

Global Fisheries



Two trawlers pictured April 18, 2002 in the port of Brest, into which they were escorted after officials found they were using illegal nets. They were inspected off the Ile d'Yeu on France's Atlantic coast and found to be using a mesh banned under EU rules for fishing mackerel and sardines. AFP Photo/Fred Tanneau

Illegal, unregulated, and unreported (IUU) fishing activities undermine sustainable management of fishery resources, often contributing to collapse of fish stocks, penalization of legal fishermen, and, in some cases, the facilitation of other illegal activities. The Department led international efforts to develop a voluntary international plan of action to address IUU fishing. Under the plan, countries agreed to develop national plans by 2004 to prevent, deter, and eliminate IUU fishing. The plan also provides recommendations on vessel monitoring, information sharing, and the use of market-based control and surveillance measures to combat IUU fishing.

The Department also helped establish a voluntary network of fisheries' law enforcement officials, enhanced developing countries' capacities for implementing the Code of Conduct for Responsible Fisheries, and led a fisheries law enforcement training workshop in East Africa.

POPULATION

Oversight of the UN Population Fund

The United States used its position on the UN Population Fund (UNFPA) Executive Board to press for reforms that would minimize programmatic redundancies in UN development agencies and maximize efforts by these agencies to achieve a healthy and sustainable world population. The United States did not provide funding to UNFPA in 2002 because the Secretary determined that UNFPA provided funds and other support to the Chinese governmental entities charged with enforcing China's birth limitation program, which relies upon coercive laws and practices that can lead to coercive abortion. The United States is working to encourage UNFPA to reform, and cease its involvement with coercion, so that future U.S. funding of UNFPA will be legally possible.

HEALTH

The Global Fund To Fight AIDS, Tuberculosis, and Malaria

In April 2001, the UN Secretary General issued a call for a Global Fund to combat the three great killer diseases: AIDS, tuberculosis, and malaria. The United States was the first government to pledge, before the Fund was even operational. With strong U.S. diplomatic involvement in the negotiations, the Fund was operational and had approved its first grants by April 2002. The Fund works through public-private partnerships and complements bilateral and multilateral assistance programs already underway.

President George W. Bush waves goodbye with Secretary of State Colin Powell to Nigerian President Olusegun Obasanjo, who earlier met with Bush on May 11, 2001. Bush outlined a new Global Fund to fight HIV, AIDS, malaria and tuberculosis. AFP Photo Stephen Jaffe

MUTUAL UNDERSTANDING

ECA and US-Afghan Women's Council Partner for First Post-Taliban Visitor Project

Fourteen women representing five Afghan government ministries and the Kabul Public Security Court participated in a month-long "U.S. Leadership Management and Computer Education" program. The project gave women working in the new Afghan government the opportunity to prepare to reenter the social, political and economic life of a liberated and reconstructed Afghanistan. Project goals included computer, grant writing, and English-language training. The project was tailored to the specific needs of the participants, taking into account their background and previous experience. The program also includes follow-up training with the expectation that participants will train others in their respective ministries.

HUMAN RESOURCES

Diplomatic Readiness Task Force

The “Diplomatic Readiness Initiative” strategic human capital plan depends on increased productivity through the human resources chain—from recruitment to testing to clearances to intake. Every element of the system must work as a whole to make the process function. During FY 2002, all these elements came together to produce results characteristic of a high-performing workforce. Oral assessments were administered to more candidates in less time than in FY 2001. The Diplomatic Security “Surge Team” accelerated security clearances, reducing clearance time by half. In a change from standard business procedures, contract security investigators worked “after-hours” at the seven nationwide testing sites to reduce the six-month application collection process to a 24-hour period. The Department reduced the time necessary to complete medical clearances, and the Foreign Service Institute met the challenge of training 25 percent more students under new mandatory training standards, creatively managing space and classroom assignments in its limited space.

INFORMATION RESOURCES

OpenNet Plus

With its the OpenNet Plus program, the Department is accomplishing the Secretary’s highest IT priority of worldwide desktop Internet access for over 40,000 Department users. When completed in FY 2003, all sites will have Internet services and augmented bandwidth to handle increased workload. OpenNet Plus will provide an appropriate level of security against cyber intruders, consistent with good risk management practices. Open access to the Internet enables employees to take full advantage of its tremendous capability, and to facilitate communication and collaboration internally as well as with the public, business, other agencies, and foreign governments. Using the Department’s existing OpenNet infrastructure, instead of installing a new network, has enabled this initiative to be implemented rapidly in a cost-effective manner.



*Bureau of Public Affairs, Office of Electronic Information web editors work on the State.gov website. December 2002
State Department photo by Michael Gross*

INFRASTRUCTURE AND OPERATIONS**Diplomatic Security**

The minimal damage from the June 2002 bombing at the U.S. Consulate General in Karachi demonstrated how improved security awareness, training, and physical and technical security investments mitigate terrorist attacks.

Resource Management Consolidation

The Department consolidated financial management, strategic planning, and budgeting under a new Assistant Secretary for Resource Management (RM), bringing all resource management and planning activities together in one bureau, thereby significantly improving coordination between policy and resources.

Long Range Overseas Building Plan

In FY 2002, the Department completed two capital projects – the new Doha Embassy and the Lima USAID building. Congressional approval allowed the Department to award new capital construction projects in Abidjan, Abuja, Beijing, Cape Town, Conakry, Kabul, Phnom Penh, Tashkent, Tbilisi, Yaounde, Dushanbe, Sao Paulo, and Seoul.

Improved Administrative Services

OMB approved the Department's competitive sourcing plan, which also includes quality sourcing. The amount of business available through the Statebuy Interactive Platform for e-Commerce (www.statebuy.gov) has been expanded, and projects are under way to provide web-enabled quality of life services to employees.

LITTLE KNOWN FACTS ABOUT THE DEPARTMENT OF STATE

DIPLOMATIC COURIERS

The earliest American diplomatic courier was Peter Parker, master of the brig Dispatch, who was commissioned by the Continental Congress on July 10, 1776, to deliver messages to Samuel Delap in Bordeaux. The letters, relating to obtaining military supplies from France, were weighted so that they could be thrown overboard in the event of capture.

The Department did not begin to hire couriers on a regular basis until World War I. Outgoing despatches would be entrusted to shipmasters, junior naval officers, or private citizens as necessary. "Bearers of despatches" were entitled to \$6 per diem plus a travel allowance, payable by the Department upon completion of their mission. They also carried a special passport to certify their official character. One of the first such special couriers was a Post Office employee named Nat Crane, who left Savannah for London on May 24, 1819.

The Embassies in London and Paris became the first American diplomatic posts to hire full-time couriers in December 1914. At the end of the First World War, the American Commission to Negotiate Peace asked Major Amos J. Peaslee, who had organized a courier system for the Army, to perform a similar service for the Department. The Diplomatic Courier Service began operations in Paris on December 2, 1918, using military personnel. It was disbanded the next year when the Peace Commission concluded its activities, but 11 Marines and one civilian were then designated as couriers.

The Courier Service was disbanded again on July 30, 1933, as an economy measure. President Franklin D. Roosevelt ordered its reestablishment in 1934, while attending the London economic conference. The system was still based in Paris and had three regular couriers. By 1941 established service had been instituted to China, Japan, and the Americas. A regular system of worldwide schedules came into being after World War II. The emblem of the Diplomatic Courier Service is a golden eagle in flight. Its motto, "none is swifter than these," is taken from Herodotus' description of Persian couriers.

DIPLOMATIC AND CONSULAR UNIFORMS

U.S. diplomats designed their own uniforms until 1817, when the State Department formally prescribed an official uniform for ministers based on one worn by U.S. delegates to the Conference of Ghent in 1814, which ended the War of 1812. In 1853, Secretary of State William L. Marcy issued a circular recommending that U.S. diplomats wear "the simple dress of an American citizen." But many foreign governments preferred that accredited diplomats wear a uniform at formal occasions. So the practice was left to the discretion and needs of the diplomat. In some cases, uniforms became quite elaborate. A consular uniform was prescribed in 1815, and a circular in 1838 reaffirmed that it should be worn for "visits of ceremony...and on all proper occasions." In 1937, President Franklin D. Roosevelt issued an executive order directing that no person in the diplomatic or consular service should wear a uniform or official costume not previously authorized by Congress, something Congress never did. Uniforms are no longer worn by U.S. diplomats.

BURNING OF WASHINGTON

The home of the Department of State after 1801 was known merely as "the public building west of the President's house" and stood on the present site of the Old Executive Office Building at 17th Street and Pennsylvania Avenue, N.W. When British forces invaded Washington on August 24, 1814, this building was burned, along with the Capitol and the White House. While the Department's library was lost, Chief Clerk John Graham had already seen to the removal of many important records, including the originals of the Declaration of Independence and the Constitution. They were stored in a deserted gristmill on the Virginia side of the Potomac River, 2 miles above Georgetown, and were later moved to Leesburg, Virginia, until after the emergency.

STATE DEPARTMENT RESOURCES BY STRATEGIC GOAL

U.S. DEPARTMENT OF STATE

APPROPRIATIONS ACT RESOURCES

(\$ in thousands)

NATIONAL INTEREST Strategic Goal		FY 2000 Actual		FY 2001 Actual		FY 2002 Actual		FY 2003 Request ⁽¹⁾	
		Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds
NATIONAL SECURITY		2,269	\$1,016,600	2,189	\$1,171,023	1,720	\$1,175,808	1,759	\$1,125,064
RS	Regional Stability	1,587	\$1,016,440	1,492	\$1,022,585	1,215	\$1,037,372	1,252	\$975,020
WD	Weapons of Mass Destruction	682	\$160	697	\$148,438	505	\$138,436	507	\$150,044
ECONOMIC PROSPERITY		1,419	\$597,208	1,486	\$434,612	1,236	\$427,348	1,250	\$453,293
OM	Open Markets	554	\$374,388	581	\$217,219	487	\$218,874	493	\$228,820
EX	US Exports	410	\$49,904	448	\$49,382	290	\$45,262	293	\$49,845
EG	Global Economic Growth	236	\$33,870	236	\$39,930	243	\$34,911	248	\$42,473
ED	Economic Development	219	\$139,046	221	\$128,081	216	\$128,301	216	\$132,155
AMERICAN CITIZENS & BORDERS		1,624	\$161,014	1,859	\$148,156	1,289	\$169,410	1,301	\$183,191
AC	American Citizens	700	\$79,522	848	\$75,808	674	\$79,420	680	\$84,054
TM	Travel and Migration	924	\$81,482	1,011	\$72,348	615	\$89,990	621	\$99,137
LAW ENFORCEMENT		791	\$110,610	621	\$78,131	1,383	\$211,833	1,530	\$327,576
TE	Countering Terrorism	246	\$38,748	250	\$34,922	671	\$120,698	809	\$231,986
IC	International Crime	418	\$47,767	246	\$27,249	351	\$46,487	354	\$48,833
ID	Illegal Drugs	127	\$24,095	125	\$15,960	361	\$44,648	367	\$46,757
DEMOCRACY		863	\$416,243	1,078	\$566,938	815	\$577,669	835	\$569,563
DE	Democracy	863	\$416,243	1,078	\$566,938	815	\$577,669	835	\$569,563
HUMANITARIAN RESPONSE		284	\$661,546	165	\$23,177	169	\$25,655	168	\$26,503
HA	Humanitarian Assistance	284	\$661,546	165	\$23,177	169	\$25,655	168	\$26,503
GLOBAL ISSUES		634	\$328,606	676	\$311,701	721	\$303,228	733	\$312,708
EN	Environment	554	\$108,122	558	\$133,046	571	\$107,145	576	\$125,787
PO	Population	31	\$5,444	63	\$8,118	37	\$9,845	34	\$10,578
HE	Health	49	\$215,040	55	\$170,537	113	\$186,238	123	\$176,343
DIPLOMACY		1,334	\$217,125	1,251	\$179,977	462	\$86,205	468	\$81,937
DA	Diplomatic Activity ⁽²⁾	1,334	\$217,125	1,251	\$179,977	462	\$86,205	468	\$81,937
MUTUAL UNDERSTANDING		2,162	\$322,512	2,538	\$436,319	2,270	\$428,201	2,276	\$421,085
MU	Mutual Understanding	2,162	\$322,512	2,538	\$436,319	2,270	\$428,201	2,276	\$421,085
DIPLOMATIC READINESS		6,676	\$2,485,295	6,319	\$3,210,604	8,988	\$4,379,152	9,265	\$4,202,026
HR	Human Resources	1,686	\$445,648	1,668	\$492,564	2,230	\$665,034	2,438	\$719,033
IR	Information Resources	1,083	\$278,373	1,073	\$362,894	1,599	\$616,913	1,605	\$601,986
IO	Infrastructure and Operations	3,907	\$1,761,274	3,578	\$2,355,146	5,159	\$3,097,205	5,222	\$2,881,007
IG	Inspector General Activities	314	\$27,382	314	\$29,891	314	\$29,000	314	\$29,264
Transfers / Pension & Health Benefits		0	\$2,578	0	\$90,358	0	\$0	(233.00)	(100.00)

TOTALS	FY 2000 Actual		FY 2001 Actual		FY 2002 Actual		FY 2003 Request ⁽¹⁾	
	Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds
	18,370	\$6,507,543	18,496	\$6,680,887	19,367	\$7,813,509	19,666	\$7,632,210

Note (1): At the time of printing, the Department remains under a Continuing Resolution for FY 2003. As a result, the Department's FY 2003 Request is depicted.

Note (2): Several bureaus assigned resources to Diplomatic Activity, although it is not a strategic goal. The Office of the Secretary and the Office of the Legal Advisor make up a majority of these resources. This category will be eliminated in the FY 2004 Performance Plan and FY 2003 Performance Report.

STATE DEPARTMENT ADMINISTERED FOREIGN OPERATIONS RESOURCES BY STRATEGIC GOAL

(\$ in thousands)

CATEGORY 1: DEPARTMENT OF STATE ADMINISTERED ACCOUNTS

The following breakdown represents five foreign assistance funds that the U.S. Department of State administers and can allocate by strategic goal. These funds include INCLE, IO&P, MRA/ERMA, NADR, and PKO. FY 2002 Emergency Response Fund resources for these five funds are also allocated by strategic goal.

Strategic Goal	FY 2002 Actuals	FY 2003 Request ⁽¹⁾
NATIONAL INTEREST		
NATIONAL SECURITY	\$658,100	\$356,050
RS Regional Stability	\$357,400	\$109,850
WD Weapons of Mass Destruction	\$300,700	\$246,200
ECONOMIC PROSPERITY	\$104,600	\$227,500
OM Open Markets	\$0	\$0
EX US Exports	\$0	\$0
EG Global Economic Growth	\$0	\$0
ED Economic Development (Broad-Based Economic Growth)	\$104,600	\$227,500
AMERICAN CITIZENS & BORDERS	\$0	\$0
AC American Citizens	\$0	\$0
TM Travel and Migration	\$0	\$0
LAW ENFORCEMENT	\$1,039,103	\$998,613
TE Countering Terrorism	\$123,400	\$69,900
IC International Crime	\$108,533	\$44,129
ID Illegal Drugs	\$807,170	\$884,584
DEMOCRACY	\$9,000	\$9,000
DE Democracy	\$9,000	\$9,000
HUMANITARIAN RESPONSE	\$869,556	\$775,565
HA Humanitarian Assistance	\$869,556	\$775,565
GLOBAL ISSUES	\$88,600	\$73,600
EN Environment	\$54,600	\$48,600
PO Population	\$34,000	\$25,000
HE Health	\$0	\$0
DIPLOMACY	\$0	\$0
DA Diplomatic Activity	\$0	\$0
MUTUAL UNDERSTANDING	\$0	\$0
MU Mutual Understanding	\$0	\$0
DIPLOMATIC READINESS	\$0	\$0
HR Human Resources	\$0	\$0
IR Information Resources	\$0	\$0
IO Infrastructure and Operations	\$0	\$0
SUB-TOTAL	\$2,768,959	\$2,440,328

Note (1): At the time of printing, the Department remains under a Continuing Resolution for FY 2003. As a result, the Department's FY 2003 Request is depicted.

OTHER FOREIGN OPERATIONS RESOURCES

(\$ in thousands)

CATEGORY 2: STATE OVERSIGHT ACCOUNTS

The following resources are implemented by other foreign affairs agencies and not administered by the Department of State. As a result, in the FY 2003 Performance Plan these resources are not allocated by strategic goal. In future years, the Department will collaborate with implementing agencies to break down these resources by strategic goal. FY 2002 Emergency Response Fund resources are included in the FY 2002 levels.

	FY 2002 Actuals	FY 2003 Request
U.S. Agency for International Development	\$3,658,965	\$3,852,724
Economic Support Fund	\$2,824,000	\$2,290,000
Assistance for Eastern Europe and the Baltic States	\$621,000	\$495,000
Assistance for the Independent States	\$830,500	\$755,000
International Military Education and Training	\$70,000	\$80,000
Foreign Military Financing	\$3,695,000	\$4,107,200
SUB-TOTAL	\$11,699,465	\$11,579,924

CATEGORY 3: OTHER AGENCY ACCOUNTS

Although the following resources are part of international affairs resources (Function 150), the Department only provides foreign policy guidance to these agencies. Thus, the Department of State does not allocate these resources by the Department's strategic goals. FY 2002 Emergency Response Fund resources are included in the FY 2002 numbers.

	FY 2002 Actuals	FY 2003 Request
Export-Import Bank	\$767,228	\$600,727
Overseas Private Investment Corporation	(\$250,076)	(\$227,324)
Trade and Development Agency	\$50,184	\$44,696
Peace Corps	\$281,943	\$320,228
Inter-American Foundation	\$13,290	\$14,185
African Development Foundation	\$16,680	\$16,689
Treasury Technical Assistance	\$9,500	\$10,000
Debt Restructuring	\$229,000	\$0
International Financial Institutions	\$1,174,796	\$1,437,097
SUB-TOTAL	\$2,292,545	\$2,216,298

CATEGORY 4: EMERGENCY FOREIGN OPERATIONS SUPPLEMENTAL

	FY 2002 Actuals
Economic Support Fund	\$465,000
Assistance for Independent States	\$110,000
International Narcotics Control & Law Enforcement	\$114,000
Nonproliferation, Anti-terrorism, Demining, & Related Programs	\$83,000
Foreign Military Financing	\$357,000
Peacekeeping Operations	20,000
U.S. Agency for International Development	\$47,000
SUB-TOTAL	\$1,196,000

	TOTAL	\$17,956,969	\$16,236,550
--	--------------	---------------------	---------------------

FISCAL YEAR 2002 PERFORMANCE AND ACCOUNTABILITY REPORT

FINANCIAL SECTION

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 2002, the Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, and the Combined Statement of Financing are significantly different than last year's Statements. Specifically, the Department is reporting under new financial statement formats prescribed by OMB Bulletin 01-09. Accordingly, comparative amounts are not presented for these statements. In addition to changing its reporting formats, the Department has adopted several new Federal accounting standards effective for 2002 and 2001.

The **Consolidated Balance Sheet** provides information on assets, liabilities, and net position similar to balance sheets reported in the private sector. Comparative data for 2001 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 2001 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. For 2002, the components of net position are separately displayed in two columns: Cumulative Results of Operations and Unexpended Appropriations to more clearly identify the components of and changes to Net Position. Intra-Departmental transactions have been eliminated from the amounts presented.

The **Combined Statement of Budgetary Resources** provides information on how budgetary resources were made available and their status at the end of the year. Information in this statement is reported on the budgetary basis of accounting. Intra-Departmental transactions have not been eliminated from the amounts presented.

The **Combined Statement of Financing** reports the relationship between budgetary transactions and financial transactions. 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 2002, 2001, 2000, 1999, 1998 and 1997. The opinions were from an independent public accounting firm engaged by the Department's Office of Inspector General.

FISCAL YEAR 2002 PERFORMANCE AND ACCOUNTABILITY REPORT

INDEPENDENT
AUDITOR'S REPORT






**United States Department of State
and the Broadcasting Board of Governors**

Inspector General

February 2, 2003

UNCLASSIFIED

TO: The Secretary
FROM:  *Richard N. Reback*
OIG - Richard N. Reback, Acting
SUBJECT: Audit of the U.S. Department of State 2002 and 2001
Principal Financial Statements - Audit Report
AUD/FM-03-18

In compliance with the Chief Financial Officers Act, 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, 2002, 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, of which one is a material weakness regarding information system security;
- 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 improve its financial management systems. The auditor's unqualified opinion was achieved for the

UNCLASSIFIED

UNCLASSIFIED

most part through the extensive efforts of financial management staff to overcome those weaknesses and produce auditable information, and LGB's efforts to complete its audit under onerous conditions. Although these efforts ultimately resulted in an unqualified opinion, reliable information was not readily available during the year. The risk of materially misstating financial information is high under the current conditions.

LGB's report, dated February 1, 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 send 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.

LEONARD G. BIRNBAUM AND COMPANY, LLP**CERTIFIED PUBLIC ACCOUNTANTS**

WASHINGTON OFFICE
6285 FRANCONIA ROAD
ALEXANDRIA, VA 22310-2510

(703) 922-7622
FAX: (703) 922-8256

LESLIE A. LEIPER
LEONARD G. BIRNBAUM
DAVID SAKOFS
CAROL A. SCHNEIDER
DORA M. CLARKE

WASHINGTON, D.C.
SUMMIT, NEW JERSEY
REDWOOD CITY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT

To the Secretary, Department of State:

We have audited the Department of State's (Department) Consolidated Balance Sheet and Consolidated Statement of Net Cost as of, and for the years ended, September 30, 2002 and 2001 and the Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources, and Combined Statement of Financing as of and for the year ended, September 30, 2002 (collectively the Principal Financial Statements); we have examined internal control over financial reporting in place as of September 30, 2002; and we have examined compliance with laws and regulations.

In our opinion, the Department's 2002 and 2001 Principal Financial Statements are presented fairly in all material respects.

We found:

- a material weakness in internal control regarding information system security, which was not included in the Department's 2002 review of management controls, required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).
- instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management system.

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 2002 and 2001 Consolidated Balance Sheets, and Consolidated Statements of Net Cost, including the notes thereto, present fairly, in all material respects, the Department's financial position as of September 30, 2002 and 2001, and the net cost of operations, for the years then ended and that the Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources and Combined Statement of Financing for the year ended September 30, 2002, present the changes in net position, the use of budgetary resources, and the use of financing resources for that year, in conformity with accounting principles generally accepted in the United States of America.

In 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.

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 FMFIA, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the following objectives are met:

- transactions are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over assets;
- funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition;
- transactions, including those related to obligations and costs, are executed in compliance with laws and regulations that could have a direct and material effect on the financial statements and other laws and regulations that OMB, Department management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated; and
- data that support reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted the following matter that we considered to be a material weakness as defined above.

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. However, this work was not sufficiently advanced before our field work ended to assure ourselves that this condition no longer existed.

In addition, we identified significant weaknesses with the Paris Financial Service Center's Accounting and Disbursing System. These included access vulnerabilities, issues with the internal control environment, concerns with physical security, and environmental issues. We first reported these weaknesses in our opinion on the 1998 financial statements. A separate report detailed these concerns and recommended action (*Computer Security Reviews of Paris Accounting & Disbursement System and Consolidated American Payroll Processing System*, 00-FM-014, issued June 2000). The Department has made significant progress in addressing these weaknesses. It is also in

the process of consolidating the Paris Financial Service Center's financial system into the Charleston Financial Service Center's system.

We are required to review the Department's current FMFIA report and disclose differences with the material weaknesses in our report. The Department's 2000 FMFIA report indicated that a previously reported material weakness in information security had been closed. That material weakness focused primarily on organization structure and procedures that, if implemented as intended, should provide adequate access controls. Currently, the Department is undertaking a comprehensive assessment of the security of its information systems. Until such time as the Department can demonstrate the effectiveness of its revised structure and procedures, this matter will be considered to be a material weakness as defined above.

We noted three matters, discussed in the following paragraphs, involving internal control that we consider to be reportable conditions.

- The Department's financial and accounting system, as of September 30, 2002, was inadequate. This inadequacy prevented the Department from routinely issuing timely financial statements. The risk of materially misstating financial information is high 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. 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.
 - Some fund balances with Treasury, as reported on the Department ledgers, were not reconcilable with balances reported by Treasury. The absolute, as opposed to net, difference between the Department ledgers and Treasury balances as of September 30, 2002, approximated \$110 million. While the Department has made progress in reducing the net difference between the Department ledger and Treasury balances, the weaknesses in the reconciliation processes currently in place remain, particularly with respect to older fund balances. The Department should reexamine its reconciliation processes and assess whether adjustments should be made to some of its fund balances in order to correct these weaknesses.
 - During 2002, 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 \$230 million of undelivered orders should have been deobligated. Also, we noted that the Department's undelivered orders balance has grown significantly to \$5.8 billion, as of September 30, 2002. 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, determined whether those internal controls had been placed in operation, assessed control risk, and performed 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 February 1, 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 the Federal Financial Management Improvement Act (FFMIA) of 1996. 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 which are necessary 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.

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 that there are appropriate safeguards in the automated information 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 in the Department's annual FMFIA report since 1983. 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 projects achieving substantial compliance with FFMIA during FY 2003. Although RM has completed several phases of its plan and indicates that the remainder of the plan is on schedule, 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 February 1, 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;

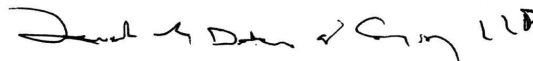
- obtained an understanding of the process by which the agency identifies and evaluates weaknesses required to be reported under FMFIA and related agency implementing procedures;
- tested compliance with selected provisions of laws and regulations that may have a direct and material effect on the financial 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 and the Department's management. 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
February 1, 2003




United States Department of State
 Chief Financial Officer
 Washington, D.C. 20520-7427

February 1, 2003

MEMORANDUM

TO: OIG – Mr. Clark Kent Erwin

FROM: RM – Christopher B. Burnham 

SUBJECT: Draft Audit Report on the Department of State's 2002 and 2001
 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 2002 and 2001 Principal Financial Statements" (Report). For the sixth 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 by the February 1 due date is an important accomplishment for both of our offices. We would like to extend our appreciation to your staff and to your contractor, Leonard G Birnbaum and Company, for the professional and cooperative manner in which they conducted the audit for FY 2002 and prior years.

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

The Department has improved the security of our mainframe and other information systems since the General Accounting Office's (GAO) review of the Department's computer security. The Department's Management Control Steering Committee (MCSC), with the concurrence of the Inspector General, approved the closure of the material weakness for Information Systems Security for the Fiscal Year (FY) 2000 Federal Managers' Financial Integrity Act (FMFIA) Report. This was based on the fact that the processes, controls and administration of the security program had been significantly enhanced since this problem was identified.

In 2001 and 2002 the Department continued to improve the information systems security program. The Department is currently working on a comprehensive plan that will have systems certified and accredited by the end fiscal year 2004. The Department is installing a comprehensive framework and process for lifecycle management of IT security. The framework and process will provide for continual evaluation and improvement.

Our efforts to address this weakness include periodic meetings with staff from your Office of Audits, Leonard G. Birnbaum and Company, senior managers in IRM and our office. The purpose is to identify and coordinate actions needed to resolve the weakness and monitor progress. We 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. Also, we have included this initiative in our FFMIA Remediation Plan. We anticipate that our collaborative efforts will result in the status of this weakness being downgraded to a reportable condition for the FY 2003 Report.

The weaknesses in the Department's financial management systems are a long-standing problem. Substantial compliance with FFMIA is a top priority of the Department, and improvement initiatives to achieve that goal are well underway. As required by FFMIA, the Department submitted our initial Remediation Plan (Plan) to OMB in March 2000, and an updated Plan in 2001. As noted in your report RM has completed several phases of the plan. The Plan, which includes the installation of the worldwide RFMS to replace our overseas financial systems, calls for the Department to achieve substantial compliance with FFMIA by the end of FY 2003. We continue to be on schedule for completion of RFMS by September of this year.

Strengthening the management of unliquidated obligations (ULO) is an important financial management initiative. As mentioned in the Report, the Department has made significant improvements in this area over the past two years. The Unliquidated Obligation System was implemented in FY 2000. We use this system 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. These processes will be repeated and expanded upon during FY 2003. We continue to develop reports and procedures to use in working with offices to improve the management of unliquidated obligations.

Implementation of Managerial Cost Accounting Standards (MCAS) is an important financial management initiative. The Department is making reasonable progress in implementing MCAS, but acknowledges that additional work is needed to fully comply with these standards. To address MCAS requirements and account for expenditure information necessary for budgeting information and performance measurement, the Department is developing a Central Financial Planning System (CFPS). Phase 4 of CFPS, scheduled for September of 2003 and is included in our FFMIA Remediation Plan, will enable the timely and accurate reporting of cost information and associate that information with budget and strategic goals.

We thank you for the opportunity to comment on the draft report and for working with us in a collaborative manner on the FY 2002 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. If you have any questions concerning our response to

the Report, please contact Christopher H. Flaggs, Managing Director, Financial Policy, Reporting and Analysis, on (202) 261-8625.

FISCAL YEAR 2002 PERFORMANCE AND ACCOUNTABILITY REPORT

FINANCIAL
STATEMENTS



DEPARTMENT OF STATE
CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

As of September 30,	Notes	2002	2001
ASSETS	3		
Intragovernmental Assets:			
Fund Balances With Treasury	4	\$ 8,937,139	\$ 7,652,119
Investments, Net	5	11,750,737	11,206,403
Accounts Receivable, Net	6	313,291	170,385
Interest Receivable		192,637	189,677
Total Intragovernmental Assets		21,193,804	19,218,584
Accounts Receivable, Net	6	45,349	42,111
Loans Receivable, Net	7	1,231	1,156
Cash and Other Monetary Assets	8	12,792	12,472
Inventory	9	7,784	6,927
Property and Equipment, Net	10	5,499,850	4,870,466
Other Assets	11	79,347	72,117
Total Assets		\$ 26,840,157	\$ 24,223,833

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	2002	2001
LIABILITIES	12		
Intragovernmental Liabilities:			
Accounts Payable		\$ 4,120	\$ 5,962
Other Liabilities		37,300	37,001
Total Intragovernmental Liabilities		41,420	42,963
Accounts Payable		780,679	817,856
Foreign Service Retirement Actuarial Liability	13	12,211,800	11,766,900
Liability to International Organizations	14	1,065,172	1,650,006
Capital Lease Liability	15	92,010	63,058
Funds Held in Trust	8	13,592	11,073
Federal Employees' Compensation Act Benefits		56,259	56,645
Other Liabilities		563,471	401,976
Total Liabilities		14,824,403	14,810,477
Commitments and Contingencies	16		
NET POSITION			
Unexpended Appropriations	17	7,154,023	5,961,844
Cumulative Results of Operations		4,861,731	3,451,512
Total Net Position		12,015,754	9,413,356
Total Liabilities and Net Position		\$ 26,840,157	\$ 24,223,833

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,	2002	2001
PROGRAM		
Diplomatic Relations and International Organizations		
Total Cost	\$ 5,102,716	\$ 4,714,729
Earned Revenue	(211,888)	(189,359)
Net Program Costs	4,890,828	4,525,370
American Citizens and U.S. Borders		
Total Cost	1,560,856	1,345,440
Earned Revenue	(1,049,592)	(1,095,100)
Net Program Costs	511,264	250,340
Humanitarian Response		
Total Cost	845,205	745,259
Earned Revenue	454	(1,119)
Net Program Costs	845,659	744,140
Law Enforcement		
Total Cost	712,762	839,416
Earned Revenue	(12,799)	(32,443)
Net Program Costs	699,963	806,973
EXECUTIVE DIRECTION AND OTHER COSTS NOT ASSIGNED		
Total Cost	2,616,296	2,341,999
Earned Revenue	(1,225,271)	(1,197,681)
Net Program Costs	1,391,025	1,144,318
Total Cost	10,837,835	9,986,843
Total Revenue	(2,499,096)	(2,515,702)
Total Net Cost	\$ 8,338,739	\$ 7,471,141

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, 2002	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	\$ 3,451,512	\$ 5,961,844
Prior period adjustments (+/-)	0	0
Beginning Balances, as adjusted	3,451,512	5,961,844
Budgetary Financing Sources:		
Appropriations Received	-	10,227,805
Appropriations transferred-in/out (+/-)	-	1,024,187
Other adjusted (rescissions, etc.) (+/-)	-	(116,923)
Appropriations Used	9,942,890	(9,942,890)
Nonexchange revenue	16,267	-
Donations	33,581	-
Other Financing Sources:		
Transfers-in/out without reimbursement (+/-)	(327,859)	-
Imputed financing from costs absorbed by others	84,079	-
Total Financing Sources	9,748,958	1,192,179
Net Cost of Operations (+/-)	(8,338,739)	
Ending Balances	\$ 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,

2002

Budgetary Resources:

Budget Authority	
Appropriations received	\$ 11,434,158
Net transfers	1,040,178
Other	479,683

Unobligated balances:

Beginning of period	2,369,063
Net transfers	(39,432)

Spending authority from offsetting collections:

Earned	
Collected	2,081,677
Received from Federal sources	217,618
Change in unfilled customer orders	
Without advance from Federal sources	2,435
Subtotal	2,301,730

Recoveries	880,827
Temporarily not available pursuant to Public Law	(575,067)
Permanently not available	(96,549)

Total Budgetary Resources

\$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,

2002

Status of Budgetary Resources:

Obligations incurred	
Direct	\$ 13,670,130
Reimbursable	1,545,154
Subtotal	<u>15,215,284</u>
Unobligated balances available	
Apportioned	2,360,250
Exempt from apportionment	98,833
Other available	0
Unobligated balances not available	<u>120,224</u>
Total Status of Budgetary Resources	<u>17,794,591</u>

Relationship of Obligations to Outlays:

Obligated balance, net, beginning of year	4,642,993
Obligated balance transferred, net	0
Less: obligated balance, net, end of year	
Accounts receivable	(636,037)
Unfilled customer orders from Federal sources	(1,618)
Undelivered orders	6,328,591
Accounts payable	299,386
Outlays	
Disbursements	12,767,075
Collections	(2,081,677)
Subtotal	<u>10,685,398</u>
Less: offsetting receipts	<u>(806,806)</u>

Net Outlays

\$ 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,

2002

Resources Used to Finance Activities:

Budgetary Resources Obligated

Obligations Incurred	\$ 15,215,994
Less: Spending Authority from offsetting collections and recoveries	(3,180,772)
Obligations net of offsetting collections and recoveries	<u>12,035,222</u>
Less: Offsetting receipts	(806,806)
Net obligations	<u>11,228,416</u>

Other Resources

Donations	\$ 0
Transfers in/out without reimbursement	(327,859)
Imputed financing from costs absorbed by others	84,079
Other	31,840
Net other resources used to finance activities	<u>(211,940)</u>

Total Resources used to Finance Activities

\$ 10,942,476

Resources Used to Finance Items not

Part of Net Cost of Operations:

Change in in budgetary resources obligated for goods, services, and benefits ordered but not yet received	1,765,930
Resources that fund expenses recognized in prior periods	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	287
Other	0
Resources that finance the acquisitions of assets	1,039,480
Other resources or adjustments to net obligated resources that do not affect net cost of operations	<u>0</u>

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

4,696,072

Total Resources Used to Finance the Net Cost of Operations

\$ 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,	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	\$ 8,976
Increase in actuarial liability	1,057,328
Increase in IO liability	683,311
Other, net	9,454
Total components of Net Cost of Operations that will require or generate resources in future periods	<u>1,759,069</u>
Components not Requiring or Generating Resources:	
Depreciation and amortization	\$ 246,034
Reevaluation of assets or liabilities	0
Other	13,232
Total components of Net Cost of Operations that will not require or generate resources	<u>259,266</u>
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	2,018,335
Net Cost of Operations	<u><u>\$ 8,338,739</u></u>

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 CPAs' 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 is recorded over the asset's useful life as described below in Property and Equipment — Real Property and Property and Equipment — Personal Property.

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. These revenues are recognized in the American Citizens and U.S. Borders Program as the fees are collected. 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 Affairs 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, 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. The Department operates 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 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, 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 Supplemental Information—Heritage Assets.

Since 1997, additions to the real property asset accounts have been based on historical costs. Construction-in-Progress represents the costs incurred for new facilities, major rehabilitations, or other improvements in the design or construction stage. After these projects are completed, costs are transferred to Buildings and Structures or Leasehold Improvements as appropriate. The Department capitalizes construction of new buildings and all building acquisitions regardless of cost. The Department also capitalizes improvements greater than \$250,000.



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.

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 a 5% salvage value. For all property except vehicles, depreciation is not recorded until the fiscal year after the item is put into service. Vehicles are depreciated over periods ranging from 3 to 6 years, and depreciation begins when the vehicle is put into service. 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 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 overseas and domestic accounts payable for FY 2002 and FY 2001, respectively. Overseas accounts payable are estimated based upon historical experience. Domestic accounts payable are based upon actual disbursements. The Department believes the new methodology more accurately reflects the financial position and results of operations.

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 7.00% (7.40% prior to January 14, 2001) of their salary; the Department contributes 8.51%. 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% (1.20% prior to January 14, 2001) 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 7.00% (7.40% prior to January 14, 2001) of their salary; the Department contributes 8.51%. FSPS employees contribute 1.30% (1.70% prior to January 14, 2001) of their salary; the Department contributes 20.34%. 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 \$70.2 million and \$70.6 million in 2002 and 2001, 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 2002 and 2001 was computed using a discount rate of 5.2% and 5.21%, respectively, for all years; in 2002 and 2001, the Department's liability changed by (\$.4) million and \$6.7 million, respectively. The total actuarial liability that the Department is responsible totaled \$56.2 million as of September 30, 2002 and \$56.6 million as of September 30, 2001.

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.

An actuary from the Treasury determines the Pension Actuarial Liability. 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.

For 2002 and 2001, the valuation included assumed average rates of return on investments of 6.75%, inflation of 3.75%, and salary increases of 4.25%. 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.

In March 2001, the Board of Actuaries announced a change in the dynamic economic assumptions used to calculate the actuarial liability. The economic assumptions reflect predictions about the long-term relationships among inflation, interest on investments, and salary adjustments. The new assumptions reflect recent financial experience and indicate a less optimistic view of the Board regarding long-term interest earnings in relation to the other two factors.

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 2002 and FY 2001.

	FY 2002	FY 2001
Normal Cost:		
FSRDS	30.65%	27.43%
FSPS	21.57%	21.04%

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 three Financial Service Centers.

2 ACCOUNTING CHANGES

Changes Implemented

In 2002 and 2001, 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 2001 reporting are as follows.

- ◆ **Integrated Reporting.** Combined performance and accountability reports that present both performance and financial reports are required for FY 2002 and subsequent years.
- ◆ **Accelerated Reporting.** For FY 2002, performance and accountability reports must be submitted to OMB and the Congress by February 1, 2003.
- ◆ **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. A comparative Balance Sheet and Statement of Net Cost are required for reporting periods beginning with FY 2001. However, comparative Statements of Changes in Net Position, Budgetary Resources, and Financing (and related footnotes) are not required until fiscal year 2003 and beyond. Also, information presented in the Financial Highlights Section (pages 38–44) of the Management Discussion and Analysis, Required Supplementary Stewardship Information (Pages 240–244) and Required Supplementary Information (Pages 245–251) are presented on a comparative basis when the information is meaningful to the user of the financial report.

New SFFASs were adopted by the Department as follows.

NEW SFFAS		
SFFAS	Effective Reporting Period	Description
SFFAS No. 21 Reporting Corrections of Errors and Changes in Accounting Principles	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.
SFFAS No. 22 Change in Certain Requirements for Reconciling Obligations and Net Cost of Operations	FY 2001	SFFAS No. 22 deletes the requirement in SFFAS No. 7 paragraph 80 that requires increases and decreases in receivables from the public related to exchange revenues be reported as a nonbudgetary resource, and makes other conforming changes.
SFFAS No. 18 Amendments to Accounting Standards for Direct Loans and Loan Guarantees	FY 2001	SFFAS No. 18 amends certain portions of SFFAS No. 2, <i>Accounting for Direct Loans and Loan Guarantees</i> , by adding the following requirements: (a) report subsidy reestimates in two components: interest rate reestimates and technical/default reestimates, (b) display in a note to the financial statements a reconciliation between the beginning and ending balances of loan guarantee liability and the subsidy cost allowance for direct loans, and (c) provide disclosure and discussion for changes in program subsidy rates, subsidy expense, and subsidy reestimates.
SFFAS No. 10 Accounting for Internal Use Software	FY 2001	SFFAS No. 10 provides accounting standards for internal use software. It classifies internal use software as "general property, plant, and equipment" as defined in SFFAS No. 6, <i>Accounting for Property, Plant and Equipment</i> , and requires software costs meeting certain criteria to be capitalized whether purchased as commercial off-the-shelf (COTS), or developed by a contractor or internally developed. SFFAS No. 10 provides guidance regarding the types of cost elements to capitalize, the timing of capitalization, and other issues. Under SFFAS No. 10, agencies are to determine their own dollar value capitalization thresholds. The Department established a threshold of \$500 thousand.

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.
- ◆ **Interim Financial Reporting.** In FY 2003, unaudited financial statements shall 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.

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, 2002 and 2001 were \$11.4 million and \$11.1 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, 2002 and 2001, are summarized below (Dollars in Thousands).

	2002	2001
Appropriated Funds	\$ 8,574,965	\$ 7,387,602
Revolving Funds	156,665	125,769
Trust Funds	105,478	103,752
Other Funds	100,031	34,996
Total	\$ 8,937,139	\$ 7,652,119

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 2003 through 2016, and interest rates range from 4.375% to 9.25%.

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 2003 to 2011; interest rates range from 5.0% 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. Maturity dates on these securities range from 2002 to 2003; interest rates range from 1.48% to 1.55%.

Summary of Investments

Investments at September 30, 2002 and 2001, are summarized below (Dollars in Thousands). All investments are classified as Intragovernmental Securities.

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

At September 30, 2001:	Par	Amortization Method	Unamortized (Discount)	Investments (Net)	Market Value
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	\$ 46,054	N/A	\$ —	\$ 46,054	\$ 46,054
FSRDF Special Bonds	11,145,560	N/A	—	11,145,560	11,145,560
Subtotal	\$ 11,191,614		\$ —	\$ 11,191,614	\$ 11,191,614
Non-Marketable, Market Based:					
Israeli-Arab Scholarship, Notes	4,277	Interest	238	4,515	4,834
Eisenhower Exchange Fellowship, Notes	7,512	Interest	(428)	7,084	8,013
Gift Funds, Bills	3,233	Straight-line	(43)	3,190	3,158
Subtotal	\$ 15,022		\$ (233)	\$ 14,789	\$ 16,005
Total Investments	\$ 11,206,636		\$ (233)	\$ 11,206,403	\$ 11,207,619

6 ACCOUNTS RECEIVABLE

The Department's Accounts Receivable at September 30, 2002 and 2001, are summarized below (Dollars in Thousands):

	2002			2001			
	Entity Accounts Receivable	Non-entity Accounts Receivable	Allowance for Uncollectible Accounts Receivable	Net Receivables	Accounts Receivable	Allowance for Estimated Uncollectible	Net Receivables
Intragovernmental	\$ 313,337	\$ -	\$ (46)	\$ 313,291	\$ 174,956	\$ (4,571)	\$ 170,385
Non-Federal	51,273	-	(5,924)	45,349	43,039	(928)	42,111
Total	\$ 364,610	\$ -	\$ (5,970)	\$ 358,640	\$ 217,995	\$ (5,499)	\$ 212,496

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:

	2002	2001
Loans Receivable Gross	\$516	\$430
Interest and Penalty Receivable	86	85
Allowance for Uncollectible Loans	(572)	(490)
Net Loans Receivable	\$ 30	\$ 25

Repatriation Loans Obligated after 1991 (Dollars in Thousands)

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

At September 30, 2001:

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	\$ 106	\$ 39	\$ 101	\$ 44
1993	110	21	91	40
1994	79	17	67	29
1995	178	43	155	66
1996	549	206	529	226
1997	449	105	388	166
1998	591	69	462	198
1999	393	40	303	130
2000	393	31	297	127
2001	328	20	243	105
Total	\$ 3,176	\$ 591	\$ 2,636	\$ 1,131

Total Amount of Direct Loans Disbursed (Post-1991)

In 2002, the Department disbursed approximately \$710,000 in repatriation loans. In 2001, it disbursed approximately \$642,000.

Subsidy Expense for Post-1991 Repatriation Loans

The subsidy expense for the 2002 and 2001 loan program contains the following components (Dollars in Thousands):

	2002	2001
Interest Differential	—	—
Default	\$ 568	\$ 514
Fees	—	—
Other	—	—
Total	\$ 568	\$ 514

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, 2001	\$ 2,636
Add: subsidy expense for loans disbursed during 2002	568
Adjustments	—
Ending balance for the subsidy cost allowance before re-estimates	3,204
Effect of subsidy re-estimate by component:	
Interest rate re-estimate	—
Technical/default re-estimate	(403)
Ending balance of the subsidy cost allowance	\$ 2,801

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 \$607,000 in 2002 and 2001.

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 \$402,000 in 2002, and established that amount as a payable to Treasury. The total amount payable to Treasury is approximately \$4.8 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 the Federal Financial Accounting Standards.

Accounts payable also includes a payable to Treasury of \$0.7 million resulting from the collection of Pre-Credit Reform loans.

Borrowings from Treasury (Dollars in Thousands)

	2002	2001
Beginning Balance, October 1	\$ (191)	\$ (341)
Borrowings, Net of Repayments	(65)	150
Ending Balance, September 30	\$ (256)	\$ (191)

8 CASH AND OTHER MONETARY ASSETS

The Cash and Other Monetary Assets at September 30, 2002 and 2001, are summarized below (Dollars in Thousands). There are no restrictions on entity cash. Non-Entity cash is restricted as discussed below.

	2002			2001		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Bosnia Federation Defense Fund	\$ —	\$ 309	\$ 309	\$ —	\$ 672	\$ 672
Chancery Development						
Trust Account:						
Cash	—	2	2	—	2	2
Treasury Bills, at par	—	11,169	11,169	—	10,745	10,745
Unamortized Discount	—	(88)	(88)	—	(346)	(346)
Cash-Imprest and Other Funds	1,400	—	1,400	1,399	—	1,399
Total	\$ 1,400	\$ 11,392	\$ 12,792	\$ 1,399	\$ 11,073	\$ 12,472

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, 2002 and 2001, is summarized below (Dollars in Thousands).

	2002	2001
Inventory Held for Current Sale:		
Publishing Services – Raw Materials	\$ 1,797	\$ 961
Publishing Services – Publications for Sale	3,279	3,278
Inventory for Resale	2,708	2,688
Total	\$ 7,784	\$ 6,927

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, 2002 and 2001, are shown in the following table (Dollars in Thousands):

Major Classes	2002			2001		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Real Property:						
Overseas —						
Land and Land Improvements	\$ 1,904,743	\$ (95)	\$ 1,904,648	\$ 1,864,051	\$ (45)	\$ 1,864,006
Buildings and Structures	3,768,927	(2,210,702)	1,558,225	3,702,237	(2,045,870)	1,656,367
Construction-in-Progress	886,914	—	886,914	512,379	—	512,379
Assets Under Capital Lease	120,940	(43,819)	77,121	94,342	(46,876)	47,466
Leasehold Improvements	52,634	(14,418)	38,216	50,474	(10,890)	39,584
Domestic —						
Structures, Facilities and Leaseholds	521,350	(172,862)	348,488	510,134	(155,679)	354,455
Construction-in-Progress	58,484	—	58,484	56,484	—	56,484
Land and Land Improvements	80,654	(3,836)	76,818	80,654	(3,523)	77,131
Subtotal — Real Property	\$ 7,394,646	\$ (2,445,732)	\$ 4,948,914	\$ 6,870,755	\$ (2,262,883)	\$ 4,607,872
Personal Property:						
Vehicles	\$ 174,369	\$ (112,291)	\$ 62,078	\$ 172,337	\$ (97,384)	\$ 74,953
Communication Equipment	45,072	(11,121)	33,951	43,632	(9,879)	33,753
ADP Equipment	21,528	(15,577)	5,951	20,307	(12,640)	7,667
Reproduction Equipment	13,325	(10,036)	3,289	12,970	(9,268)	3,702
Security	67,289	(25,032)	42,257	—	—	—
Software	77,208	(9,328)	67,880	—	—	—
Software-in-Development	33,476	—	33,476	37,073	—	37,073
Other Equipment	327,130	(25,076)	302,054	140,208	(34,762)	105,446
Subtotal — Personal Property	\$ 759,397	\$ (208,461)	\$ 550,936	\$ 426,527	\$ (163,933)	\$ 262,594
Total	\$ 8,154,043	\$ (2,654,193)	\$ 5,499,850	\$ 7,297,282	\$ (2,426,816)	\$ 4,870,466

11 OTHER ASSETS

The Department's other assets at September 30, 2002 and 2001, are summarized below (Dollars in Thousands).

	2002	2001
Salary Advances to Employees	\$ 7,296	\$ 5,221
Travel Advances to Employees	12,705	14,048
Prepayments	12,000	12,009
Other Advances	47,346	40,839
Total Other Assets	\$ 79,347	\$ 72,117

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, 2002 and 2001, are summarized below (Dollars in Thousands).

	2002	2001
Intragovernmental Liabilities –		
Accounts Payable	\$ —	\$ —
Other Liabilities	17,966	17,929
Total Intragovernmental Liabilities	\$ 17,966	\$ 17,929
Foreign Service Retirement Actuarial Liability	324,776	424,884
Liability to International Organizations	1,065,172	1,650,006
Capital Lease Liability	92,010	63,058
Funds Held in Trust	13,592	11,073
Federal Employees' Compensation		
Act Benefits	56,259	56,645
Accrued Annual Leave	180,926	171,950
Other Liabilities	8,621	8,621
Total Liabilities not Covered by Budgetary Resources	\$1,759,322	\$2,404,166

Other Liabilities consists 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, 2002 and 2001 (Dollars in Millions).

For the Year Ended September 30,	2002	2001
Pension Actuarial Liability, Beginning of Year	\$11,766.9	\$11,475.9
Add Pension Expense:		
Normal Cost	198.0	185.9
Interest on Pension Liability	780.3	789.1
Prior Service Costs	—	—
Actuarial Losses/(Gains)	79.0	(92.3)
Total Pension Expense	1,057.3	882.7
Less Payments to Beneficiaries (annuities and refunds)	(612.4)	(591.7)
Pension Actuarial Liability, End of Year	12,211.8	11,766.9
Less: Net Assets Available for Benefits	(11,887.0)	(11,342.0)
Actuarial Unfunded Pension Liability for Projected Plan Benefits	\$ 324.8	\$ 424.9
Actuarial Assumptions:		
Rate of Return on Investments	6.75%	6.75%
Rate of Inflation	3.75%	3.75%
Salary Increase	4.25%	4.25%

Net Assets Available for Benefits at September 30, 2002 and 2001, consist of the following (Dollars in Thousands):

	2002	2001
Fund Balances with Treasury	\$ 0	\$ 6
Receivables	203,793	199,501
Investments in USG Securities	11,734,240	11,191,614
Total Assets	11,938,033	11,391,121
Less: FSRDF Liabilities	(51,009)	(49,105)
Net Assets Available for Benefits	\$ 11,887,024	\$ 11,342,016

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 \$303.5 million and \$895.1 million for 2002 and 2001, 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, 2002, 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 \$211.9 million were made in early FY 2003. Thus, \$32.1 million of appropriations for arrearage payments remain.

The financial statements also report an unfunded liability of \$761.6 and \$755.0 million at September 31, 2002 and 2001, respectively, for the current year 2002 and 2001 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 2002 calendar year assessment is paid from the Department's 2003 appropriation). The Liability to International Organizations at September 30, 2002 and 2001, is summarized below (Dollars in Thousands).

	2002	2001
Accumulated Arrears	\$ 303,525	\$ 895,054
Unfunded Annual Assessments	761,647	754,952
Liability to International Organizations	\$1,065,172	\$1,650,006



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 \$36.2 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).

	2002	2001
Net Assets Under Capital Leases:		
Land and Buildings	\$120,940	\$ 94,342
Accumulated Depreciation	(43,819)	(46,876)
Net Assets under Capital Leases	\$ 77,121	\$ 47,466

Future Minimum Lease Payments:

	2002		2001	
	Fiscal Year	Lease Payments	Fiscal Year	Lease Payments
	2003	\$ 8,467	2002	\$ 5,944
	2004	\$ 6,899	2003	5,250
	2005	6,899	2004	4,466
	2006	6,609	2005	4,466
	2007	6,609	22006	4,192
	2008 and thereafter	467,166	2007 and thereafter	125,529
Total Minimum Lease Payments		\$ 502,649		\$ 149,847
Less: Amount Representing Interest		(410,639)		(86,789)
Obligations under Capital Leases		\$ 92,010		\$ 63,058

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, 2002 for each of the next 5 years and in aggregate are as follows (Dollars in Thousands).

Year Ended September 30	Operating Lease Amounts
2003	\$ 273,831
2004	191,941
2005	117,524
2006	66,198
2007	38,807
2008 and thereafter	84,759
<hr/>	
Total Minimum Future Lease Payments	\$ 773,060

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 conducts Counter-Terrorism, Counternarcotics, and War Criminals rewards programs. The Counter-Terrorism Rewards Program offers rewards up to \$5 million for information preventing acts of international terrorism against United States persons or property, or leading to the arrest or conviction of terrorist criminals responsible for such acts. The Counternarcotics Rewards Program offers rewards up to \$2 million. The War Criminals Rewards Program offers rewards up to \$5 million for information leading to the arrest and/or conviction of war criminals from the former Yugoslavia.

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. One of the cases has been appealed to the D.C. Circuit Court of Appeals, and the other will probably be appealed to that court in the near future. 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 is before the Court of Federal Claims, where the Department is represented by the Commercial Litigation Branch, Civil Division, Department of Justice. Document discovery and depositions have been largely completed. Decisions were issued in November on a number of cross-motions for partial summary judgment. These decisions were largely favorable to the Government. The Department will continue to vigorously defend against these claims.

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 four claims submitted to arbitration and four claims not yet submitted under Chapter 11 of NAFTA. These claims total approximately \$2.7 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 2002 and 2001 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, 2002 and 2001, are summarized below (Dollars in Thousands).

	2002	2001
Unexpended Appropriations:		
(1) Unobligated		
(a) Available	\$ 1,692,029	\$ 1,795,905
(b) Unavailable	404,026	962,017
(2) Undelivered Orders	5,057,968	3,203,922
Total	\$ 7,154,023	\$ 5,961,844

18 STATEMENT OF NET COST

The Statement of Net Cost reports the Department's gross and net cost for its major programs. 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 major program 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 major programs is based on the Department's Strategic Plan established pursuant to the Government Performance and Results Act of 1993. As outlined in the Strategic Plan, the United States conducts relations with foreign governments and others to pursue U.S. national interests, and create a more secure, prosperous, democratic world. These national interests are:

- ◆ **National Security** — Secure peace; deter aggression; prevent, diffuse, and manage crises; halt the proliferation of weapons of mass destruction; and advance arms control and disarmament.
- ◆ **Economic Prosperity** — Expand exports; open markets; assist American business; foster economic growth; and promote sustainable development.
- ◆ **Democracy** — Increase foreign government adherence to democratic practices and respect for human rights.
- ◆ **Global Issues: Environment, Population and Health** — Improve the global environment; stabilize world population growth; and protect human health.
- ◆ **Humanitarian Response** — Provide humanitarian assistance to victims of crisis and disaster.
- ◆ **American Citizens and U.S. Borders** — Protect American citizens abroad and safeguard the borders of the United States.
- ◆ **Law Enforcement** — Combat international terrorism, crime, and narcotics trafficking.

National interests are reported as programs to the extent that it is practicable. Exceptions include National Security, Economic Prosperity, Democracy, and Global Issues. These national interests are primarily carried out through the Department's Diplomatic Relations and International Organizations programs, which have been combined and are reported as such on the Statement of Net Cost. Diplomatic Readiness 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.

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, 2002 and 2001, these consist of costs and earned revenue for the table (Dollars in Thousands) on page 229.

DEPARTMENT OF STATE
CONSOLIDATING SCHEDULE OF NET COST

For the year ended September 30, 2002
 (Dollars in Thousands)

PROGRAM	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	
Diplomatic Relations and International Organizations								
Total Cost	\$ 459,894	\$ 39,240	\$ 93,277	\$ 4,299,542	\$ 341,067	\$ 203	\$ (130,507)	\$ 5,102,716
Earned Revenue	(51,835)	(3,565)	(9,164)	(250,546)	(27,261)	(24)	130,507	(211,888)
Net Program Costs	408,059	35,675	84,113	4,048,996	313,806	179	0	4,890,828
American Citizens and U.S. Borders								
Total Cost	0	0	187	918,739	226,421	678,345	(262,836)	1,560,856
Earned Revenue	0	0	(31)	(191,398)	(38,544)	(1,082,455)	262,836	(1,049,592)
Net Program Costs	0	0	156	727,341	187,877	(404,110)	0	511,264
Humanitarian Response								
Total Cost	0	0	845,150	33	58	0	(36)	845,205
Earned Revenue	0	0	418	0	0	0	36	454
Net Program Costs	0	0	845,568	33	58	0	0	845,659
Law Enforcement								
Total Cost	0	0	647,152	65,750	2,268	0	(2,408)	712,762
Earned Revenue	0	0	(11,442)	(3,742)	(23)	0	2,408	(12,799)
Net Program Costs	0	0	635,710	62,008	2,245	0	0	699,963
Executive Direction and Other Costs Not Assigned								
Total Cost	3,736	3,242	60,734	3,226,783	440,256	4,065	(1,122,520)	2,616,296
Earned Revenue	(2,296)	(1,993)	(37,328)	(2,010,766)	(271,413)	(2,498)	1,101,023	(1,225,271)
Net Program Costs	1,440	1,249	23,406	1,216,017	168,843	1,567	(21,497)	1,391,025
Total Cost	463,630	42,482	1,646,500	8,510,847	1,010,070	682,613	(1,518,307)	10,837,835
Total Revenue	(54,131)	(5,558)	(57,547)	(2,456,452)	(337,241)	(1,084,977)	1,496,810	(2,499,096)
Total Net Cost	\$ 409,499	\$ 36,924	\$ 1,588,953	\$ 6,054,395	\$ 672,829	\$ (402,364)	\$ (21,497)	\$ 8,338,739

Program	2002			2001		
	Total Prior to Eliminations	Intra-Departmental Eliminations	Total	Total Prior to Eliminations	Intra-Departmental Eliminations	Total
Costs:						
Executive Direction	\$ 1,681,836	\$ 117,887	\$ 1,563,949	\$ 1,443,466	\$ 95,253	\$ 1,348,213
FSRDF	1,057,328	314,864	742,464	1,048,597	309,143	739,454
ICASS	906,142	692,376	213,766	798,319	625,548	172,771
International Commissions	93,510	(2,607)	96,117	85,668	4,107	81,561
Total Costs	\$ 3,738,816	\$ 1,122,520	\$ 2,616,296	\$ 3,376,050	\$ 1,034,051	\$ 2,341,999
Earned Revenue:						
Executive Direction	\$ 235,115	\$ 117,887	\$ 117,228	\$ 205,239	\$ 95,253	\$ 109,986
FSRDF	1,157,436	293,367	864,069	1,127,325	285,318	842,007
ICASS	920,918	692,376	228,542	854,320	625,548	228,772
International Commissions	12,825	(2,607)	15,432	21,023	4,107	16,916
Total Earned Revenue	\$ 2,326,294	\$ 1,101,023	\$ 1,225,271	\$ 2,207,907	\$ 1,010,226	\$ 1,197,681
Total Net Cost for Executive Direction and Other Costs Not Assigned						
	\$ 1,412,522	\$ 21,497	\$ 1,391,025	\$ 1,168,143	\$ 23,825	\$ 1,144,318

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 Diplomatic Readiness charges for central support functions performed in 2002 and 2001 under the Under Secretary for Management by the following organizations (Dollars in Thousands):

Bureau (or equivalent)	2002	2001
Bureau of Diplomatic Security	\$ 782,344	\$ 730,771
Office of Overseas Buildings Operations	643,675	634,550
Bureau of Administration	513,562	432,687
Bureau of Information Resource Management	298,470	187,592
Bureau of Personnel	265,282	216,416
Bureau of Resource Management	(95,662)	241,122
Foreign Service Institute	106,424	87,861
Medical Services and Other	157,442	194,672
Total Central Support Costs	\$ 2,671,537	\$ 2,725,671

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 2002 and 2001 was as follows (Dollars in Thousands):

Program Receiving Allocation	2002	2001
Diplomatic Relations	\$ 947,337	\$ 1,009,655
American Citizens and Border Security	721,816	671,127
Executive Direction and Other Costs not Assigned	770,751	806,809
International Organizations	193,610	198,655
Law Enforcement	38,011	39,412
Humanitarian Response	12	13
Total	\$ 2,671,537	\$ 2,725,671

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 and U.S. Borders 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	2002	2001
Political Affairs	\$ 2,817,597	\$ 3,118,384
Public Diplomacy	502,608	505,136
Management (Consular Affairs)	344,715	361,051
Arms Control, International Security Affairs	191,111	164,841
Global Affairs	63,456	110,010
Economic, Business and Agriculture Affairs	18,090	17,782
Total	\$ 3,937,577	\$ 4,277,204

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, 2002 and 2001. (Dollars in Thousands):

Inter-Entity Cost	2002	2001
Other Post-Employment Benefits:		
Civil Service Retirement Program	\$ 17,912	\$ 17,245
Federal Employees Health Benefits Program	52,179	43,574
Federal Employees Group Life Insurance Program	114	195
Litigation funded by Treasury Judgment Fund	13,875	9,600
Subtotal – Imputed Financing Source	\$ 84,080	\$ 70,614
Future Workers’ Compensation Benefits	7,619	6,729
Total Inter-Entity Costs	\$ 91,699	\$ 77,343

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, 2002 and 2001, consist of the following (Dollars in Thousands):

Program	2002			2001		
	Total Prior to Eliminations	Intra-Departmental Eliminations	Total	Total Prior to Eliminations	Intra-Departmental Eliminations	Total
Consular Fees:						
Passport, Visa and Other Consular Fees	\$ 523,863	\$ —	\$ 523,863	\$ 535,568	\$ —	\$ 535,568
Machine Readable Visa	368,875	—	368,875	417,517	—	417,517
Expedited Passport	65,286	—	65,286	65,950	—	65,950
Fingerprint Processing, Diversity Lottery, and Affidavit of Support	12,289	—	12,289	4,091	—	4,091
Subtotal – Consular Fees	\$ 970,313	\$ —	\$ 970,313	\$ 1,023,126	\$ —	\$ 1,023,126
FSRDF	\$ 1,157,436	\$ 293,367	\$ 864,069	\$ 1,127,325	\$ 285,318	\$ 842,007
ICASS	920,918	692,376	228,542	854,320	625,548	228,772
Reimbursable Agreements With Federal Agencies	692,225	338,911	353,314	769,694	377,066	392,628
Working Capital Fund	252,037	172,157	79,880	159,497	134,555	24,942
Other	2,978	—	2,978	4,227	—	4,227
Total	\$ 3,995,907	\$ 1,496,811	\$ 2,499,096	\$ 3,938,189	\$ 1,422,487	\$ 2,515,702

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 7.00% (7.40% prior to January 14, 2001) of their base salary, and each employing agency contributes 8.51%; FSPS participants contribute 1.30% (1.70% prior to January 14, 2001) of their base salary and each employing agency contributes 20.34%. Employing agencies report employee/employer contributions biweekly. Total employee/employer contributions for 2002 and 2001 were \$171.3 million and \$160.6 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 2002 and 2001 were \$216.0 million and \$210.4 million, respectively. FSRDF cash resources are invested in special non-marketable securities issued by the Treasury. Total interest earned on these investments in 2002 and 2001 was \$770.1 million and \$755.8 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 2002* (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 2002* 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, 2002 and 2001 (Dollars in Thousands and reported net of intra-departmental eliminations):

Budget Functional Classification	2002			2001		
	Gross Cost	Earned Revenue	Net Cost	Gross Cost	Earned Revenue	Net Cost
International Affairs	\$ 9,691,926	\$ 1,621,693	\$ 8,070,233	\$ 9,024,425	\$ 1,652,795	\$ 7,371,630
Income Security	1,065,979	864,069	201,910	890,635	849,341	41,294
Natural Resources	79,960	13,334	66,626	71,783	13,566	58,217
Total	\$10,837,865	\$ 2,499,096	\$ 8,338,769	\$ 9,986,843	\$ 2,515,702	\$ 7,471,141

19 STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of September 30, 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 2002, the Department received approximately \$17.8 billion in budgetary resources, primarily consisting of the following:

Source of Budgetary Resources	2002
Budget Authority:	
Direct or related appropriations	\$11.8 billion
Authority financed from Trust Funds	1.1 billion
Spending authority from providing goods and services	2.3 billion
Unobligated Balances – Beginning of Year	2.3 billion
Adjustments	0.3 billion
Total Budgetary Resources	\$17.8 billion

The Department received permanent indefinite appropriations of \$35.5 million and \$34.7 million for 2002 and 2001, 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 2003* – 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 "2002 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 "2002 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 \$1.2 billion the Department received for 2002 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 \$305 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 \$112.0 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 (2000 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 \$80.4 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 (2001 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 \$230 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 \$305 million adjustment (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 \$230 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, etc.) 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 on pages 245 -246 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	2002
<hr/>	
Budget Authority	
Appropriations	1,219
Borrowing Authority	153
Unobligated Balance, beginning of Year	2,056
<hr/>	
Spending Authority from Offsetting Collections Earned	
Collected	287
Receivable from Federal Sources	362
Total Budgetary Resources	4,077
<hr/>	
Obligations Incurred:	
Direct Obligations	1,929
Unobligated Balance, Available:	
Exempt from Apportionment	1,524
Unobligated Balance Not Available:	
Other	624
Total Status of Budgetary Resources	4,077
<hr/>	
Obligated Balance, Net as of 10/1/01	169
Obligated Balance, 9/30/02	
Undelivered Orders	957
Accounts Payable	1
<hr/>	
Outlays:	
Disbursements	779
Collections	(288)
<hr/>	

The amount of budgetary resources obligated for undelivered orders for all activities was approximately \$5.6 billion as of September 30, 2002. This includes amounts for revolving and trust funds of \$472 million.

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 year ended September 30, 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 2002 and 2001, the Department collected \$6.2 million and \$4.3 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 costs for administering FSRDF was \$2.9 million in both 2002 and 2001. 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, 2002 and 2001, 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, 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

	FSRDF	FSNSLTF	Gift Funds	Israeli-Arab Scholarship	Eisenhower Exchange Fellowship	Misc. Trust Funds
For the year ending September 30, 2001:						
Assets:						
Fund Balances with Treasury	\$ 6	\$ 91,770	\$ 8,046	\$ 608	\$ 1	\$ 3,321
Investments	11,191,614	—	3,190	4,515	7,083	—
Other Assets	199,501	84	23	105	—	4
Total Assets	11,391,121	91,854	11,259	5,228	7,084	3,325
Liabilities:						
Payable to Beneficiaries	39,459	—	—	—	—	—
Actuarial Liability	11,766,900	—	—	—	—	—
Other Liabilities	9,646	2,613	3,011	—	—	27
Total Liabilities	11,816,005	2,613	3,011	0	0	27
Net Position (Deficit)	(424,884)	89,241	8,248	5,228	7,084	3,298
Total Liabilities and Net Position	\$ 11,391,121	\$ 91,854	\$ 11,259	\$ 5,228	\$ 7,084	\$ 3,325
Revenues and Financing:						
Exchange Revenue:						
Intragovernmental	\$ 1,101,795	\$ 8,814	\$ —	\$ —	\$ —	\$ —
Governmental	25,530	—	—	—	—	—
Non Exchange Revenue:						
Intragovernmental	—	—	127	466	476	18
Governmental	—	—	2,703	—	—	—
Other Financing Sources	—	—	—	(466)	—	—
Total Revenues and Financing	1,127,325	8,814	2,830	—	476	18
Expenses:						
Program Expenses	—	7,962	7,229	382	382	1,037
Actuarial Expenses	882,673	—	—	—	—	—
Other Expenses	—	—	—	—	—	—
Total Expenses	\$ 882,673	\$ 7,962	\$ 7,229	\$ 382	\$ 382	\$ 1,037

**DEPARTMENT OF STATE
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
HERITAGE ASSETS**

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2002 AND 2001

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 made up 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.

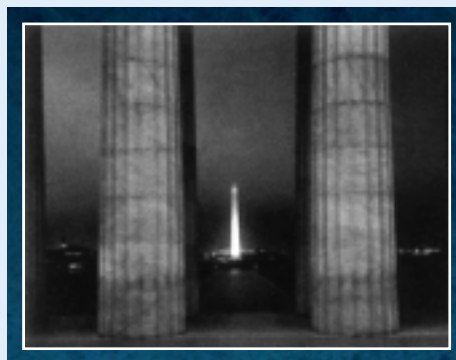
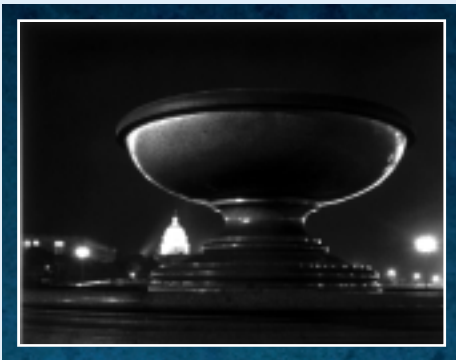


The Benjamin Franklin State Dining Room.

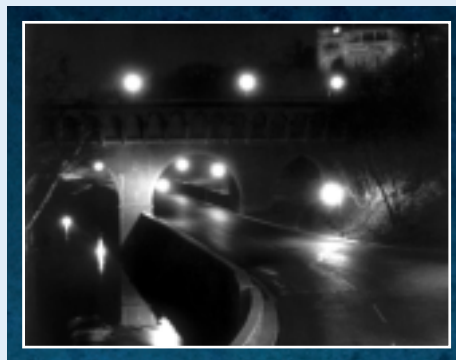
Photo: Richard Cheek

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 off of 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 Overseas Buildings Operations Bureau, 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

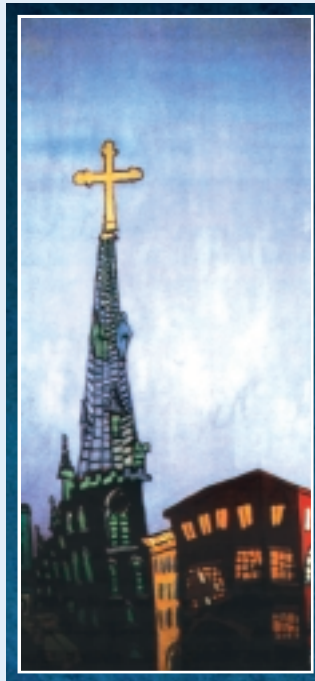
1. *Mary Sheppard Burton*, *Fantasia*, 1975 (132x96 cm) hooked and hand-dyed wool on linen mounted board. Courtesy of the artist, Germantown, Maryland

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



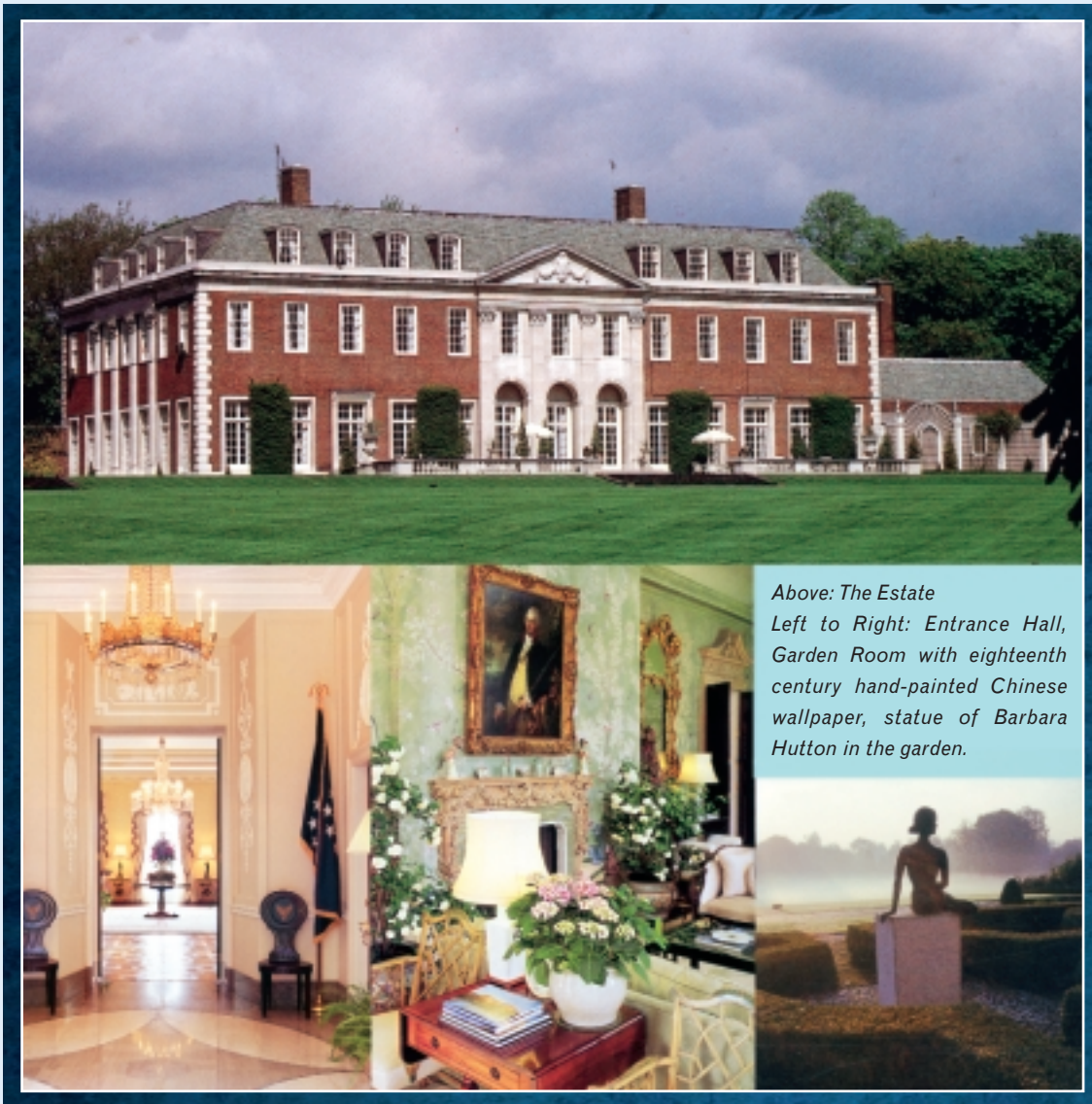
3

“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 – 09/30/2000	3,397	1,911	853	4,071	91	---
Acquisitions	8	103	42	24	---	8
Adjustments	(1) ¹	---	---	(8) ²	88 ²	---
Disposals	(2)	(3)	---	(42)	---	---
Number of Items – 09/30/2001	3,402	2,011	895	4,045	179	8
Acquisitions	3	90	82	443		
Adjustments		4 ²			856 ²	---
Disposals		(43)	(24)	(74)		---
Number of Items – 09/30/2002	3,405	2,062	953	4,414	1,035	8
Deferred Maintenance	N/A	N/A	N/A	N/A	N/A	\$14,527,851

1 Adjustments due to item either on loan or not owned by the Department.
 2 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, 2002
(Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Budgetary Authority:						
Appropriations received	\$ 7,037,874	\$ 1,831,173	\$ 60,546	\$ 770,100	\$ 1,734,465	\$11,434,158
Net transfers	265,564	0	0	456,231	318,383	1,040,178
Other	4,647	475,000	0	0	36	479,683
Unobligated Balance:						
Beginning of period	1,865,103	131,386	9,412	59,669	303,493	2,369,063
Net Transfers	42,850	0	0	(5,231)	(77,051)	(39,432)
Spending Authority from Offsetting						
Collections:						
Earned						
Collected	2,019,230	0	7,978	38,603	15,866	2,081,677
Receivable from Federal sources	247,294	(67)	2,471	(24,040)	(8,040)	217,618
Change in unfilled customer orders						
Without advance from Federal sources	0	0	2,435	0	0	2,435
Subtotal	2,266,524	(67)	12,884	14,563	7,826	2,301,730
Recoveries from Prior Year Obligations:						
Actual	714,564	39,362	335	(4,589)	131,155	880,827
Temporarily Not Available Pursuant to Public Law:						
	(575,067)	0	0	0	0	(575,067)
Permanently Not Available:						
	(52,985)	(29,687)	(1,190)	(6,786)	(5,901)	(96,549)
Total Budgetary Resources	11,569,074	2,447,167	81,987	1,283,957	2,412,406	17,794,591

DEPARTMENT OF STATE
COMBINING SCHEDULE OF BUDGETARY RESOURCES
 For the Year Ended September 30, 2002
 (Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Obligations Incurred:						
Direct	8,387,818	2,386,760	61,406	1,151,034	1,683,112	13,670,130
Reimbursable	1,302,767	0	10,484	3,043	228,860	1,545,154
Subtotal	9,690,585	2,386,760	71,890	1,154,077	1,911,972	15,215,284
Unobligated Balance:						
Apportioned	1,718,391	57,582	8,869	122,390	453,018	2,360,250
Exempt from apportionment	0	0	0	0	0	0
Other available	43,061	0	0	0	55,772	98,833
Unobligated Balance Not Available:	117,037	2,825	1,228	7,490	(8,356)	120,224
Total Status of Budgetary Resources	11,569,074	2,447,167	81,987	1,283,957	2,412,406	17,794,591
Obligated Balance, Net, Beginning of Year:	2,636,212	668,440	21,723	187,896	1,128,722	4,642,993
Obligated Balance, Net, End of Year:						
Accounts Receivable	(629,998)	67	(2,416)	(3,112)	(578)	(636,037)
Unfilled customer orders			(1,618)			(1,618)
Undelivered orders	3,873,422	688,155	17,985	327,804	1,421,225	6,328,591
Accounts payable	279,197	0	1,389	966	17,834	299,386
Outlays:						
Disbursements	7,842,317	2,327,683	73,031	1,044,946	1,479,098	12,767,075
Collections	(2,019,231)	0	(7,977)	(38,603)	(15,866)	(2,081,677)
Subtotal	5,823,086	2,327,683	65,054	1,006,343	1,463,232	10,685,398
Less: Offsetting receipts	(806,316)				(490)	(806,806)
Net Outlays	\$ 5,016,770	\$ 2,327,683	\$ 65,054	\$ 1,006,343	\$ 1,462,742	\$ 9,878,592

Intragovernmental Amounts

Intragovernmental amounts represent transactions between federal entities included in the *Financial Report of the United States Government – Fiscal Year 2002* (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, 2002 and 2001, are summarized below (Dollars in Thousands).

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

As of September 30, 2001:		ASSETS			LIABILITIES	
Trading Partner	Fund Balance With Treasury	Investments	Interest Receivable	Accounts Receivable, Net	Accounts Payable	Other Liabilities
Department of Agriculture				\$ 2,770	\$ —	\$ —
Department of Commerce				5,406	8	
Department of Defense				49,440	5,534	
Department of Justice				23,671	20	
Department of Labor						18,015
Department of the Treasury	\$ 7,652,119	\$ 11,206,403	\$ 189,677	4,160	1	7,391
Agency for International Development				9,733	53	
Environmental Protection Agency					37	
Office of Personnel Management						6,359
Other Agencies				75,205	309	5,236
Total	\$ 7,652,119	\$ 11,206,403	\$ 189,677	\$ 170,385	\$ 5,962	\$ 37,001

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, 2002 and 2001, 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 page 249. 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,	2002	2001
Trading Partner	Earned Revenue	Earned Revenue
Executive Office of the President	\$ 16,779	\$ 5,165
Department of Agriculture	17,083	16,490
Department of Commerce	28,379	28,902
Department of Defense	375,957	150,983
Department of Energy	4,812	2,344
Department of Health and Human Services	10,518	10,117
Department of Justice	58,620	58,784
Department of Transportation	4,093	3,941
Department of the Treasury	802,522	769,329
Agency for International Development	115,769	118,476
Environmental Protection Agency	4,513	8,383
Social Security Administration	7,863	4,537
Other Agencies	416,447	345,273
Total	\$ 1,863,355	\$ 1,522,724

For the Year Ended September 30,	2002			2001		
Budget Functional Classification	Gross Cost to Generate Revenue	Earned Revenue	Net Cost	Gross Cost to Generate Revenue	Earned Revenue	Net Cost
International Affairs	\$1,010,891	\$1,016,069	\$ (5,178)	\$ 683,044	\$ 689,234	\$ (6,190)
Income Security	831,966	837,822	(5,856)	818,692	823,807	(5,115)
Natural Resources	9,464	9,464	—	9,683	9,683	—
Total	\$1,852,321	\$1,863,355	\$ (11,034)	\$1,511,419	\$1,522,724	\$ (11,305)

The amounts of intragovernmental non-exchange revenues classified by trading partner for the years ended September 30, 2002 and 2001 are summarized below (Dollars in Thousands).

For the Year Ended September 30,	2002	2001
Trading Partner	Non-Exchange Revenue	Non-Exchange Revenue
Department of the Treasury	\$ 1,096	\$ 887

The amounts of intragovernmental expenses classified by trading partner and by budget functional classification for the years ended September 30, 2002 and 2001, are summarized below (Dollars in Thousands).

For the Year Ended September 30,	2002	2001
Trading Partner	Expenses	Expenses
Department of Agriculture	\$ 888	\$ 1,401
Department of Commerce	2,128	1,218
Department of Defense	71,847	21,205
Department of Energy	24,753	9,085
Department of Justice	55,106	51,401
Department of Labor	8,993	9,693
Department of the Treasury	29,882	19,998
General Services Administration	431,054	280,310
Government Printing Office	16,576	12,646
Office of Personnel Management	191,379	179,899
U.S. Postal Service	8,446	6,888
Other Agencies	54,127	68,174
Total	\$ 895,179	\$ 661,918

For the Year Ended September 30,	2002	2001
Budget Functional Classification	Expenses	Expenses
International Affairs	\$ 884,872	\$ 656,371
Natural Resources	10,229	5,547
Income Security	78	
Total	\$ 895,179	\$ 661,918

Deferred Maintenance For the Fiscal Year Ended September 30, 2002

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 \$723.2 million for buildings and facilities-related equipment that have not been funded. This figure is significantly more than the \$122.3 million reported for 2001 because previously, the Department had used, for financial statement reporting purposes, a narrow interpretation of deferred maintenance. 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, \$133 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, 2002 and 2001, is presented below (Dollars in Thousands).

	2002			2001		
	WCF	ICASS	Total	WCF	ICASS	Total
Assets:						
Fund Balances with Treasury	\$ 39,096	\$ 117,570	\$ 156,666	\$ 4,101	\$ 121,668	\$ 125,769
Accounts Receivable, Net	46,539	242,924	289,463	21,596	210,218	231,814
Plant, Property and Equipment, Net	24,169	30,059	54,228	22,412	35,291	57,703
Other Assets	7,800	3,689	11,489	6,977	3,009	9,986
Total Assets	117,604	394,242	511,846	55,086	370,186	425,272
Liabilities:						
Accounts Payable	12,255	77,406	89,661	28,168	73,052	101,220
Other Liabilities	5,113	55,088	60,201	6,062	54,240	60,302
Total Liabilities	17,368	132,494	149,862	34,230	127,292	161,522
Cumulative Results of Operations	\$ 100,236	\$ 261,748	\$ 361,984	\$ 20,856	\$ 242,894	\$ 263,750

The cost of providing services and the exchange revenue earned for the years ended September 30, 2002 and 2001 are presented below (Dollars in Thousands). These amounts do not include intra-departmental eliminations.

	WCF	ICASS	Total
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)
2001			
Costs	\$ 184,743	\$ 796,672	\$ 981,415
Exchange Revenue	(184,136)	(821,632)	(1,005,768)
Net Cost (Revenue)	\$ 607	\$ (24,960)	\$ (24,353)

FISCAL YEAR 2002 PERFORMANCE AND ACCOUNTABILITY REPORT

INSPECTOR GENERAL





Clark Kent Ervin
Inspector General

MANAGEMENT AND PERFORMANCE CHALLENGES

OIG concludes the most serious management and performance challenges to the Department are the following areas:

- Protection of our people and facilities,
- Information security,
- Financial management,
- Human resources,
- Counterterrorism and border security, and
- Strategic and performance planning.

PROTECTION OF OUR PEOPLE AND FACILITIES

As noted in OIG's assessment of management and performance challenges in 2001, and in the aftermath of the September 11, 2001 attacks, protection of its facilities and people from terrorist threat remains one of the highest priorities for the Department. The Department has embarked upon an ambitious effort, the largest in its history, to construct or upgrade diplomatic missions that are inadequate and, in some cases, unsafe. This fiscal year, the Department's Office of Overseas Buildings Operations is constructing 23 new embassy compounds and upgrading security at existing missions at a cost of approximately \$400,000,000. Despite the Department's aggressive efforts, many embassies cannot expect new and safer buildings in the short term, and they must upgrade their current facility using existing resources. To this end, OIG continued its security inspections throughout last year to identify physical security problems at embassies and propose ways to resolve or mitigate them. The September 11, 2001 attacks also highlighted the need to improve security at U.S. domestic installations, and the Department has initiated efforts to improve security at the Harry S Truman, or "Main State," headquarters building.

Funding has been requested and partially granted for the Department's comprehensive building plan and OIG is currently reviewing the Department's progress in the plan's implementation. OIG has also established an ongoing review of the Department's construction of a new embassy in China. To date, the project is on schedule and has had interagency coordination and concurrence on building design and construction.

OIG completed 49 full and limited scope security oversight inspections in 2002. The Department has made the most progress in physical security, with increased or strengthened setback at many posts. In addition, Department and post-initiated projects have resulted in improved compound access controls, internal security barriers, guard patrols, and screening procedures. Emergency preparedness, while generally improved, needs more attention. OIG found not all required emergency reaction drills are being conducted at all diplomatic facilities, and some emergency preparedness plans are out of date or incomplete. As noted by survivors of the most recent large vehicle bomb attack against the U.S. Consulate in Karachi, Pakistan, the lack of personnel injury was attributed to the instinctive response by staff as a result of frequent emergency procedure drills.

OIG's review of security at the Harry S. Truman building found the need for permanent setback and improved access controls. The Department has responded positively and is working with the National Capital Planning Commission to install permanent barriers to increase setback.

INFORMATION SECURITY

The dramatic expansion in computer interconnectivity and the rapid increase in the use of the Internet are changing the way the government, the nation, and much of the world communicate and conduct business. However, without proper safeguards, these developments pose enormous risks that make it easier for people and groups with malicious intent to intrude into inadequately protected systems and use such access to obtain sensitive information, commit fraud, disrupt operations, or launch attacks against other computer networks and systems. Computer-supported Department operations are at risk. 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 continuity of its systems security program. In its September 2002 report on the Department's information security program, OIG identified several key areas of information security that still require management attention. Specifically, the Department has made slow progress in addressing information security weaknesses identified in OIG's 2001 review of the Department's implementation of the Government Information Security Reform Act. In response to the report, the Department developed a strategy to address a key deficiency, the lack of certification and accreditation of its information systems. However, the Department has not developed a timetable for certification and accreditation of all systems, and as of August 2002, only four percent of its systems had been certified and accredited. Further, although 72 percent of the Department's 358 systems are reported to have security-level determinations, only 15 percent are reported to have security plans.

OIG also focused on the overall protection of classified information at home and abroad. Domestically, OIG is examining the role of the unit security officers assigned to the regional bureaus and whether these people are properly trained and equipped to accomplish their tasks. Overseas, additional resources (specifically technical security engineers and specialists) are needed to maintain and repair technical security countermeasures that protect classified information abroad. The Bureau of Diplomatic Security's FY 2003 budget request has identified the technical security positions necessary for conducting required testing, preventive maintenance, and repair of these countermeasures.

FINANCIAL MANAGEMENT

One of the major challenges the Department faces is complying with the requirements of the Federal Financial Management Improvement Act (FFMIA). The Department continues to make significant strides in this area. It is ahead of schedule in moving the services provided by the Paris Financial Service Center to its operations in Charleston, South Carolina. On November 1, 2001, the new Regional Financial Management System became operational at Charleston, and as of September 30, 2002, 44 posts had been converted to the new system. Nevertheless, the Department continues to expend significant manual efforts and costs in preparing its financial statements, and has been unable to provide timely information for the audit process.

Recently, at the joint recommendation of the Department of State OIG and the USAID OIG, the two agencies embarked on a study of their accounting and other business processes to determine what could be altered or restructured to maximize the options for integration. Both organizations have selected the same commercial software as their corporate worldwide accounting systems.

The Department is also making progress in achieving substantial compliance with federal financial management systems requirements. The Department has completed 50 percent of its FFMIA remediation plan projects, and expects to complete all but one of the remaining projects by September 2003. The Central Financial Planning project has been restructured and the Department does not expect to complete the project until December 2004, and substantial additional funding will be required to do so.

Managing federal assistance funds -- including grants, cooperative agreements, and fund transfers for cultural and educational exchange programs, refugee programs, and law enforcement programs -- also remains a major challenge. Management of federal assistance programs is decentralized within the Department, and the responsible bureaus do not use standardized accounting systems, policies, or procedures for this purpose, although the Department has adopted a standard payment system in compliance with the Financial Assistance Management Improvement Act of 1999. Presently, the Department lacks comprehensive and reliable information on funding provided to nongovernmental organizations.

HUMAN RESOURCES

Congress, the General Accounting Office, and the OIG have expressed concerns about the human resource issues that have faced the Department for several years. Among the challenges is the need to develop a workforce plan for the Foreign Service and Civil Service that reflects both the overseas and domestic staffing needs of the Department. The Department has made significant strides in recruiting new Foreign Service officers through the "Diplomatic Readiness Initiative," although staffing gaps remain. The Department is also committed to reducing the time it takes to bring on board qualified Foreign Service officers and to ensure that training extends in a rational way throughout officers' careers. It has also focused more attention on developing its Civil Service and to providing adequate training and support to its foreign service national employees (FSNs).

OIG has found that many overseas posts do not have sufficient consular personnel. As a result of the attacks of September 11, 2001, new visa policies and procedures were implemented to screen visa applicants more carefully. Consular sections are frequently understaffed or not appropriately staffed with experienced consular officers to carry out these new procedures. Another human resource challenge includes a perceived division between Foreign Service and Civil Service. The Department has initiated a leadership program for its Civil Service employees to attempt to address this concern. The initiative is ongoing and will require a serious commitment of resources and attention from the Department's senior managers to succeed. OIG applauds the Department's determination to resolve the problems related to FSN pensions in many countries and fully supports its continuing efforts to resolve this longstanding issue.

"Rightsizing" the staffs at our diplomatic mission remains a major challenge. OIG continued to review rightsizing issues during each post inspection in fiscal year 2002. At many posts, OIG recommended, where appropriate, either reductions or increases in staffing related to rightsizing considerations.

COUNTERTERRORISM AND BORDER SECURITY

Counterterrorism and border security remain among the Department's most important programs and greatest challenges. The September 11, 2001, attacks heightened awareness and scrutiny of these programs. Vulnerabilities in the visa and passport processes are the focus of significant Department attention. Resources needed to accommodate the new consular processes and procedures will require a careful review by the Department.

The Consular Lookout and Support System (CLASS) remains the principal mechanism for screening out terrorists and criminals attempting to obtain visas or U.S. passports. The number of names in the system has increased fourfold in the past year. The Bureau of Intelligence and Research (INR) evaluates data regarding suspected terrorists and criminals and decides what names should be entered into CLASS.

The Department is conducting ongoing reviews to identify and address areas of vulnerability in the visa and passport processes since they directly affect border security. To improve information sharing, the Department accelerated several projects that provide officers overseas as much available data as possible such as the Passport Lookout Tracking System and expansion of the Consular Lost and Stolen Passports database. These systems provide missions with access to several consular databases in real time. Access by FSNs to all consular databases, a concern last year, is now more restricted.

The Department has also moved to place additional controls on visa processing. The name clearance process now provides a secondary check for several categories of visa applicants. The number of personal appearance waivers has been reduced, and policy decisions presently in the final clearance process will further restrict such waivers. The use of third parties such as travel agents, banks, and courier services as a means of delivering visa applications to posts for issuance is being re-evaluated.

OIG applauds the above improvements, but concerns about consular staffing, training, and facilities, heightened by the events of September 11, caused OIG to recommend that the Department establish a material weakness in the area of visa processing. The Department needs an appropriate level of adequately trained staff and adequate secure and efficient office space to minimize vulnerabilities in the consular area. Despite OIG's recommendation, the Department established visa processing as a reportable condition.

STRATEGIC AND PERFORMANCE PLANNING

A major challenge for the Department is to establish strategic goals that provide clarity and direction for long-range planning and resource allocation and performance goals and indicators to serve as metrics of success in achieving those goals. The Department continues to improve its plans, and the Bureau of Resource Management, Office of Strategic and Performance Planning, is currently drafting a five-year strategic plan for the Department and working with other offices and bureaus to improve their performance plans. The Department is now emphasizing that all funding requests by bureaus and offices must be related to items reflected in the strategic plan.

**INSPECTOR GENERAL'S ACT AMENDMENTS –
MANAGEMENT FOLLOW-UP TO OIG RECOMMENDATIONS**

The information on the Department's follow-up on audit recommendations covers 2002. 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 2002, the Department of State tracked 26 audit reports that were more than one year old and included a total of 134 recommendations in which final action was not taken, which would have brought closure to the reports. These audits contain over \$195,000 in disallowed costs and recommended actions, which when implemented, could result in up to \$70,000 of funds put to better use. The Department is working to bring closure to the 26 audits and recognizes that the follow-up actions and compliance to the recommendations are essential to improving the effectiveness and efficiency of program operations.

Status of Audits with Recommendations that Funds Be Put to Better Use

On October 1, 2001, there were five audits with recommendations to put funds to better use, with a dollar value of \$2.2 million, in which management had not taken final action. During the year, four audits had final actions taken in 2002 resulting in savings of \$2.0 million. Therefore, on September 30, 2002, there was one audit with recommendation to put funds to better use, which was awaiting final action with a dollar value of \$70,000.

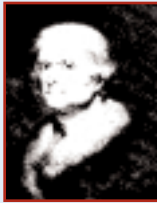
Management Statistical Summary 26 Audits Over One Year Old Requiring Final Action		
Program Area	Number of Audit Reports	Recommendations
Counter Intelligence	6	30
Financial Management	9	57
Security Oversight	6	34
Support Programs	2	6
Property Management and Procurement	1	3
Contracts and Grants	2	4
TOTALS	26	134

Status of Audits of Disallowed Costs

On October 1, 2001, there were two audits with management decision on which final action had not been taken with a dollar value of disallowed costs totaling \$340,000. During the year, one audit with a value of \$145,000 was resolved. Therefore, the balance at September 30, 2002 was reduced to \$195,000.

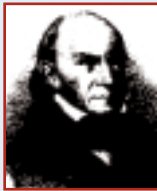
Funds Put to Better Use and Disallowed Costs in Audit Reports				
	Number of Audit Reports Identifying Amount of Funds Put to Better Use	Amount of Funds Put to Better Use	Number of Audit Reports Identifying Disallowed Costs	Disallowed Costs
Beginning Balance	5	\$2,219,330	2	\$340,000
New Audits	-	-	-	-
Implemented Actions	(4)	(2,149,330)	1	(145,000)
Ending Balance	<u>1</u>	<u>\$70,000</u>	<u>1</u>	<u>\$ 195,000</u>

DEPARTMENT OF STATE PERSONALITIES OF NOTE



Thomas Jefferson, the first Secretary of State, began the distinction between the Diplomatic and Consular Services. He established the policy of neutrality in European conflicts. When he took office in 1790, the Department included 8 domestic employees, 2 diplomatic missions, and 10 consular posts.

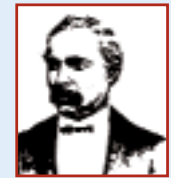
William Palfrey of Massachusetts was not only the first American consular officer but was also the first member of the diplomatic service to lose his life in the line of duty. A lieutenant colonel in the Continental Army and former Paymaster-General, Palfrey was appointed consul to France on November 4, 1780. He was lost at sea en route to his post. His name is the first on the plaque in the lobby of the Department of State listing the those whose have died on duty in the foreign service.



John Quincy Adams became the youngest American Chief of Mission when he was appointed Minister to the Netherlands in 1794, at the age of 27. As Secretary of State (1817-25), he negotiated a boundary settlement with Great Britain, acquired Florida from Spain, and helped formulate the Monroe Doctrine.



Ebenezer Don Carlos Bassett, America's first black diplomat, was Minister Resident and Consul General in Haiti from 1869 to 1877.



Frederick Douglass was born into slavery in Maryland. After escaping bondage, he became a leading abolitionist. Following the Civil War he received two diplomatic assignments. In 1871 he served as secretary of a commission sent to Santo Domingo to explore the possibility of annexing that island. More important, in 1889 he became Minister to Haiti and chargé d'affaires to Santo Domingo. In this capacity he became involved in an unsuccessful attempt to acquire the Mole St. Nicolas in Haiti as a coaling station. In 1891 Douglass resigned his office after critics alleged that he showed undue regard for the Haitian point of view.

Wilbur J. Carr (1870-1942) was born in Ohio and entered the Department of State as a clerk in 1892. He became Chief of the Consular Bureau in 1902, Chief Clerk in 1907, and served as Director of the Consular Service from 1909 to 1924. A believer in scientific management and administrative efficiency, Carr took pride in having brought Consular Service operations "as near to perfection as possible." He strove to extend professionalism and merit to all aspects of the Department, working for passage of the 1906 Consular Reorganization Act and helping to draft the Rogers Act.



Carr served as Assistant Secretary of State from 1924 to 1937. His duties included those of Chairman of the Board of Foreign Service Personnel and Budget Officer of the Department, a combination which allowed him to administer the transition from separate Diplomatic and Consular Services to a unified professional Foreign Service. His last assignment was Ambassador to Czechoslovakia from 1937 until the German occupation in 1939. "The Father of the Foreign Service" then retired from the Department, having served for 45 years under 17 Secretaries of State.

A number of distinguished U.S. authors including James Russell Lowell, Washington Irving, Stephen Vincent Benet, James Fenimore Cooper, and Nathaniel Hawthorne held diplomatic or consular posts.



Bret Harte, the author of "The Luck of Roaring Camp," "The Outcasts of Poker Flat," and "Tennessee's Partner," classic stories of the American West in the gold rush and frontier mining camp days, went to Washington in 1876 to seek employment as an overseas consul. He hoped to earn enough to support himself and his family and still have time to write.

Harte was sent to Crefeld, Germany, in 1878 thinking he was to be the consul, but discovered that he was only a commercial agent in a larger consular district. As there were no travel allowances, per diem, or dependent allotments for consular employees, his family remained behind and never joined him during his consular career. He suffered continually from the damp climate of Crefeld and was delighted to be appointed as consul in Glasgow, Scotland, in 1880. Glasgow was an important post with a large export trade, from which Harte sent the State Department extensive reports on all sorts of subjects. However, he also traveled frequently to London to lecture and write. Finally, in 1885 he was replaced, as some said, for "inattention to duty." He returned to live in London for the next 17 years, until his death in 1902.

FISCAL YEAR 2002 PERFORMANCE AND ACCOUNTABILITY REPORT

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
DELFT INSTRUMENTS N.V.	Concealing a material fact involving the transfer of U.S. –origin defense articles to Iraq and Jordan.	8/22/1997	\$300,000	\$200,000 initially, then \$20,000 for five subsequent years
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
DR. WAH L. LIM	Unauthorized export of defense articles and defense services to the People’s’ Republic of China and misrepresentation and/or omission of material facts from information presented to the Department	1/10/2002	\$50,000	\$50,000
TOTAL		---	\$33,750,000	---

COMPANY NAME	Balance Outstanding September 30, 2001	Fiscal Year 2002 Assessments	Fiscal Year 2001 Collections	Balance Outstanding September 30, 2002
DELFT INSTRUMENTS N.V.	\$20,000	---	\$20,000	---
BOEING COMPANY	\$1,600,000	---	\$800,000	\$800,000
A&C INTERNATIONAL TRADE, INC.	\$66,666.66	---	---	\$66,666.66
LOCKHEED MARTIN CORPORATION	\$5,000,000	---	\$1,500,000	\$3,500,000
BOEING COMPANY	\$2,800,000	---	\$1,000,000	\$1,800,000
SPACE SYSTEMS/ LORAL, INC.	---	\$14,050,000	\$2,200,000	\$11,800,000
DR. WAH L. LIM	---	\$50,000	\$50,000	---
TOTAL	\$9,486,666.66	\$14,050,000	\$5,570,000	\$17,966,666.66

DEBT MANAGEMENT

Outstanding debt from non-Federal sources (net of allowances) increased from \$42.1 million in 2001 to \$45.3 million in 2002. 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 (\$3.8 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 (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 \$194,000 to Treasury for cross-servicing in 2002. The decrease in the amount of receivables referred to Treasury for cross-servicing was due to anthrax-related U.S. mail disruptions during the last quarter of 2001. For approximately six months, the impact of these disruptions seriously affected the Department’s ability to receive payments and to provide debtors a proper due process notification. Of the current and past debts referred to Treasury, \$206,460 was collected in 2002.

Receivables Referred to the Department of the Treasury for Cross-Servicing

	FY 2002	FY 2001	FY 2000
Number of Accounts	177	677	572
Amounts Referred (In Thousands)	\$194	\$795	\$680

PAYMENTS MANAGEMENT

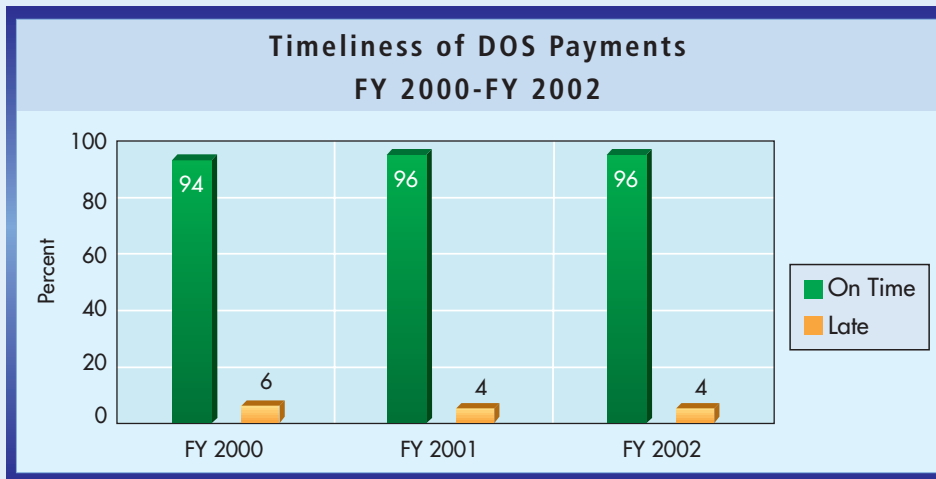
PROMPT PAYMENT ACT

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. The Department continues to show improvement in paying its bills on time.

96% of invoices were paid on time.

2% of invoices required interest penalties.



SELECTED PAYMENT DATA

	2002	2001	2000
Interest Paid (\$000)	443	774	1,559
Interest Under \$1 Not Due (\$000)	4	8	10
Interest Due But Not Paid (\$000)	-	-	-
Number of Procurement Card Transactions			
Domestic	53,379	47,032	42,016
Overseas	46,297	38,298	22,000

ELECTRONIC PAYMENTS

The Department successfully increased the number and percentage of payments it makes electronically. In 2002, 77% of all payments were made by electronic funds transfer (EFT). Domestically, 96% of payments were made electronically, exceeding the 77% EFT goal that Treasury established for 2002. The Department processed 60% of its 2002 overseas payments by EFT, an 4% increase from 2001.

EFT AND CHECK PAYMENT VOLUMES

Payment Type	2002		2001		2000	
	Number	Percent	Number	Percent	Number	Percent
EFT:						
Domestic	1,210,054		1,137,510		1,132,299	
Overseas	841,050		780,418		609,234	
EFT Subtotal	2,051,104	77	1,917,928	74	1,741,533	69
Checks:						
Domestic	56,668		74,811		46,396	
Overseas	560,026		606,128		749,598	
Checks Subtotal	616,694	23	680,939	26	795,994	31
Total Payments	2,667,798	100	2,598,867	100	2,537,527	100

FISCAL YEAR 2002 PERFORMANCE AND ACCOUNTABILITY REPORT

APPENDICES

ANNUAL PERFORMANCE GOAL RESULTS 1999 - 2002

For each annual performance goal, the Appendix shows results through FY 2002 using a baseline of 1999, or later if applicable. For each reported 2002 result, the Appendix provides details pertaining to the following elements:

- Data sources and availability
- Data reliability
- Reasons for a reported performance shortfall
- Nature and depth of collaboration with other agencies

Strategic Goal 1 Regional Stability
Annual Performance Goal 1 U.S. Ties With Neighbors and Key Allies are Close, Strong, Utilized, and Effective

PERFORMANCE INDICATOR: EUROPEAN SECURITY RELATIONSHIPS				
1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
1999 Washington Summit approved Strategic Concept endorsing partners and enhancing European Security Defense Initiative (ESDI).		<p>Allies revised Trans-Atlantic Framework for Strategic Concept, ESDI elements, and Open Door Policy.</p> <p>Membership Action Plan (MAP) launched.</p> <p>NATO-Russian relationship expanded beyond Stabilization Force (SFOR) and Kosovo Force (KFOR).</p>	<p>ESDI resolved non-European Union allies' participation and EU-NATO links.</p> <p>NATO recommitted to Open Door Policy with enlargement round in November 2002.</p> <p>Nations utilized MAP to prepare for NATO membership.</p>	<ol style="list-style-type: none"> Seven new members invited at Prague. Berlin Plus would allow the EU to borrow NATO assets and capabilities for European-led operations; it is not yet agreed. [On Target] Allied Heads of State and Government committed at Prague to enhance military capabilities by filling key shortfalls through the New Capabilities Initiative (NCI). The NCI will focus on filling key shortfalls, encouraging pooling and specialization, introducing the NATO Response force (NRF) and reforming NATO's Command Structure. U.S. export controls with key European allies streamlined to promote transatlantic defense industrial integration. [On Target] NATO-Russia Council and 2002 work plan established in May 2002. [On Target]
Details of 2002 Results	Overall	Indicator and title modified from original 2002 Performance Plan language to reflect more accurately progress toward the annual performance goal Data reliability: The data are a matter of public record and are reliable.		
	Result 1	Data sources/availability: Data are the result of the commitments made by Allied Heads of State and Government at the Prague Summit in November 2002. Berlin Plus data are the result of a NATO meeting in Berlin in 1996, and the NATO Summit in Washington in 1999. Partners: Department, OSD, and JCS prepare joint guidance for USNATO. USNATO itself is a joint State/DOD mission and is a model of interagency cooperation.		
	Result 2	Data sources/availability: Data collection on the results of the NCI will continue as Allies implement their commitments in principle. We have seen encouraging progress in the development of European consortia to fill critical shortfalls through polling and specialization. Partners: Assessment of results will be tracked in close coordination with OSD and Joint Staff.		
	Result 3	Data sources/availability: Data are the result of the 2002 NATO-Russia Council work plan and the 2002 NATO-Russia Ministerials in Rome (May) and Prague (November). Partners: Department, OSD, and JCS prepare joint guidance for USNATO. USNATO itself is a joint State/DOD mission and is a model of interagency cooperation.		
PERFORMANCE INDICATOR: BILATERAL SECURITY COOPERATION WITH JAPAN				
1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
Japan revised Defense Guidelines implementing legislation.		Japan identified replacement site for U.S. military facilities at Futenma. Special Measures Agreement (SMA) negotiations completed.	Japan came close to final decision on location and construction method. SMA ratified and operations began.	Japanese authorities on July 29, 2002, adopted a Basic Plan for the relocation of Futenma Marine Corps Air Station. This Basic Plan reflected U.S. and Japanese agreement on the key parameters for the new facility. [On Target]
Details of 2002 Results	Overall	Validity: Indicator discontinued during FY2002 in favor of tracking status of U.S.-South Korean relations to reflect more accurately recent regional stability improvements in East Asia.		
	Result	Data sources/availability: Adoption of the Basic Plan was a formal, public act of the Japanese government and local Japanese authorities. Data reliability: As adoption of the Basic Plan was a public act of the Japanese government and local authorities, it is an official act and therefore entirely reliable as a source of data. Partners: The Department coordinated closely with the Department of Defense in the work that led to the successful adoption of the Basic Plan by the Japanese government and local authorities.		

Strategic Goal 1 Regional Stability
Annual Performance Goal 2 Foster Stable and Secure Regional Partners

PERFORMANCE INDICATOR: CHINESE COOPERATION ON REGIONAL SECURITY IN CROSS STRAIT RELATIONS AND IN ENGAGING NORTH KOREA

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Dialogue was initiated but subsequently suspended.	Cooperation on regional security selective and episodic.	Progress slow; continued concern with China's arms buildup across the Taiwan Strait. China cooperated in encouraging North Korean openness and dialogue.	<ol style="list-style-type: none"> China continued to urge Pakistan and India to avoid conflict and reduce tensions. China encouraged North Korea to reform, and limited discussions on other regional issues including the South China sea. China's public statements at APEC were helpful in maintaining a nuclear weapons free Korean Peninsula. [On Target] There is a continuing impasse on Cross-Strait dialogue [Slightly Below Target]
Details of 2002 Results	Overall	Indicator modified in subsequent plans to reflect more accurately progress toward the performance goal through reduced geographic restrictions: <i>Chinese Cooperation on Regional Stability.</i>	
	Result 1	Data sources/availability: China's cooperation on these issues is a matter of public record.	
	Result 2	Data sources/availability: The lack of progress on Cross-Strait dialogue is a matter of public record. Impact of Performance Shortfall: Will continue to encourage China to use dialogue to resolve Cross-Strait issues with Taiwan.	

PERFORMANCE INDICATOR: IMPLEMENTATION OF ADAPTED CONVENTIONAL FORCES IN EUROPE (CFE) TREATY

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
CFE adaptation negotiations continued.	CFE adaptation negotiations successfully completed. Circumstances not ready for Entry into Force (EIF).	Successful Review Conference advanced U.S. and NATO interests. Russia made serious moves toward compliance increasing the possibility of NATO's ratification of CFE Treaty in 2002.	Russia has fulfilled its Istanbul commitment on the Flank Issue, has reduced its flank equipment to adapted Treaty levels and has discharged its Istanbul commitments relating to CFE equipment in Georgia and Moldova. However, Russia must reach agreement with Georgia on remaining issues regarding the Gudauta base and its future use and the duration of Russian presence at Batumi and Alkhalkalai. Russia also needs to continue the destruction/removal of munitions and small arms in Moldova. Therefore, conditions for U.S. ratification of adapted CFE Treaty have not yet been met. [Slightly Below Target]
Details of 2002 Results	Result	Data sources/availability: Data regarding Russia's flank levels comes from Russia, inspection reports, and U.S. and NATO national sources. Data reliability: The data are complete and reliable concerning concrete actions, but not on intentions. Impact of Performance Shortfall: Russia's failure to fulfill all its commitments regarding Georgia and Moldova delays entry into force of the adapted CFE Treaty, which updates the current CFE Treaty for post-Cold War application. While the current CFE Treaty is adequate for ensuring security and confidence through data exchanges and inspections, the long delay in getting the adapted Treaty in place undermines confidence and stability. Russia's failure to fulfill all these commitments also raises questions about Russia's intentions in this region. The U.S. and many allies have contributed toward an OSCE voluntary fund for assisting Russia, Georgia and Moldova to finish the tasks remaining. NATO states will continue to impress upon Russia the importance of completing all Istanbul commitments. Partners: The Department worked closely with the Department of Defense, NSC and the Intelligence Community in developing USG positions, and coordinates with NATO.	

Strategic Goal 1 Regional Stability
Annual Performance Goal 3 Develop and Utilize Effective Conflict Prevention/Conflict Resolution Tools

PERFORMANCE INDICATOR: CONFLICT RESOLUTION, PEACEKEEPING, AND REGIONAL STABILITY EFFORTS IN AFRICA

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
<p>Organization of African Unity (OAU) participation in Congo peacekeeping.</p> <p>Economic Community of West African States (ECOWAS) participation in peacekeeping in Sierra Leone.</p>	<p>Cooperation on regional security selective and episodic.</p>	<p>OAU continued to support peacekeeping efforts in Congo and Ethiopia-Eritrea.</p> <p>Training of battalions for UN Mission in Sierra Leone.</p>	<p>South Africa, a member of the African Union (AU), provided leadership and facilitation for the Democratic Republic of the Congo (DRC) peace process and the AU provided personnel to the Joint Military Commission responsible for working with the UN Observation Mission in the DRC. The war in Sierra Leone was effectively over. Program activities like the West Africa Stabilization Program and the African Contingency Operations Training and Assistance program (formerly the African Crisis Response Initiative) have ensured that West African member states of ECOWAS as well as individual African militaries are more able to meet the demands of peacekeeping operations. [Above Target]</p>
Details of 2002 Results	Overall	Indicator modified in subsequent plans to track the number of African conflicts ongoing and peace support missions withdrawn.	
	Result	<p>Data sources/availability: Data are a matter of record and are publicly available.</p> <p>Data reliability: The data are complete and reliable concerning concrete actions.</p> <p>Partners: The UN, western countries, South Africa, the AU, and other international agencies are all pressing parties in the DRC for a peaceful resolution of the conflict.</p>	

PERFORMANCE INDICATOR: REDUCTION OF TENSION IN SOUTH ASIA

2000 BASELINE	2001 RESULTS	2002 RESULTS
<p>Continued military action by both sides along the Line of Control (LOC). Existing CBM's ignored.</p> <p>Pakistan providing material assistance and training to groups fighting in Kashmir.</p> <p>No good channels of communication.</p>	<p>Suspension of Indian offensive security force operations Nov-May: continued militant infiltration and attacks.</p> <p>Agra Summit broke down over communique wording.</p>	<p>1 Pakistan provided assurances in June that support for infiltration across the Line of Control (LOC) would cease permanently. Infiltration decreases, although indications remain that it is continuing. India begins to demobilize forces following completion of Kashmir state elections in October. Pakistan followed suit. Nuclear test moratoria continued; however, ballistic missile and nuclear programs continued unrestrained. [Slightly Below Target]</p> <p>2 Given Indian and Pakistani hostility to SATF, bilateral approaches by the U.S. and other concerned countries have been more productive. [Significantly Below Target]</p>
Details of 2002 Results	Overall	Indicator retitled in subsequent plans as: Status of relations between Pakistan and India on Kashmir in Regional Stability Performance Goal 4.
	Result 1	<p>Data sources/availability: Data on Government of Pakistan assurances comes from public statements. Other information comes from Governments of India and Pakistan, USG and international press reports. Lack of full access to Line of Control prevents first-hand USG accounts of activities in and around Kashmir.</p> <p>Data reliability: Information regarding government commitment is part of the public record, and is therefore reliable. However, reported levels of infiltration are inherently difficult to verify due to lack of access to the LOC, as well as misinformation on both sides.</p> <p>Impact of Performance Shortfall: Continuing infiltration and high levels of election-related violence in September prevent implementation of CBMs; and require continued U.S. and international pressure on the Government of Pakistan to help control violence. Potential for nuclear or ballistic weapons exchange remains unacceptably high, requiring continued high-level diplomatic engagement.</p> <p>Partners: Through the South Asia PCC, the Department coordinates closely with DOD, NSC and the intelligence community.</p>
	Result 2	Data reliability: The fact that SATF meetings ceased after spring 2002 is reliable.

Strategic Goal 1 Regional Stability
Annual Performance Goal 3 Develop and Utilize Effective Conflict Prevention/Conflict Resolution Tools

PERFORMANCE INDICATOR: IMPLEMENTATION OF OSCE SUMMIT INITIATIVES

2000 BASELINE		2001 RESULTS	2002 RESULTS
Heightened Organization for Security and Cooperation in Europe (OSCE) role in the Balkans. "Assistance Group" (AG) returned to Chechnya as interlocutor on humanitarian issues. Progress to operationalize Rapid Expert Assistance and Cooperation		Successful elections in Kosovo. U.S. portion of REACT fully operational.	<ol style="list-style-type: none"> 1 Elections led to coalition government, functioning, multi-ethnic Assembly. [On Target] 2 "Assistance Group" developed closer, stronger working relationships with local, Federal officials and NGOs and provided indispensable reporting on local developments to OSCE and USG. [On Target]
Details of 2002 Results	Overall	Indicator discontinued in subsequent plans in favor of tracking transatlantic relationships, which more fully reflect U.S. efforts in the region.	
	Result 1	Data sources/availability: Department and public sources Partners: Continued support for electoral oversight by the International Foundation for Elections Systems.	
	Result 2	Data reliability: High; the OSCE AG documents its activity and effectiveness in its regular reports to OSCE member states and is reported on by NGOs and foreign diplomats working in Russia. Partners: The OSCE AG coordinates its activities with other international organizations (e.g., UNHRC, ICRC) and with the missions of other OSCE member states in Russia.	

PERFORMANCE INDICATOR: OAS ARMS ACQUISITION TRANSPARENCY CONVENTION

2000 BASELINE		2001 RESULTS	2002 RESULTS
Convention adopted at OAS General Assembly and opened for signature by states' parties.		Three states, Ecuador, Guatemala, and Uruguay ratified the OAS Arms Acquisition Transparency Convention.	In addition to the three states that ratified the convention during FY 2001, three new states (El Salvador, Paraguay, and Peru) ratified the convention during 2002, bringing it into effect. Many ratifying states voluntarily complied with reporting requirements prior to the Convention entering into effect. [Above Target]
Details of 2002 Results	Overall	Indicator discontinued in favor of reporting on the Wassenaar Arrangement, as an indicator to measure progress toward the performance goal.	
	Result	Data sources/availability: This information is publicly available on the OAS website: http:// . Data reliability: Data are a matter of public record and are reliable. Partners: Department coordinated closely with members of the OAS.	

Strategic Goal 1 Regional Stability

Annual Performance Goal 3 Develop and Utilize Effective Conflict Prevention/Conflict Resolution Tools

PERFORMANCE INDICATOR: MULTILATERAL ARMS TRANSFER CODE OF CONDUCT

2000 BASELINE		2001 RESULTS	2002 RESULTS
Conduct discussions with major arms producers on the likely nature of the International Arms Sales Code of Conduct Act of 1999 that instructs the President to attempt to negotiate an international regime to promote transparency, and limit, restrict, or prohibit arms transfers.		A draft text for a multilateral Arms Transfer Code of Conduct was developed, but because arms sales reflect national foreign policies, we do not foresee significant non-European adherence to the code in the near- to long-term.	Several influential countries have overcome their reluctance regarding an international arms transfer code of conduct. They are preparing their own versions of such a code and developing strategies for widespread adoption. [Slightly Below Target]
Details of 2002 Results	Overall Result	Indicator discontinued in subsequent plans in favor of the Wassenaar Arrangement, as an indicator to measure progress toward the performance goal.	
	Result	Data sources/availability: Department records Impact of Performance Shortfall: It is to our advantage to let other countries develop their own text for a code before continuing further. Partners: Department continues to build on coordination achieved in previous years.	

PERFORMANCE INDICATOR: ARMS TRANSPARENCY IN UN REVIEW AND WASSENAAR ARRANGEMENT CONTROL LISTS

2000 BASELINE		2001 RESULTS	2002 RESULTS
The Wassenaar Arrangement agrees to a modest increase in arms-transfer reporting requirements beyond the categories covered by the UN Conventional Arms Register. UN Register participation increases to more than 90 states; China continues to not participate; Egypt drops counter-resolution at UN.		Agreement in Wassenaar to add reporting on two new sub-categories of military vehicles. Continued opposition to establishing new Small Arms/Light Weapons category; revised ship tonnage category; enhanced arms transparency in Wassenaar. Pressed harder for reporting of arms and other transfers subject to national reporting requirements. U.S. goals were advanced through discussions in three working-level groups (licensing/enforcement, control lists, and policy). Wassenaar Arrangement Information System expected on-line in early 2002.	<ol style="list-style-type: none"> 1 No new categories were added to Wassenaar Arrangement Control Lists, but progress was made in this multi-year effort. [Slightly Below Target] 2 122 states participated in the UN Register of Conventional Arms Transfers. China still did not participate. [Slightly Below Target]
Details of 2002 Results	Overall Result	Modified in subsequent plans to Effectiveness of Wassenaar Arrangement control lists.	
	Result 1	Impact of Performance Shortfall: This is a multi-year effort. Progress is expected. Partners: Intense coordination and negotiation with other agencies was needed to attain this goal.	
	Result 2	Data sources/availability: The UN Department of Disarmament Affairs maintains the publicly-available Register, which provides information on participation and on national returns. Data reliability: The UN Register depends on national data, which are only as complete and reliable as the input of each participating state. Even with the potential for minor mistakes, the Register gives a reliable indication of transfers. The Register does not include black market transfers. Impact of Performance Shortfall: China continued to refuse to resume participation in the Register, as a protest against U.S. exports to Taiwan. China's refusal means that one of the seven principal arms exporters is still not reporting data to the Register. The U.S. and others will continue to press China to be transparent in its conventional arms transfers and not hide behind the political issue of Taiwan.	

Strategic Goal 1 Regional Stability
Annual Performance Goal 4 Contain and Resolve Outstanding Regional Conflicts

PERFORMANCE INDICATOR: DAYTON ARMS CONTROL

2000 BASELINE		2001 RESULTS	2002 RESULTS
Articles II and IV Agreements are being satisfactorily implemented; Article V negotiations proceeding at a deliberate pace.		Improved implementation of Article II. Mixed results in attempts to improve implementation of Article IV Agreement. Article V negotiations concluded.	Article II implementation continued to improve. The Article IV Parties had a successful third review conference in June 2002. Article V had its first review conference in June 2002, which agreed to rules and procedures for future review conferences. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because all milestones have now been completed and work on this issue will be routine maintenance.	
	Result	<p>Data sources/availability: Information on all Dayton arms control forums comes from the parties themselves at formal meetings, from OSCE reporting and from bilateral contacts with OSCE and the parties. Inspection and data exchange reports indicate whether the parties are in compliance with the letter of the Articles II and IV Agreements. Specifics of all this reporting are restricted to the parties, contact group or OSCE-participating states, but much is publicly available from OSCE.</p> <p>Data reliability: Data are reliable because they come from the parties themselves. However, politics plays a great role in Dayton arms control, so assessments about results can be subjective.</p> <p>Partners: The OSCE has responsibility for managing Dayton Articles II and IV. The Contact Group (the U.S., UK, Germany, France, Italy, and Russia) and the Dayton "witness states" provide support. The U.S. works closely with the OSCE Personal Representative for Articles II and IV, with Contact Group members, and with the Parties to ensure improved implementation of Dayton arms control.</p>	

PERFORMANCE INDICATOR: THE SITUATION ALONG AND NEAR THE KASHMIR LINE OF CONTROL

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Fighting broke out over line of control. Attempts at negotiation made no progress.	Continued military action by both sides along the line of control (LOC). Existing confidence-building measures ignored Pakistan providing materiel assistance and training to groups fighting in Kashmir. No good channels of communication.	Suspension of Indian offensive security force operations November – May. Continued militant infiltration and attacks. Agra Summit broke down over communiqué wording on terrorism.	Major terrorist attacks brought India and Pakistan close to war, but U.S. and UK diplomatic intervention helped ease tensions, and President Musharraf took actions against Kashmir jihadist militants. India successfully holds elections in Kashmir. [Significantly Below Target]
Details of 2002 Results	Overall	Re-titled from "The situation along and near the Kashmir Line of Control" to track Kashmir-related tension between Pakistan and India more accurately.	
	Result	<p>Data sources/availability: USG reporting</p> <p>Data reliability: Data complete regarding actions, but not intentions.</p> <p>Impact of Performance Shortfall: Hostilities prevent dialogue between India and Pakistan on all issues, including Kashmir. Hostilities also prevent dialogue with insurgents.</p> <p>Partners: Through the South Asia PCC, the Department coordinates closely with DOD, NSC and the intelligence community.</p>	

Strategic Goal 2 Weapons of Mass Destruction
Annual Performance Goal 1 Weapons of Mass Destruction and their Means of Delivery are Contained; Proliferation to Other Countries and Terrorists is Prevented, Contained, or Reversed

PERFORMANCE INDICATOR: IMPEDIMENTS TO ACCESS BY STATES OF CONCERN TO WMD, MISSILE EQUIPMENT AND TECHNOLOGY

2000 BASELINE	2001 RESULTS	2002 RESULTS
<p>Russian entities provided technology and assistance to Iran and India.</p> <p>China announced it would not assist other countries in developing ballistic missiles.</p> <p>North Korea negotiated about ending missile exports. Of the twelve NIS countries, only Ukraine enforced export controls.</p>	<p>Partial success in halting Russian assistance to Iran. China implemented 1997 nuclear commitments, but not those of November 2000.</p> <p>North Korea did not export nuclear material or technology, but continued to seek buyers for missile exports.</p> <p>Marked increase in meeting export control standards and in interdicting WMD and related components.</p>	<ol style="list-style-type: none"> 1 Russia/Iran: Technology exports continue; increased attention to problem of Iran [Slightly Below Target] 2 China: Questions remained about China's implementation of its 1997 nuclear commitments; it has not fully implemented its November 2000 missile commitments [On Target] 3 North Korea: No known export of nuclear material or technology; continued exports of ballistic missile-related equipment, components, materials, and technical expertise to the Middle East, South Asia, and North Africa [Below Target] 4 Central European countries developing strengthened export controls; some NIS moving towards controls [Above Target]
<p>Details of 2002 Results</p>	<p>Overall Data sources/availability: Intelligence, reporting cables, PC/DC decisions, decision memos, interagency input, (where appropriate) IAEA, MTCR and AG documents and meetings; (where appropriate) U.S. training sessions. Data reliability: Generally covered all relevant issues and are reliable. Sometimes the ability to seek clarifying information from foreign governments is hampered by the lack of cleared language available to discuss issues in detail.</p> <p>Result 1 Impact of performance shortfall: Russians are still engaged in some WMD activities with Iran that are of concern to the Administration; economic considerations seem to play a large role in Russia's reluctance to halt all nuclear cooperation with Iran; Continued cooperation by Russian entities with Iran is limiting U.S. – Russian nuclear cooperation; U.S. has made clear that substantial economic benefits could accrue from additional cooperation with the U.S. should Russia forego further cooperation with Iran. Partners: The Department collaborated with DOD, DOE, JCS, DOC, NSC, IC, UNSC, IAEA, Congress, NATO, EU, and the G-8.</p> <p>Result 2 Impact of performance shortfall: The U.S. monitors interactions between Chinese and Iranian nuclear entities and bring such interactions to the attention of Chinese authorities. Partners: The Department collaborated with DOD, JCS, DOC, DOE, NSC, IC, Congress, MTCR, and the Zangger Committee</p> <p>Result 3 Impact of performance shortfall: North Korean provision of missile technology to Pakistan is the most visible impact. Partners: The Department collaborated with DOD, DOE, JCS, DOC, NSC, IC, UNSC, IAEA, KEDO, ROK, Japan, Congress, NATO, EU, G-8, OVP, and the MTCR.</p> <p>Result 4 Partners: The Department collaborated with the intelligence community, FBI, U.S. Customs, DOD, DOC, DOE, DHHS, EPA, USDA, Coast Guard, NRC, NSC, academia, Congress and the private sector.</p>	

Strategic Goal 2 Weapons of Mass Destruction
Annual Performance Goal 1 Weapons of Mass Destruction and their Means of Delivery are Contained; Proliferation to Other Countries and Terrorists is Prevented, Contained, or Reversed

PERFORMANCE INDICATOR: STATES CONFORM TO INTERNATIONAL NON-PROLIFERATION NORMS OF BEHAVIOR

2000 BASELINE		2001 RESULTS	2002 RESULTS	
Iraq defied UN inspectors. Iran continued WMD development. North Korean moratorium on missile testing and freeze under Agreed Framework continued, but missile exports also continued.		Iraq defied UN inspectors. Iran continued WMD development. North Korean moratorium on missile testing and freeze under Agreed Framework continued, but missile exports also continued.	1	South Asia: No constraints on Indian and Pakistani missile programs. A nuclear testing moratorium continues, but nuclear weapons programs continue. [Slightly Below Target]
			2	Middle East: Wide international support for pressure on Iraq to comply with international obligations to include unanimous UN Security Council approval of Resolution 1441. Iraq denied some technologies necessary for WMD and missiles. While some shipments blocked and procurement impeded, Iran's and Iraq's programs both continued to acquire some items. [Above Target]
			3	North Korea: While the freeze under the Agreed Framework and missile flight moratorium continued during FY02, no negotiations on implementation of Agreed Framework were held during the same period. North Korea admitted to secret uranium enrichment program for nuclear weapons. [Significantly Below Target]
Details of 2002 Results	Overall	Data sources/availability: Intelligence, reporting cables, PC/DC decisions, decision memos, interagency input, (where appropriate) IAEA, MTCR and AG documents and meetings; (where appropriate) U.S. training sessions. Data reliability: Data generally covered all relevant issues and are reliable. Sometimes the ability to seek clarifying information from foreign governments is hampered by the lack of cleared language available to discuss issues in detail. Partners: The Department collaborates with DOD, DOE, JCS, DOC, DOT, NSC, IC, UNSC, IAEA, Congress, NATO, EU, G-8, USUN, the P-5, KEDO, MTCR, AG, NSG, and OVP.		
	Result 1	Impact of performance shortfall: Onward proliferation in South Asia is still a problem, though there is potential for progress, especially with India. Partners: The Department collaborates with the intelligence community, FBI, U.S. Customs, DOD, DOC, DOE, DHHS, EPA, USDA, Coast Guard, NRC, NSC, Australia Group, MTCR, Nuclear Suppliers' Group, IAEA, academia, Congress and private sector.		
	Result 3	Impact of performance shortfall: Continue to seek WMD and missile dialogue in accordance with Administration policy. Partners: The Department collaborates with the Intelligence Community, AID, FBI, U.S. Customs, Treasury, DOD, DOC, DOE, DHHS, EPA, USDA, NRC, NSC, OVP, MTCR, Nuclear Suppliers' Group, UN Security Council, NATO allies, IAEA, European Union members, G-8 members, South Korea, academia, Congress and the private sector.		

PERFORMANCE INDICATOR: PROGRESS TOWARD IMPLEMENTING FISSILE MATERIAL PROJECTS

2000 BASELINE		2001 RESULTS	2002 RESULTS	
U.S.-Russian agreement on plutonium disposition completed.		Plutonium disposition suspended; Plutonium Production Reactor Agreement suspended.	1	Progress made on Russian plutonium stockpile implementation and transparency issues. [On Target]
			2	Preparations for negotiations of U.S.-Russian plutonium-disposition multilateral framework are on track. [On Target]
Details of 2002 Results	Overall	Data sources/availability: Intelligence, reporting cables, PC/DC decisions, decision memos, and interagency input Data reliability: Data generally covered all relevant issues and are reliable. Sometimes the ability to seek clarifying information from foreign governments is hampered by the lack of cleared language available to discuss issues in detail.		
	Result 1	Partners: The Department collaborated with the intelligence community, DOD, DOE, NSC, and the IAEA.		
	Result 2	Partners: The Department collaborated with the intelligence community, DOD, DOE, NRC, NSC, Nuclear Suppliers' Group, NATO allies, IAEA, European Union members, G-8 members, academia, Congress and the private sector.		

Strategic Goal 2 Weapons of Mass Destruction
Annual Performance Goal 1 Weapons of Mass Destruction and their Means of Delivery are Contained; Proliferation to Other Countries and Terrorists is Prevented, Contained, or Reversed

PERFORMANCE INDICATOR: RUSSIAN / NIS WEAPONS SCIENTISTS REDIRECTED IN CIVILIAN ACTIVITIES; PROGRESS IN DEVELOPING CIVILIAN ALTERNATIVE EMPLOYMENT		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Engaged more than 30,000 scientists in peaceful civilian efforts; moving to support sustainable transition from weapons to civilian work.	Up to 40,000 scientists and several new high-interest institutes engaged.	Engaged cumulatively about 50,000 former WMD scientists, of whom about 26,000 were former WMD scientists. Eight new U.S. industry partners recruited. Three new technological applications brought to market, including Neurok TechSoft (linear differential equation solver), a laser-based fluoro-carbon detector and the Animatek (computer animation) technology. [Above Target]
Details of 2002 Results	Result	Data sources/availability: Extensive data collected and maintained in accessible databases by the International Science and Technology Center (ISTC) in Moscow and the Science and Technology Center in Ukraine (STCU) in Kiev; periodic reporting by Embassies Moscow and Kiev; reports by independent outside auditors. Data reliability: The data are reliable, timely, and are reviewed constantly by USG experts., Partners: The Department collaborated with the intelligence community, DOD, DOC, DOE, DHHS, EPA, USDA, NSC, European Union members, G-8 members, Norway, South Korea, academia, Congress and the private sector.

Strategic Goal 2 Weapons of Mass Destruction
Annual Performance Goal 2 Reduction of weapons of mass destruction stockpiles, materials, infrastructure; essential foreign support or toleration of U.S. weapons development

PERFORMANCE INDICATOR: STRATEGIC ARMS REDUCTIONS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
START I reductions continued.	START I warhead reductions ahead of schedule.	All strategic arms in Ukraine eliminated; Intermediate-Range Nuclear Forces (INF) treaty inspection regime completed.	<ol style="list-style-type: none"> All parties completed the final START I reductions by the deadline of December 5, 2001. Number of warheads reduced from 10,000 to under 6,000. [On Target] START II Treaty never completed ratification; superseded by the Bush Administration's New Strategic Framework between the U.S. and Russia, to include strategic offensive reductions and missile defense. Further offensive reductions codified in the Moscow Treaty of May 2002, requiring deeper nuclear warhead reductions than START II would have (to no more than 1,700-2,200 deployed nuclear warheads each) and providing greater flexibility in how those reductions are made. [Significantly Above Target]
START II not ratified.	START II ratified by Russia.	Former Soviet strategic warheads down from 6,860 to 5,988.	
Details of 2002 Results	Overall	Indicator was discontinued in subsequent plans in favor measuring cooperation with Russia on new strategic framework.	
	Result 1	Data sources/availability: From the parties to the agreement, reports of the Joint Compliance and Implementation Commission. While information about discussions is restricted, information about results is publicly available. Data reliability: Data generally covered all relevant issues and is reliable. Partners: The Department worked with DOD, DOE, and the intelligence community.	
	Result 2	Data sources/availability: Internal USG deliberations and intense negotiations with Russia, the details of which remain classified Data reliability: Data based on negotiations are fully reliable Partners: The Department worked with DOD and the intelligence community, with White House guidance.	

Strategic Goal 2 Weapons of Mass Destruction
Annual Performance Goal 2 Reduction of weapons of mass destruction stockpiles, materials, infrastructure; essential foreign support or toleration for U.S. weapons development

PERFORMANCE INDICATOR: MISSILE DEFENSE			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Anti-Ballistic Missile (ABM) Treaty in effect.	U.S. decided not to deploy a limited national missile defense at this time.	Russians accepted U.S. withdrawal from AMB Treaty. Presidents Bush and Putin agreed to continue consultations on establishing a new strategic relationship based on mutual interests and cooperation rather than mutual vulnerability. The U.S.-Russian relationship is much broader than the ABM Treaty. U.S. initiated series of consultations about missile defense with allies, Russia, and China.	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. exercised its right to withdraw from the ABM Treaty, thus removing the principal legal obstacle to pursuing alternative approaches to developing an effective missile defense system. The Department led or participated in more than 125 consultation visits on U.S. missile defense efforts, threat assessments, and ABM Treaty withdrawal, which lead to the formation of cooperative missile defense development programs. The Department instituted a regular dialogue with Russia that was designed to increase transparency and openness in missile defense endeavors. [Above Target]
Details of 2002 Results	Overall	This indicator was discontinued in subsequent plans in favor of a new measure of cooperation with Russia on the New Strategic Framework, which better measure progress toward the performance goal.	
	Result	<p>Data sources/availability: Data come from consultations with allies, Russia, China and others around the world, most of which are classified. National positions on missile defense and the New Strategic Framework are also indicated in national press announcements and communiqués, and in UN First Committee voting.</p> <p>Data reliability: Information from consultations with other governments is, at any given time, complete and reliable; however, this is a political process and government positions can change over time. Press reporting can be unreliable.</p> <p>Partners: Department's efforts were closely coordinated with the NSC, OSD, MDA, and other federal agencies with missile defense jurisdictions.</p>	

Strategic Goal 2 Weapons of Mass Destruction
Annual Performance Goal 3 Foreign Governments Work with the United States to Strengthen Existing Agreements and Negotiate New Multilateral Nonproliferation and Arms Control Commitments to Reduce the Weapons of Mass Destruction Threat

NON-PROLIFERATION TREATY (NPT)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Review Conference showed wide support for NPT; 45 countries signed IAEA safeguards protocol.	52 countries have signed IAEA safeguards protocol.	<ol style="list-style-type: none"> 1 PrepCom I for the 2005 NPT RevCon concluded smoothly. [Above Target] 2 IAEA took action on integrated safeguards and emphasized financial needs of 9 more states, bringing the total to 67, of which, 28 have brought their protocols into force. [Above Target] 3 IAEA Board approved multi-year anti-nuclear terrorism program with a substantial increase in funding to \$11 million annually. [On Target]
Details of 2002 Results	Overall	<p>Data reliability: Reliable and highly credible.</p> <p>Partners: Department collaborated with DOE, NRC, DOD, adherents to the NPT, the IAEA, the UN, relevant non-governmental organizations, and the U.S. nuclear industry.</p>
	Result 1	Data sources/availability: Reports from U.S. delegation to PrepCom, subsequent diplomatic consultations with PrepCom participants, international press, NGO publications, cables from the field.
	Result 2	Data sources/availability: IAEA Board decisions and other IAEA documentation, U.S. policy papers and decision documents, diplomatic reporting.
	Result 3	Data sources/availability: IAEA Board decisions and other IAEA documentation, reporting from U.S. Mission to IAEA, other USG personnel involved in supporting program.

Strategic Goal 2 Weapons of Mass Destruction
 Annual Performance Goal 3 Foreign Governments Work with the United States to Strengthen Existing Agreements and Negotiate New Multilateral Nonproliferation and Arms Control Commitments to Reduce the Weapons of Mass Destruction Threat

PERFORMANCE INDICATOR: STRENGTHEN THE CHEMICAL WEAPONS CONVENTION (CWC)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
<p>133 States Parties.</p> <p>Backlog of implementation issues reduced; U.S. begins implementing industry obligations; discussions with Russia on destruction issues remain moribund.</p>	<p>144 States Parties.</p> <p>U.S. fully implemented industry obligations. Some destruction of Russian stocks begun, but Russia requested extension of deadlines. OPCW budget problems prevented full execution of its responsibilities. U.S. began action to restore good management to OPCW.</p>	<ol style="list-style-type: none"> 1 Four additional States Parties (Nauru, Uganda, St. Vincent and the Grenadines, and Samoa) were added to the CWC, and two other states (Libya and Thailand) voiced intent to join [On Target] 2 U.S. fully implemented CWC industry obligations by meeting all declaration and reporting requirements, hosting eight industry inspections, and successfully resolving issues from five previous inspections [On Target] 3 Reportable progress made regarding Russian chemical weapons destruction program. [On Target] 4 In summer 2002, the U.S. succeeded in bringing about a change in the leadership of the OPCW's Technical Secretariat and called for voluntary donations to get the OPCW out of immediate financial crisis. The U.S. set the example by making a \$2 million voluntary contribution. Additionally, the U.S. sought and obtained agreement among the States Parties for a 10 percent increase in the OPCW budget for 2003. The OPCW is alleviating its financial crisis. [Above Target]
Details of 2002 Results	<p>Result 1</p> <p>Data sources/availability: The data are provided by states to the Organization for the Prohibition of Chemical Weapons (OPCW) and are publicly available. Data reliability: The data are reliable.</p>	
	<p>Result 2</p> <p>Data sources/availability: The U.S. chemical industry generates the information the USG uses in making the required declarations and reports. OPCW inspection reports indicate whether there are any implementation issues. This information is proprietary and is not available to the public. Data reliability: The data are reliable and U.S. experts review them constantly. Partners: The Department worked closely with the Departments of Defense and Commerce in the execution of domestic CWC responsibilities.</p>	
	<p>Result 3</p> <p>Data sources/availability: Data on the Russian CW destruction program are available from bilateral consultations, information and reports from the OPCW, and reporting from the U.S. delegation to the OPCW. Impact of Performance Shortfall: Russia had to request extensions of all the CWC destruction deadlines; most likely will be unable to meet these extensions. The longer these weapons exist the longer they pose a proliferation risk as well as a risk to the objective and purpose of the CWC. Data reliability: The data are reliable. Partners: The Department worked with the Department of Defense, and the EU and G-8 on U.S. and international financing.</p>	
	<p>Result 4</p> <p>Data sources/availability: Data come from the OPCW and reporting by the U.S. delegation in The Hague. Impact of Performance Shortfall: The OPCW is not yet out of financial crisis. Without additional voluntary contributions staff, inspection shortfalls will continue. Data reliability: Data are reliable. Partners: The Department worked closely with the OPCW, and has seconded a budget expert to the OPCW to assist its budget reform.</p>	

Strategic Goal 2
Annual Performance Goal 3

Weapons of Mass Destruction
Foreign Governments Work with the United States to Strengthen Existing Agreements and Negotiate New Multilateral Nonproliferation and Arms Control Commitments to Reduce the Weapons of Mass Destruction Threat

PERFORMANCE INDICATOR: INTERNATIONAL MONITORING SYSTEM FOR COMPREHENSIVE TEST BAN TREATY (CTBT) AND FISSILE MATERIALS CUTOFF TREATY (FMCT)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Partial international nuclear-test monitoring system in place. No agreement in Conference on Disarmament for negotiations on FMCT	<p>Ten additional IMS stations certified. Unable to establish FMCT committee at Conference on Disarmament with an acceptable mandate.</p> <p>China, supported by Pakistan and Russia, continued to block FMCT negotiations. General support, apart from China, Pakistan, and Russia, continued for a work program package including negotiation of FMCT.</p>	<ol style="list-style-type: none"> Additional IMS stations certified by the Provisional Technical Secretariat, bringing the total to 34. The number of completed installations (many of which will soon be ready for certification) is now about 140. Of the 50-station primary seismic network, the most important part of the IMS for detection of underground nuclear explosions, 28 have been completed and 13 have been certified. [On Target] The Conference on Disarmament failed to agree to resume FMCT negotiations in FY 2002. The 57th UN General Assembly passed a consensus resolution calling for the Conference on Disarmament to resume FMCT negotiations. [Significantly Below Target]
Details of 2002 Results	Overall	The FMCT indicator will be discontinued, at least until there are significant developments to report.
	Result 1	<p>Data sources/availability: Information on IMS progress comes from Provisional Technical Secretariat (PTS) documents, reports to Preparatory Committee meetings by PTS staff, and reporting cables and personal contacts by the U.S. Mission in Vienna. Department staff reviews this information constantly.</p> <p>Data reliability: The data are reliable.</p> <p>Partners: Department experts work with experts at the Departments of Defense and Energy and with the intelligence community to guide progress on activation of the IMS.</p>
	Result 2	<p>Data sources/availability: Data come from Conference on Disarmament documents, reporting from the U.S. Conference on Disarmament Delegation, bilateral consultations with Conference member states, and UN records.</p> <p>Data reliability: The data at any given time are reliable; however this is a political process and national views can change over time.</p> <p>Impact of Performance Shortfall: China continued to block the resumption of FMCT negotiations in the Conference on Disarmament by linking them to negotiations on outer space arms control, which the U.S. opposes, and has refused all attempts at reasonable compromise. The continuing deadlock is undermining the credibility of the CD as the principal forum of the international community to negotiate formal multilateral arms control agreements and issues; losing its credibility would hurt primarily those states who do not have other forums to turn to for addressing these issues, and the U.S. would lose a venue both for educating and persuading other states of U.S. views and positions, and for any future negotiations to conclude multilateral agreements based on those views and positions.</p> <p>Partners: The Department coordinated with the Departments of Defense and Energy on actions at the Conference on Disarmament, and worked with organizations such as the UN, the EU, NATO, the NPT Review Conference Process, and the G-8 to maintain momentum in support of FMCT negotiations.</p>

Strategic Goal 2 Weapons of Mass Destruction
 Annual Performance Goal 4 Effective Verification Practices are in Place; Compliance with Arms Control and Nonproliferation Treaties, Agreements, and Commitments is Verified

PERFORMANCE INDICATOR: EFFECTIVE VERIFICATION MEASURES FOR NEW TREATIES AND COMMITMENTS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Major Biological Weapons Convention (BWC) issues unresolved. START III provisions under development.	Alternatives to convention Protocol under development; withdrawal from ABM; new relationship with Russia.	Effective measures to verify North Korea's missile regime and dismantlement of its nuclear weapons capability developed. Other nations' compliance with proliferation commitments assessed. [On Target] .
Details of 2002 Results	Overall	This indicator was revised in subsequent plans in favor of tracking the Physical Protection Convention, which better measures goal progress.
	Result	Data sources/availability: Intelligence, cables, trips, reports, interagency input, USG decisions, direct participation. Data reliability: Data generally cover all relevant issues and is reliable. Partners: The Department collaborated with DOD, DOE, JCS, DOC, NSC, and the IC.
PERFORMANCE INDICATOR: COMPLIANCE WITH EXISTING TREATIES AND COMMITMENTS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Some compliance reports submitted late; substantial number of CWC compliance issues raised; solutions to START issues sought at JCIC; plans under discussion for CTBT TAG; CTBT verification regime policy under development within VMTF.	The original version of the CY 2001 Noncompliance Report as drafted underwent interagency coordination, but was not transmitted to the Congress, pending a review of the conclusions. CWC compliance issues identified; some concerns resolved. Concept of Operations for the Nuclear Verification Information System developed.	<ol style="list-style-type: none"> 1 Reinvigorated the process for preparing and vetting Congressionally mandated arms control and nonproliferation reports; process overhaul has resulted in some reports not being submitted on time; expect dramatic improvement in FY2003. [Slightly Below Target] 2 Consultations conducted and demarches delivered to Chemical Weapons Convention countries of concern; compliance concerns with some States Parties resolved. [On Target] 3 Development of effective measures to strengthen Biological Weapons Convention continued. [On Target] 4 Implementation of START verification regime continues. Compliant implementation of INF Treaty continued. Transparency measures for the Moscow Treaty are being developed as necessary. [On Target] 5 Interagency Verification and Monitoring Task Force (VMTF) develops U.S. verification policy related to nuclear testing; designed and began implementation (beta version installed at State) of independent Nuclear Testing Verification Information System. [On Target]
Details of 2002 Results	Overall	This indicator was discontinued in subsequent plans in favor of indicators that measure more tangible progress toward performance goal. Data sources/availability: Intelligence, cables, trips, reports, interagency input, USG decisions, direct participation, and (where appropriate) input from National Laboratories. Data reliability: Data generally cover all relevant issues and are reliable.
	Result 1	Impact of Performance Shortfall: Robust compliance assessment and submission of reports to the Congress fosters Administration and Congressional dialogue critical to meeting U.S. national security objectives. Partners: The Department collaborated with Congress, congressional staff members, DOD, DOE, JCS, DOC, NSC, and the IC.
	Result 2	Partners: The Department collaborated with DOD, JCS, DOC, NSC, and the IC, and interacts with the OPCW.
	Result 3	Partners: The Department collaborated with DOD, JCS, DOC, NSC, and the IC, and interacts with the CD.
	Result 4	Partners: The Department collaborated with DOD, DOE, JCS, NSC, and the IC
	Result 5	Partners: The Department collaborated with DOD, DOE, JCS, NSC, and the IC, and interacts with the Provisional Technical Secretariat (for IMS).

Strategic Goal 2 Weapons of Mass Destruction
Annual Performance Goal 4 Effective Verification Practices are in Place; Compliance with Arms Control and Nonproliferation Treaties, Agreements, and Commitments is Verified

PERFORMANCE INDICATOR: AVAILABILITY OF NEEDED VERIFICATION AND MONITORING TECHNOLOGY		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Level of collection resources maintained; V Fund established; NPAC TWG participation full, report issued in October 2000.	During FY 2001 critical collection sensors were funded and provided information for treaty verification. Pushed to fund future collection systems to ensure that there will be no gaps in coverage. Pushed for a budget allocation, including reprogramming efforts, to support the Verification Assets Fund (V Fund), but internal Department priority was given to other programs. Stay the course; try again in FY 2002. The Nonproliferation and Arms Control Technology Working Group (NPAC TWG) continued to foster the development of key research and development activities that may contribute to verifying arms control and nonproliferation agreements. The NPAC TWG Report will be issued in the spring of 2002.	While minimally funded, the V Fund, established by the Congress to preserve critical assets and to identify and develop new R&D verification projects, was used to support the COBRA JUDY radar and an additional key project; impact on verifiability of agreements and commitments to changes in asset coverage assessed. [Slightly Below Target]
Details of 2002 Results	Overall	This indicator was revised in subsequent plans in favor of indicators that measure more tangible progress toward performance goal.
	Result	<p>Data sources/availability: Intelligence, cables, trips, reports, interagency input, USG decisions, direct participation.</p> <p>Data reliability: Data generally cover all relevant issues and are reliable.</p> <p>Impact of Performance Shortfall: Greater endowment of the V Fund would improve our ability to support key verification assets and R&D critical to implementing USG arms control and nonproliferation objectives.</p> <p>Partners: The Department collaborated with DOD, DOE, JCS, DOC, NSC, and the IC.</p>
PERFORMANCE INDICATOR: TIMELY TREATY-MANDATED COMMUNICATIONS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
New Government-to-Government Communications Link agreements signed with Kazakhstan and Ukraine.	Government-to-Government Communications Link (GGCL) Agreement with Ukraine signed in September 2001. Government-to-Government Communications Link Agreement with Kazakhstan signed in December 2001.	START partners (former Soviet nuclear states) consider completed U.S. proposal for replacement of the current Government-to-Government Communications Links (GGCL) system. [On Target]
Details of 2002 Results	Result	<p>Data sources/availability: Continual, in form of ongoing, treaty and agreement-based successful notification exchanges via current GGCLs, CWC Network and OSCE Network.</p> <p>Data reliability: Recently increased level of interaction at the Technical Experts' Meeting has led to more direct, reliable information being exchanged regarding the replacement proposal; INA undergoing testing on the international level.</p> <p>Impact of Performance Shortfall: NRRC system replacement must be fully operational in 2005, when present system will be obsolete. Coordination of system replacement dependent on high level of IRM responsiveness to VC/NRRC requirements and interaction in continuing development, presentation and testing of the system proposal.</p> <p>Partners: The Department collaborated with DOD, DOE, JCS, DOC, NSC, and the IC.</p>

Strategic Goal 2 Weapons of Mass Destruction
 Annual Performance Goal 5 International Nuclear cooperation is Promoted Under Stringent Nonproliferation and Safety Standards

PERFORMANCE INDICATOR: REACTOR CLOSURES AND NUCLEAR WASTE IMPROVEMENTS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Reactor closures agreed for several in NIS and Eastern Europe; negotiations held on nuclear waste framework agreement.	Several NIS plants closed; G-7 adopted goal of pressuring Russia to close unsafe reactors.	<ol style="list-style-type: none"> Mixed results in Eastern Europe: Lithuania, Armenia, and Ukraine positive; Bulgaria questioned its commitment to closure. [On Target] Liability agreement reached with Russia allowing U.S. participation in waste cleanup; implementing agreements negotiated. [On Target]
Details of 2002 Results	Result 1 Data sources/availability: Intelligence, reporting cables, PC/DC decisions, decision memos, interagency input, and (where appropriate) IAEA documents and meetings. Data reliability: Data generally cover all relevant issues and are reliable. Partners: The Department collaborates with OVP, NSC, DOE, NRC, AID, Treasury and the EPA.	
	Result 2 Data sources/availability: Cables, Trip Reports, Direct Participation. Data reliability: Data cover all relevant issues and are reliable. Impact of Performance Shortfall: The smaller cask will mean less capacity for waste cleanup. Partners: The Department collaborated with DOD, DOE, NRC, and DOT.	
PERFORMANCE INDICATOR: EXTENSION OF BENEFITS OF NUCLEAR COOPERATION TO U.S. PARTNERS AND IMPLEMENTATION OF PROVISIONS OF EXISTING COOPERATION AGREEMENTS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
U.S. had nuclear cooperation agreements with IAEA, EU, and 25 other nations; new nuclear technology transfers to China stalled; U.S. conducted regular consultations on protection of U.S.-supplied nuclear material; U.S. reached necessary agreements on security arrangements for transfer from Europe to Japan; Generation IV International Forum (GIF) on innovative reactor designs begun well.	U.S.-China discussions made substantial progress; GIF successfully drafted approved; no significant issues about security of U.S.-origin nuclear materials; U.S. continued as reliable partner in nuclear cooperation.	<ol style="list-style-type: none"> U.S.-China Agreement for Cooperation being implemented successfully. U.S.-China discussions on retransfer consents concluded, but agreement not yet in force. [On Target] The Generation IV International Forum (GIF) has developed list of new technologies for international development and continues as a leading forum for international cooperation in advanced reactor development for safety, sustainability, and proliferation resistance. [On Target] No security problems arose with U.S.-origin nuclear material. [On Target] U.S. continued as reliable partner in nuclear cooperation. Extended agreement with Morocco, but not Indonesia. Other agreements remained in force. [On Target]
Details of 2002 Results	Overall Data sources/availability: Cables, trip reports, and direct participation Data reliability: Data cover all relevant issues and are reliable.	
	Result 1 Impact of Performance Shortfall: U.S. companies wanting new approvals to sell controlled nuclear technology are unable to do so, but existing licenses meet most needs. Partners: The Department collaborated with OVP, NSC, DOE, NRC, AID, Treasury and the EPA.	
	Result 2 Partners: The Department collaborated with DOE and the IAEA.	
	Result 3 Partners: The Department collaborated with DOD, DOE, NRC, and DOT.	
	Result 4 Partners: The Department collaborated with the NRC, DOC, DOD.	

Strategic Goal 3 Open Markets
Annual Performance Goal 1 A Robust International Framework for Free Trade in Goods, Services, and Investment Ensures the Openness of International Markets for New Technologies

PERFORMANCE INDICATOR: STATUS OF MARKET OPENING NEGOTIATIONS IN THE WTO		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Initial negotiations underway on agriculture and services.	WTO members completed preliminary work to begin negotiations in January 2002.	WTO launched new round in Doha. China and Taiwan joined WTO. [On Target]
Details of 2002 Results	<p>Result</p> <p>Data sources/availability: WTO data. Partners: Department worked closely with USTR and other agencies in the Trade Policy Review Group to coordinate U.S. positions and advance foreign policy and economic goals.</p>	
PERFORMANCE INDICATOR: WTO MEMBERSHIP		
2000 BASELINE	2001 RESULTS	2002 RESULTS
WTO has 136 countries	Oman, Croatia, Lithuania, and Moldova joined during the fiscal year. Progress made in negotiations during the year enabled China and Taiwan to be admitted at the WTO's November 2001 Ministerial in Doha.	China and Taiwan entered WTO. Macedonia accession approved. General Council may approve report on Armenia. 144 total WTO members as of 09/30/02. Russia, Saudi, and other accession processes were more difficult than expected; made less progress than hoped for. [Slightly Below Target]
Details of 2002 Results	<p>Result</p> <p>Data sources/availability: WTO data. Impact of Performance Shortfall: Accession issues were difficult for applicant countries to resolve with WTO and U.S. Failure to accede may delay economic and trade liberalization in accession countries in the short-term but maintaining high standard for accession means more extensive reforms in the future. U.S. will continue to work with applicants and WTO to move accession forward. Partners: Department worked closely with USTR and other Trade Policy Review Group agencies to coordinate U.S. positions and advance foreign policy and economic goals. U.S. embassies played key role.</p>	
PERFORMANCE INDICATOR: CHINA'S WTO ACCESSION		
2000 BASELINE	2001 RESULTS	2002 RESULTS
China is in WTO application process.	Negotiations continued during the fiscal year.	China was admitted to the WTO in November, 2002. China took concrete steps to remove trade barriers and open its markets, but problems emerged in some key sectors. [Slightly Below Target]
Details of 2002 Results	<p>Overall Result</p> <p>This indicator has been discontinued in subsequent plans because China joined the WTO in December 2001. Monitoring China's compliance with its WTO commitments continues. Data sources/availability: U.S. Government and private sources. Partners: Department acted within the interagency group that monitors China's WTO compliance and consults regularly with the private sector. The U.S. embassy in Beijing regularly analyzed and reported on China's implementation.</p>	

Strategic Goal 3 Open Markets
 Annual Performance Goal 1 A Robust International Framework for Free Trade in Goods, Services, and Investment Ensures the Openness of International Markets for New Technologies

PERFORMANCE INDICATOR: STATUS OF NEGOTIATIONS ON BILATERAL FREE TRADE AGREEMENTS (FTAS)

2000 BASELINE		2001 RESULTS	2002 RESULTS
Negotiations on Free Trade Area of the Americas ongoing.		Negotiations initiated with Chile and Singapore. Congress approved FTA with Jordan.	Jordan FTA entered into force. Agreement on core elements of an FTA with Singapore in November 2002. FTA with Chile concluded in December 2002. Morocco, Central America, SACU, and Australia identified as partners for FTAs. [On Target]
Details of 2002 Results	Result	Data sources/availability: USTR Partners: Extensive coordination with USTR, NSC, Treasury, Commerce, OMB, CEA, and others on identifying countries, agreeing to negotiating objectives, and conducting actual negotiations.	

PERFORMANCE INDICATOR: STATUS OF INTEGRATED FRAMEWORK (IF) FOR TRADE-RELATED CAPACITY BUILDING ROUNDTABLES

2000 BASELINE		2001 RESULTS	2002 RESULTS
None of needs yet met, as identified in IF needs-assessment funded roundtables.		Pilot trade capacity needs diagnostic projects in three least developed countries (Cambodia, Madagascar, Mauritania) were successfully completed as the IF was reenergized by member agencies. Eleven additional countries have been identified for diagnostic studies.	Donors and recipients used country trade integration studies to determine needs and how to use liberalization to reduce poverty. [On Target]
Details of 2002 Results	Result	Data sources/availability: Integrated Framework/WTO/World Bank Partners: Department worked closely with USAID and other USG agencies to coordinate U.S. positions and find ways to provide technical assistance that will boost recipients' ability to use trade and economic liberalization to reduce poverty. (The Foreign Operations Act bars direct USG assistance to the government of Cambodia.)	

PERFORMANCE INDICATOR: STATUS OF BILATERAL INVESTMENT TREATY (BIT) NEGOTIATIONS

2000 BASELINE		2001 RESULTS	2002 RESULTS
Continued discussions with 25 countries and active negotiations with 12.		Continued discussions with 25 countries and active negotiations with 12.	BIT discussions continued with Venezuela, Peru, Colombia, and South Korea. [Significantly Below Target]
Details of 2002 Results	Result	Data sources/availability: Department. Impact of Performance Shortfall: The impact of the shortfall, while not insignificant, did not reflect an inactive BIT program. U.S. currently in the process of updating the Model BIT text used to negotiate agreements; this process has been underway for several years, but is close to completion and will reflect the guidance on investment chapters in free trade agreements from the recently-passed Trade Act of 2002; BIT discussions and exchanges of information with well over a dozen countries will allow expected negotiations with some key countries once the updated model is ready. Partners: Department and USTR share the lead on the BIT program and negotiations; Commerce and Treasury also have input in the process.	

Strategic Goal 3 Open Markets
Annual Performance Goal 1 A Robust International Framework for Free Trade in Goods, Services, and Investment Ensures the Openness of International Markets for New Technologies

PERFORMANCE INDICATOR: STATUS OF MULTILATERAL POLICY DIALOGS

2000 BASELINE		2001 RESULTS	2002 RESULTS
Launch OECD analytical study of investment policy changes in 21st century; expand adherents to OECD Declaration on Investment and Multilateral Enterprises.		OECD expanded its investment outreach work with China, Russia, and other nonmember countries. Latvia, Israel, Singapore, and Venezuela are in the pipeline to adhere to the Declaration on Investment and Multilateral Enterprises.	Russia Deputy Minister of Economic Development and Trade stated investment policy will become increasingly a top priority in Russia-U.S. and Russia-OECD dialogues. U.S. and China jointly agreed to host a Foreign Direct Investment (FDI) for Development Conference. [On Target]
Details of 2002 Results	Overall	This indicator was discontinued in subsequent plans because it was incorporated into indicators that better demonstrate progress toward goal.	
	Result	Data sources/availability: OECD and Department. Partners: Departments of Treasury, Commerce, USTR, Labor and EPA.	

PERFORMANCE INDICATOR: NUMBER OF COUNTRIES AGREEING TO "OPEN SKIES" AVIATION AGREEMENTS

2000 BASELINE		2001 RESULTS	2002 RESULTS
46		53	58 Open Skies agreements; 3 other liberalized agreements. [Above Target]
Details of 2002 Results	Overall	This indicator has been discontinued in subsequent plans because it was determined an inappropriate indicator of performance progress.	
	Result	Data reliability: 100% reliable: Signed open skies or other bilateral agreements; increased flight frequencies published. (Department). Partners: Department works closely with Departments of Transportation and Commerce.	

PERFORMANCE INDICATOR: STATUS OF INTELSAT PRIVATIZATION

2000 BASELINE		2001 RESULTS	2002 RESULTS
Assembly of parties considering final privatization documents.		INTELSAT was privatized July 18, 2001.	INTELSAT privatization accomplished. [On Target]
Details of 2002 Results	Overall	This indicator has been discontinued in subsequent plans because INTELSAT privatization was accomplished in July 2001.	
	Result	Data sources/availability: Department and other public sources Partners: The Department, as mandated by statute, coordinated among a half dozen agencies all of the activities required to reach the successful result.	

PERFORMANCE INDICATOR: NUMBER OF COUNTRIES AGREEING TO LIBERALIZE TELECOM EQUIPMENT CERTIFICATION AND STANDARDS REGIMES

2000 BASELINE		2001 RESULTS	2002 RESULTS
28		33	36 [Above Target]
Details of 2002 Results	Overall	This indicator has been discontinued in subsequent plans because it was subsumed in Global Economic Growth indicators.	
	Result	Data sources/availability: Department; FCC no longer collects/publishes data to measure this indicator; some data available from APEC, EU and CITES sources Data reliability: Reliable but incomplete. Partners: Coordinated with Federal Communications Commission.	

Strategic Goal 3 Open Markets
Annual Performance Goal 1 A Robust International Framework for Free Trade in Goods, Services, and Investment Ensures the Openness of International Markets for New Technologies

PERFORMANCE INDICATOR: NUMBER OF COUNTRIES AGREEING TO ESTABLISH INDEPENDENT TELECOM REGULATORY AGENCIES		
2000 BASELINE	2001 RESULTS	2002 RESULTS
5	8	15 [Above Target]
Details of 2002 Results	Overall	This indicator has been discontinued in subsequent plans because it was subsumed in Global Economic Growth indicators.
	Result	Data sources/availability: International Telecommunication Union and the Department. Partners: Federal Communications Commission.

Strategic Goal 4 U.S. Exports
Annual Performance Goal 1 U.S. Companies Compete Successfully for Worldwide Sales

PERFORMANCE INDICATOR: NUMBER OF OUTREACH MEETINGS AND BUSINESS BRIEFINGS HELD		
2000 BASELINE	2001 RESULTS	2002 RESULTS
160	228	360 [Above Target]
Details of 2002 Results	Overall	Indicator discontinued because it was deemed an inappropriate measure of the Department's performance progress, never actively utilized or tracked, and consists of strategies rather than results.
	Result	Data sources/availability: Department. Partners: Department of Commerce, the U.S. Chamber of Commerce, and other governmental and non-governmental organizations.

PERFORMANCE INDICATOR: NUMBER OF BUSINESS CONFERENCES ATTENDED		
2000 BASELINE	2001 RESULTS	2002 RESULTS
48	63	100 [Above Target]
Details of 2002 Results	Overall	Indicator discontinued because it was deemed an inappropriate measure of the Department's performance progress, never actively utilized or tracked, and consists of strategies rather than results.
	Result	Data sources/availability: Department. Partners: Department of Commerce.

PERFORMANCE INDICATOR: NUMBER OF COMPANIES FOR WHOM ADVOCACY SERVICES WERE PROVIDED		
2000 BASELINE	2001 RESULTS	2002 RESULTS
48	63	100 [Above Target]
Details of 2002 Results	Overall	Indicator discontinued because it was deemed an inappropriate measure of the Department's performance progress, never actively utilized or tracked, and consists of strategies rather than results.
	Result	Data sources/availability: Department. Partners: Department of Commerce.

Strategic Goal 4 U.S. Exports
 Annual Performance Goal 1 U.S. Companies Compete Successfully for Worldwide Sales

PERFORMANCE INDICATOR: NUMBER AND TYPE OF TRAINING OPPORTUNITIES

2000 BASELINE	2001 RESULTS	2002 RESULTS
Commercial orientation 10/99.	Training completed 10/01	No data. Training was completed in 2001. [Not Rated]
Details of 2002 Results	Overall This Indicator was discontinued because training was completed in 2001. Indicator was deemed an inappropriate measure of the Department's performance progress, never actively utilized or tracked, and consists of strategies rather than results.	

PERFORMANCE INDICATOR: STATUS OF INTRANET WEB SITE

2000 BASELINE	2001 RESULTS	2002 RESULTS
New project – no baseline	Intranet website running	No data. Work was completed in 2001. [Not Rated]
Details of 2002 Results	Overall This indicator was discontinued in subsequent plans because it was incorporated in overall exports of goods and services data.	

PERFORMANCE INDICATOR: TELECOM AND IT EQUIPMENT SALES

2000 BASELINE	2001 RESULTS	2002 RESULTS
\$115 billion	\$130 billion	Data not yet available. [Not Rated]
Details of 2002 Results	Overall Result This indicator was discontinued in subsequent plans because it was incorporated in overall exports of goods and services data. Data sources/availability: Department of Commerce export statistics by sector.	

PERFORMANCE INDICATOR: MINUTES/MESSAGES OF OVERSEAS SERVICE PROVIDED BY U.S. TELECOM OPERATORS INCLUDING SATELLITE COMPANIES

2000 BASELINE	2001 RESULTS	2002 RESULTS
27.5 billion minutes; 5.2 billion messages	29.2 billion voice minutes; 6.6 billion data messages.	Data not yet available. [Not Rated]
Details of 2002 Results	Overall Result This indicator was discontinued in subsequent plans because it was incorporated in overall exports of goods and services data. Data sources/availability: FCC Report – Trends in Telephone Services. Partners: FCC.	

Strategic Goal 4 U.S. Exports
Annual Performance Goal 1 U.S. Companies Compete Successfully for Worldwide Sales

PERFORMANCE INDICATOR: OIL AND GAS SECTOR EXPORTS			
2000 BASELINE		2001 RESULTS	2002 RESULTS
Exports of oil and gas field equipment steady in response to a firming of world oil prices and some recovery in global exploration and production expenditures		Exports in sector increased.	Groundbreaking for Caspian Main Export Pipeline (Baku-Tbilisi-Ceyhan) underway. U.S. firms in Ecuador began construction on major new export pipeline, as Brazil tendered major offshore oil blocks to U.S. and international energy firms, U.S. investments in Venezuelan heavy oil came on stream. Trinidad and Tobago expanded its vast LNG capacity. Saudi Arabia awarded 20 billion dollars in natural gas development contracts to U.S. and international oil companies. [Above Target]
Details of 2002 Results	Overall	This indicator was discontinued in subsequent plans because it was incorporated in overall exports of goods and services data.	
	Result	Data sources/availability: Petroleum Equipment Suppliers Association Oil and Gas Field Equipment Exports Summation, U.S. embassy reporting. Partners: Departments of Energy and Commerce.	
PERFORMANCE INDICATOR: AGRICULTURAL EXPORTS			
2000 BASELINE		2001 RESULTS	2002 RESULTS
\$ 50.9 billion		\$53.0 billion	\$53.3 billion. [Slightly Below Target]
Details of 2002 Results	Overall	This indicator was discontinued in subsequent plans because it was incorporated in overall exports of goods and services data.	
	Result	Data sources/availability: Department of Agriculture. Partners: USTR, Departments of Agriculture and Commerce.	

Strategic Goal 5 Global Economic Growth
Annual Performance Goal 1 Countries Around the Globe Adopt and Maintain Growth-Oriented Economic Policies; Economic Crises are Less Likely and Less Severe.

PERFORMANCE INDICATOR: GLOBAL GDP GROWTH			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
3.4%	4.2%	2.4% (slowed by impact of September 11)	2.8% [Slightly Below Target]
Details of 2002 Results	Overall	This indicator has been discontinued in subsequent plans because there was little direct Department influence over this broad global-level indicator.	
	Result	Data sources/availability: IMF. Impact of Performance Shortfall: Negative, but an improvement over previous year.	

Strategic Goal 5
Annual Performance Goal 1

Global Economic Growth
Countries Around the Globe Adopt and Maintain Growth-Oriented Economic Policies; Economic Crises are Less Likely and Less Severe

PERFORMANCE INDICATOR: KEY COUNTRIES IMPLEMENTING IMF REFORM PROGRAMS

1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
Brazil, S. Korea, Indonesia, Thailand, Russia, Ukraine.		Indonesia, Brazil, S. Korea, Argentina, Thailand.	Indonesia, Argentina, Brazil, S. Korea, Nigeria, Russia, Thailand, Ukraine, Pakistan, Turkey implement IMF reform programs. Nigeria failed to implement IMF reform.	Indonesia, Brazil, Uruguay, Russia, Thailand, Ukraine, Pakistan, Turkey, Yugoslavia implemented IMF reform programs. [Slightly Below Target]
Details of 2002 Results	Overall	This indicator has been discontinued in subsequent plans because it was subsumed in new indicator for debt-crisis countries, a more objective and accurate measurement of Department output.		
	Result	Data sources/availability: IMF. Impact of Performance Shortfall: Failed programs in Nigeria and Argentina have increased human misery in those countries; Argentina's economic crisis has negatively affected financing for other emerging market countries. Partners: Treasury and other departments and agencies.		

PERFORMANCE INDICATOR: NUMBER OF INTERNATIONALLY APPROVED TELECOM "RECOMMENDATIONS" ADOPTED BY ITU MEMBER STATES

1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
No consensus		40	360	385, an increase of 25. [Slightly Below Target]
Details of 2002 Results	Overall	Approved recommendations indicate willingness of member states to improve their telecom systems.		
	Result	Data sources/availability: ITU. Impact of Performance Shortfall: Although below target level, largely reflecting the economic problems in the industry, an improvement overall. Partners: USTR, Departments of Commerce and Defense, FCC, other agencies, and the private sector.		

PERFORMANCE INDICATOR: STATUS OF NEW TRADE ROUND

1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
No data		No consensus reached to launch new round.	Consensus built for decision to launch new round.	WTO launched new round in Doha. China and Taiwan joined WTO. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because a new round was launched in Doha; and this indicator repeats Open Markets Indicator #1.		
	Result	Data sources/availability: WTO. Partners: Department worked closely with USTR and other agencies in the Trade Policy Review Group to coordinate U.S. positions and advance foreign policy and economic goals.		

PERFORMANCE INDICATOR: NUMBER OF COUNTRIES LIBERALIZING REGIMES FOR FACILITATING E-COM/INTERNET

1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
No Data unavailable.		3	No Data unavailable.	No work tracked. Indicator moved to Open Markets. [Not Rated]
Details of 2002 Results	Overall	Indicator was discontinued in subsequent plans because it was redundant of indicator in Open Markets goal.		

Strategic Goal 6 Economic Development
 Annual Performance Goal 1 Developing and Transition Economies Experience Broad-Based, Sustainable Economic Growth

PERFORMANCE INDICATOR: AVERAGE DEVELOPING COUNTRY GDP GROWTH RATE					
1999 BASELINE		2000 RESULTS		2001 RESULTS	2002 RESULTS
3.5%		4.8%		5.3% (estimate, actual not available)	5.1% [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of the Department's overall performance progress and was never effectively utilized or tracked.			
	Result	Data sources/availability: World Bank. Impact of Performance Shortfall: Estimated shortfall likely due to global economic factors beyond the control of Department. Partners: Treasury, USAID, USTR, Department of Agriculture, and other departments and agencies.			
PERFORMANCE INDICATOR: AVERAGE TRANSITION COUNTRY GDP GROWTH RATE					
1999 BASELINE		2000 RESULTS		2001 RESULTS	2002 RESULTS
0.8%		2.6%		3.0% (estimate, actual not available)	3.3% [Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of the Department's overall performance progress and was never effectively utilized or tracked.			
	Result	Data sources/availability: EBRD. Partners: Treasury, USAID, USTR, Department of Agriculture, and other departments and agencies.			
PERFORMANCE INDICATOR: REDUCTION OF WORLD POPULATION LIVING IN ABJECT POVERTY					
1999 BASELINE		2000 RESULTS		2001 RESULTS	2002 RESULTS
1.2 billion people		1%		1-2%	Data unavailable. [Not Rated]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of the Department's overall performance progress and was never effectively utilized or tracked.			
	Result	Data sources/availability: World Bank. 2002 data for this indicator is not yet available due to time lags in collecting raw data from multiple, often unreliable sources and collating it. Partners: Treasury, USAID, USTR, Department of Agriculture, and other departments and agencies.			
PERFORMANCE INDICATOR: NUMBER OF COUNTRIES RECEIVING HIPC DEBT RELIEF					
1999 BASELINE		2000 RESULTS		2001 RESULTS	2002 RESULTS
1.2 billion people		1%		1-2%	26 [Significantly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of the Department's overall performance progress and was never effectively utilized or tracked.			
	Result	Data sources/availability: Department. Impact of Performance Shortfall: Non-participating economies will continue debt burden. Partners: Treasury, NSC, CEA, and other departments and agencies.			

Strategic Goal 7 American Citizens
Annual Performance Goal 1 U.S. Citizens Have the Information, Services, and Protection they Need to Reside or Travel Abroad

PERFORMANCE INDICATOR: ACCURACY AND AVAILABILITY OF CONSULAR INFORMATION

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
<p>Website received 55.7 million hits (30 million more than in FY '98), averaging 147,821 per day. Website featured new sections on student safety abroad and crisis awareness, preparedness, and response. Website received "best of the Web" kudos from Ask Jeeves (Silver Platter Site) and GovSpot (Spotlight Award). Website promoted as the best place to obtain consular information and an authoritative source of travel safety information. Planning for call center began.</p>	<p>Website averaged almost 240,000 hits per day (87.2M in FY 2000); 90% of users found information helpful; added section on road safety abroad. One of 16 "Best Feds on the Web" (Government Executive). Issued 40 Travel Warnings, 138 Public Announcements, and 150 Consular Information Sheets.</p>	<p>Website averaged 324,226 hits per day (117,990,124 in FY '01). Ninety percent of users found information helpful. We added a Passport Acceptance Facility Database searchable by ZIP Code to help customers locate the nearest place to apply for a passport. We also added a section on the new V and K visas. We issued 65 Travel Warnings, 120 Public Announcements, and 189 Consular Information Sheets. We issued a Request for Proposal to establish a Consular Contact Center to handle citizens' services, passport, and visa public information programs. We drafted scripts for contact center operators and posted them on the Intranet, where posts reviewed them and supplemented them with post-specific information.</p>	<p>Five fillable passport applications were added to the web site for international travelers.</p> <p>The website received 128 million hits (10M more than in FY 2001), averaging 347,254 hits per day. 94.3% of users participating in an on-line survey found the web site helpful, up from 90% in the past 3 years.</p> <p>Issued 56 travel warnings, 97 public announcements, and 196 consular information sheets (86% of countries updated).</p> <p>Pilot software was developed for an Internet-based system that will allow Americans to register overseas travel itineraries at a central website.</p> <p>A consular call center began operations in the aftermath of the September 11 terrorist attacks to handle the large volume of calls about travel safety. It took over 60,000 calls in FY02. [Above Target]</p>
<p>Details of 2002 Results</p>	<p>Overall Indicator has been discontinued in subsequent plans in favor of indicators from other facets of the consular information program, deemed better measures of performance progress.</p> <p>Result Data sources/availability: Department records. Data reliability: Data are complete and reliable.</p>		

Strategic Goal 7 American Citizens
 Annual Performance Goal 1 U.S. Citizens Have the Information, Services, and Protection they Need to Reside or Travel Abroad

PERFORMANCE INDICATOR: AVAILABILITY OF AUTOMATED CASE-TRACKING INFORMATION

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Data exist, but systems lack ability to track trends or report.	The ACS system in OCS and all operating consular sections made a successful transition to Year 2000. Sixty additional posts began replicating data to and from Washington. Thirty-seven overseas posts gained electronic access to passport issuance information. Initial work on identifying user needs completed.	The International Parental Child Abduction application module was deployed. CA conducted a successful test phase of the U.S. Government comprehensive case management tracking system for international parental child abduction cases. CA and INS coordinated efforts to create an inter-agency adoption tracking system. Requirements analysis/validation and development of a system design concept for the adoptions tracking system began. Data from the American Citizens Service (ACS) system (including U.S. passports) at all consular posts worldwide is now transmitted in near-real time to a Consolidated Consular Database (CCD) in Washington, D.C. This data is then available via a Web interface to Washington and consular managers. The latest ACS release includes improvements to arrest services, and the reporting functionality is facilitated through establishment of the CCD. CA has used Access programs to obtain an overall picture of the mistreatment of Americans incarcerated overseas and to share that information with DRL. We have begun the process of tracking the manner of death of Americans who die overseas. We deployed the Crisis Management module for use by the domestic task force staff to improve our service to Americans during crises. We piloted a Consular Lost and Stolen Passport database.	<ol style="list-style-type: none"> 1 Case-management software developed for international parental child abduction cases and in use by the Office of Children’s Issues. 2 American Citizens Services case management system (ACS) updated to collect data on mistreatment of and consular access to U.S. arrestees abroad and to permit compliance with a new requirement in PL 107-228 to publish information about overseas deaths of Americans from non-natural causes. Detailed system requirement analysis for the complete re-engineering of the ACS system was completed, to replace current software with a state-of-the-art program enabling greater information sharing among posts. 3 Modernized version of CRISIS. 4 Consular Lost and Stolen Passport System (CLASP) deployed to all overseas posts and domestic passport agencies. 5 Software to manage international adoption cases was delayed to accommodate the Department’s new responsibilities as Central Authority under the Hague Convention on adoptions. 6 Detailed system requirements have been written, and development is scheduled for completion in 2004. <p>[On Target]</p>

Details of 2002 Results

- Overall** Indicator has been discontinued in subsequent plans in favor of indicators from other facets of the consular information program deemed better measures of performance progress.
- Result** **Data sources/availability:** Department records.
Data reliability: Data are complete and reliable.

Strategic Goal 7 American Citizens
Annual Performance Goal 2 Timely and Effective Passport Issuance; With Document Integrity Assured

PERFORMANCE INDICATOR: PASSPORT APPLICATIONS					
1999 BASELINE		2000 RESULTS		2001 RESULTS	2002 RESULTS
6.7 million passports issued.		7.3 million passports issued.		7.4 million passports issued.	7.132 million passports issued. [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it does not address the timeliness or effectiveness of passport issuance			
	Result	Data sources/availability: Department records. Data reliability: Data are complete and reliable. Impact of Performance Shortfall: The number of passport applications continued to be impacted by the downturn in the economy, concern about terrorism abroad, and the lingering effects of the events of 9/11, all of which made Americans less likely to seek passports for international travel.			
PERFORMANCE INDICATOR: STATUS OF PASSPORT PHOTODIGITIZATION					
1999 BASELINE		2000 RESULTS		2001 RESULTS	2002 RESULTS
Operational at 2 passport facilities. 45% of issued passports are digitized.		Installed at 4 more passport facilities. 70% of issued passports are digitized.		Installed at 8 more passport facilities. 93% of issued passports are digitized.	Photo-digitized passport issuance system (TDIS-PD) installed in Washington and Chicago, finalizing the conversion of all 16 domestic facilities. All but emergency passport issuance shifted to U.S. to take advantage of photo-digitization. TDIS-PD updated to include Consular Lost and Stolen Passport System (CLASP) software and Social Security matrix to assist in validating Social Security numbers and birth data provided by applicants. American Citizens Services (ACS) and Passport Services systems were modified to allow future direct, electronic transmission of passport data and photographs from overseas posts to the National Passport Center in New Hampshire, which will greatly enhance speed and security in issuance of passports for overseas applicants. [Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because the photodigitization installation program was completed in FY 2002.			
	Result	Data sources/availability: Department records. Data reliability: Data are complete and reliable.			

Strategic Goal 8 Travel & Migration
 Annual Performance Goal 1 Timely and Effective Visa Issuance; Reduction of Visa Fraud

PERFORMANCE INDICATOR: NUMBER OF IMMIGRANT VISA CASES PROCESSED				
1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
713,000		669,872	628,762	608,133 [Slightly Below Target]
Details of 2002 Results	Overall Result	Indicator was discontinued in subsequent plans because it was deemed an inappropriate measure of performance goal progress.		
		<p>Data sources/availability: Department records.</p> <p>Data reliability: Data are reliable.</p> <p>Impact of Performance Shortfall: Immigrant visa case numbers dropped from FY 2001 to FY 2002 due to post-9/11 concerns of the traveling public, the worldwide economic downturn, and increased processing times needed for security clearances on visa applicants. Other agencies' experience with reviewing significantly larger numbers of visa applicants and adjustments to procedures should reduce the backlogs that developed in FY 2002 and improve the visa process in FY 2003.</p> <p>Partners: The Department is on the frontlines of the fight to protect U.S. homeland security and, in the aftermath of the events of 9/11, coordination with other agencies increased. The Department has worked closely with the intelligence agencies and particularly with the Department of Justice and the FBI to double the size of the name check database used to screen visa applicants. The cases of expanded categories of applicants are now screened by other agencies as part of the clearance process. The Immigration and Naturalization Service is a partner with the Department in the adjudication of immigrant visa petitions. The Department participated in numerous projects with other agencies to improve homeland security.</p>		
PERFORMANCE INDICATOR: NUMBER OF NON-IMMIGRANT VISA CASES PROCESSED				
1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
9,100,000		9,550,000	10,596,194	8,367,861 [On Target]
Details of 2002 Results	Overall Result	Indicator was discontinued in subsequent plans because it was deemed an inappropriate measure of performance goal progress.		
		<p>Data sources/availability: Department records.</p> <p>Data reliability: Data are reliable.</p> <p>Partners: The Department is on the frontlines of the fight to protect U.S. homeland security and, in the aftermath of the events of 9/11, coordination with other agencies increased. The Department has worked closely with the intelligence agencies and particularly with the Department of Justice and the FBI to double the size of the name check database used to screen visa applicants. The cases of expanded categories of applicants are now screened by other agencies as part of the clearance process. The INS, which works with the Department on petition-based nonimmigrant visa applications and whose officers at ports of entry determine whether and for how long visitors may be admitted to the U.S., now has access to the Consular Consolidated Database. The Department worked with INS to strengthen the tracking of students and other foreigners. The Department participated in numerous projects with other agencies to improve homeland security.</p>		

Strategic Goal 9 **Countering Terrorism**
Annual Performance Goal 1 **Reduced Danger of Terrorist Attacks on American Citizens and Interests; Effective International Cooperation and Efforts Curtail the Capabilities of Would-be Terrorists and Punish Known Offenders**

PERFORMANCE INDICATOR: NUMBER OF BILATERAL AND MULTILATERAL CT CONSULTATIONS COMPLETED		
2000 BASELINE	2001 RESULTS	2002 RESULTS
6	9	13 [On Target]
Details of 2002 Results	Overall	This indicator was created following the events of 9/11 to reflect more accurately the Department's counterterrorism policy and programs and better measure progress toward thereflect performance goal.
	Result	Data reliability: The data are reliable because the Office of Counterterrorism (S/CT) conducts a review of all bilateral and multilateral engagements to ensure that they occur. Partners: In coordinating bilateral and multilateral consultations with foreign partners, the Department included representatives from other government agencies to include the DOD, Justice, Treasury, the FBI, CIA, and NSC to ensure that appropriate subject matter experts are present and all enjoy the benefits of a valuable information exchange.
PERFORMANCE INDICATOR: NUMBER OF STATES THAT HAVE REPORTED TO THE UN SECURITY COUNCIL ON THEIR EFFORTS TO IMPLEMENT UNSCR 1373		
2000 BASELINE	2001 RESULTS	2002 RESULTS
The United Nations was not monitoring implementation in 2000.	The United Nations Counterterrorism Committee (CTC) was established to monitor and assist members in implementing UNSCR 1373.	179 [Above Target]
Details of 2002 Results	Overall	This indicator was created following the 9/11 attacks, to more accurately reflect the Department's counterterrorism policy, programs and better measure progress toward the performance goal.
	Result	Data sources/availability: 12 states have not submitted reports to the UN Counterterrorism Committee (CTC). Data reliability: The data are reliable because the determination was made by the CTC after reviewing the reports provided by states.
PERFORMANCE INDICATOR: ANTI-TERRORISM TRAINING ASSISTANCE (ATA) COURSES PROVIDED TO PRIORITY STATES		
2000 BASELINE	2001 RESULTS	2002 RESULTS
117 ATA courses provided to 42 states; 5 program reviews conducted 18 months after training.	135 ATA courses provided to 49 states; 14 reviewed 18 months after training.	160 ATA courses provided to 41 states; 160 reviewed 18 months after training. [On Target]
Details of 2002 Results	Overall	This indicator was created following the 9/11 attacks, to more accurately reflect the Department's counterterrorism policy and programs and better measure progress toward the performance goal.
	Result	Data sources/availability: No data on program reviews exist because the 18-month time frame after training was provided has not yet expired. Data reliability: The data are reliable because ATA produces an annual report that details the accomplishments of the program. In order to ensure that the training is having its intended effect, ATA conducts a program review in which it will use a course-specific evaluation to assess the unit's skills in the areas for which it was trained.

Strategic Goal 9 **Countering Terrorism**
Annual Performance Goal 1 **Reduced Danger of Terrorist Attacks on American Citizens and Interests; Effective International Cooperation and Efforts Curtail the Capabilities of Would-be Terrorists and Punish Known Offenders**

PERFORMANCE INDICATOR: DEGREE OF SUPPORT FOR COMBATANT COMMANDERS' CT EXERCISE PROGRAMS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Deployed the Foreign Emergency Support Team (FEST) to two of the Combatant Commanders' International CT exercises.	Deployed the FEST to two of the Combatant Commanders' International CT exercises and the Chairman of the Joint Chiefs of Staff (CJCS) no-notice exercise.	No exercises scheduled because of Operation Enduring Freedom. Co-chaired the CSG Exercise Sub-Group and developed the next 18-month, National- and International-Level exercise schedule. Finalized Exercise Sub-Group's Operating Charter. [On Target]
Details of 2002 Results	Overall	This indicator was created following the events of 9/11 to reflect more accurately the Department's counterterrorism policy and programs and better measure progress toward the performance goal.
	Result	<p>Data sources/availability: No Exercises scheduled because of Operation Enduring Freedom.</p> <p>Data reliability: The data are reliable because the CSG Exercise Sub-Group will track the progress of both the domestic and international CT exercise program. The International CT Guidelines, signed by the National Security Advisor in January 2001, provides guidance and instructions on carrying-out international CT response.</p> <p>Partners: In providing support to the Combat Commanders' CT exercises, the Department coordinated primarily with DOD, FBI, CIA, and the Department of Energy.</p>
TIMELINESS OF THE REVIEW OF GROUPS DESIGNATED AS FOREIGN TERRORIST ORGANIZATIONS (FTOS) PURSUANT TO U.S. LAW		
2000 BASELINE	2001 RESULTS	2002 RESULTS
29 groups designated as FTOs pursuant to US law.	31 groups designated as FTOs pursuant to US law.	Five additional organizations designated as FTOs. One additional group was redesignated. Five groups were under review for possible FTO designation. [On Target]
Details of 2002 Results	Overall	This indicator was created following the events of 9/11 to reflect more accurately the Department's counterterrorism policy and programs and better measure progress toward the performance goal.
	Result	<p>Data sources/availability: Designation is published in the Federal Register.</p> <p>Data reliability: Reliable. The Secretary of State designates FTOs in accordance with section 219 of the Immigration and Nationality Act (INA), as amended.</p> <p>Partners: The Secretary designated FTOs in consultation with the Attorney General and the Secretary of the Treasury.</p>

* Note: None of the indicators used in the FY2001/2002 Performance Plan is reported on in this FY2002 Performance Report. These indicators were dropped from this Strategic Goal because the September 11 attacks led the Department to reformulate its CT policies and priorities completely in order to respond to a radically new and unanticipated situation in which substantial new responsibilities have been added to the Department's CT portfolio. As a result, the indicators used in previous performance reports are no longer valid. The new indicators shown here accurately reflect the Department's CT policy and programs and provide a realistic means for measuring progress.

Strategic Goal 10 International Crime
Annual Performance Goal 1 More Effective Criminal Justice Institutions and Law Enforcement in Targeted Countries

PERFORMANCE INDICATOR: NUMBER OF INTERNATIONAL LAW ENFORCEMENT ACADEMIES (ILEAS) ESTABLISHED					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
2		4		4 [Significantly Below Target]	
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of performance progress.			
	Result	<p>Impact of Performance Shortfall: Agreement has been reached to establish a 5th ILEA in Costa Rica but the agreement has not yet been ratified by the Costa Rican Legislature. Partners: While the Department funds all the ILEAs, different U.S. agencies have the lead in the different ILEAs. (e.g., the FBI in ILEA-Budapest, Hungary; DEA in ILEA-Bangkok, Thailand; Treasury in ILEA-Gaborone, Botswana). Staffing and trainers are provided by the FBI, DEA, Environmental Protection Agency, U.S. Customs, Secret Service, Bureau of Alcohol, Tobacco, and Firearms, as well as the Departments of Justice, Treasury, Defense, and Energy. Several other countries, as well as INTERPOL and the EU, also provide instructors.</p>			
PERFORMANCE INDICATOR: NUMBER OF STUDENTS TRAINED – ILEA AND OTHER PROGRAM STUDENTS TRAINED					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
1,100 ILEA 11,700 Other		1,412 ILEA 14,581 Other		2,210 ILEA [Significantly Above Target] 9,500 Other [Significantly Below Target]	
Details of 2002 Results	Result	<p>Sources/availability: ILEA and Department records. Impact of Performance Shortfall: The number of student trained through bilateral programs (“Other”) dropped drastically following 9/11 as USG training agencies redirected training resources to counterterrorism operations and programs. In addition, in FY 2003 the Department (INL) began shifting away from short-term, and in some cases “off-the-shelf”, training courses toward project-oriented training. Training classes for the latter are often specially tailored and normally smaller. Partners: Department coordinated with a broad range of other agencies, including DEA, FBI, U.S. Customs, Treasury, Justice, INS, Secret Service, Commerce, and Defense.</p>			
PERFORMANCE INDICATOR: ASSESSMENTS FOR AFRICAN ANTI-CRIME PROGRAM REQUIREMENTS					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
0		6		6 [On Target]	
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of performance progress. Several assessments were carried out in FY 2002; however, the Department determined that such assessments were not really useful as performance indicators because assessments took place at an early stage in the process of upgrading the skills and performance of local laws enforcement bodies.			
	Result	Partners: In conducting anti-crime assessments and programs in Africa, the Department worked with FBI, DEA, U.S. Customs, Treasury, Secret Service, and Justice.			

Strategic Goal 10 International Crime
Annual Performance Goal 1 More Effective Criminal Justice Institutions and Law Enforcement in Targeted Countries

PERFORMANCE INDICATOR: ANTI-SMUGGLING/TRAFFICKING OPERATIONS BY THE MIGRANT SMUGGLING AND TRAFFICKING IN PERSONS COORDINATION CENTER (MSTCC)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
0	0	0 [OnTarget]
Details of 2002 Results	<p>Result The interagency Migrant Smuggling and Trafficking in Persons Coordination Center (MSTCC) has begun monitoring international smuggling and trafficking operations but has not yet provided support for any disruption operations. Disruptions operations will usually include, inter alia, sending an interagency team to work with foreign government officials to break up an on-going smuggling/trafficking operation.</p> <p>Partners: The MSTCC is jointly run by the Departments of State and Justice and includes staffing and liaison positions from several other law enforcement and intelligence agencies, including FBI, INS, Coast Guard, and selected agencies of the intelligence community.</p>	

Strategic Goal 10 International Crime
Annual Performance Goal 2 Transportational Cooperation and Action to Counter Crime

PERFORMANCE INDICATOR: STATUS OF CONVENTION AGAINST TRANSNATIONAL ORGANIZED CRIME (TOCC) AND SUPPLEMENTAL PROTOCOLS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Negotiations of all instruments were ongoing.	Main convention and all three protocols were completed.	24 states ratified by the end of FY 2002 [Above Target]
Details of 2002 Results	<p>Result Sources/availability: UN</p> <p>Partners: To assist requesting states in the development of policies, legal regimes and law enforcement operations necessary to meet the standards of the Convention, the Department coordinated with Justice, Treasury, FBI, Customs, and the UN Center for International Crime Prevention (CICP).</p>	

PERFORMANCE INDICATOR: STATUS OF CONVENTION AGAINST CORRUPTION		
2000 BASELINE	2001 RESULTS	2002 RESULTS
UN Center for International Crime Prevention Secretariat received mandate to complete study of corruption.	Study completed. Began defining terms of reference by expert group.	Three negotiating sessions took place and made progress. [On Target]
Details of 2002 Results	<p>Result Sources/availability: UN and Department records.</p> <p>Partners: The Department led the U.S. delegation and coordinated with Justice, Treasury, Commerce, and the Office of Personnel Management. The Department also worked closely with the UN Center for International Crime Prevention (CICP), which staffed the negotiations, and with key allies.</p>	

Strategic Goal 10 International Crime
Annual Performance Goal 2 Transportational Cooperation and Action to Counter Crime

PERFORMANCE INDICATOR: OVERALL LEVEL AND SOURCES OF FUNDING OF UN CENTER FOR INTERNATIONAL CRIME PREVENTION (CICP)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Approximately 15 countries contribute approximately \$2.5 million annually.	Voluntary contributions increased by 8 percent due to management problems at CICP.	<ol style="list-style-type: none"> 1 Department estimates that 2002 target on contribution will be reached. [On Target] 2 Two additional countries become donors. [On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of performance progress.
	Result	<p>Data sources/availability: UN and Department data. Contributions from some countries, including some major donors, not yet received because the fiscal year has not yet ended.</p> <p>Impact of Performance Shortfall: The effort to increase the number of donors was frustrated by other countries' reluctance to increase support until it is clear that the new Director of the UN Office of Drugs and Crime, who took office in the late spring, represents a clear improvement over the discredited management practices of the former leadership.</p> <p>Partners: The Department coordinated with Justice and Treasury on CICP issues and worked closely with key foreign government donors in supporting the CICP.</p>
PERFORMANCE INDICATOR: LEVEL OF U.S. FUNDING TO UN CENTER FOR INTERNATIONAL CRIME PREVENTION (CICP)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
\$750,000	\$2.5 million	\$1.7 million [Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of performance progress.
	Result	Partners: The Department provided the U. S. funding for CICP and coordinated with Justice and Treasury on substantive issues and programs.
PERFORMANCE INDICATOR: LEVEL OF COOPERATION IN MULTILATERAL FORUMS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
National and regional differences frequently dominate cooperative efforts, despite acknowledgment of shared problems.	Negotiators developed plan of action; negotiations started off on good basis.	Negotiations on international corruption instrument progressed with high degree of cooperation during three negotiating sessions. [On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was redundant with Status of Convention against Corruption indicator and deemed an inappropriate measure of performance progress.
	Result	<p>Sources/availability: United Nations and Department records.</p> <p>Partners: The Department led the U.S. delegation and coordinated with Justice, Treasury, Commerce, and the Office of Personnel Management. The Department also worked closely with the UN Center for International Crime Prevention (CICP), which staffed the negotiations, and with key allies.</p>

Strategic Goal 11 Countering Illegal Drugs
 Annual Performance Goal 1 Reduced Foreign Cultivation of Opium Poppies, Coca and Marijuana

PERFORMANCE INDICATOR: NUMBER OF HECTARES OF ILLICIT COCA UNDER CULTIVATION					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
183,000		233,700		210,000 [Slightly Below Target.]	
Details of 2002 Results	Result	<p>Sources/availability: CIA Crime and Narcotics Center (CNC). Final CNC figures are not available. CNC estimates can be misleading because of inherent limitations in the type of data collected, which cannot measure the impact eradication has on yearly production or long-term effects on cultivation.</p> <p>Data reliability: Data are reliable in terms of gross numbers of hectares but cannot distinguish between mature or dying plants. Data do not measure the impact of eradication on production and supply. The Department is looking at ways to derive reliable predictions that factor in the number of newly planted or replanted hectares, which should provide a more reliable indicator of the effectiveness of eradication efforts.</p> <p>Impact of Performance Shortfall: The shortfall was more apparent than real – the CNC estimates cover cultivation, not production. The number of hectares of mature plants, which are more productive, has decreased significantly, while the overall cultivation area increased. The spray program in Colombia will intensify in 2003 due to increase in equipment and the opening up of regions previously off limits due to political considerations by previous Colombian government.</p> <p>Partners: DOD provided training and equipment for selected counternarcotics military units and equipment support for the Department’s Airwing program. CNC provided analysis of cultivation. DEA provided operational support, intelligence, and training. USAID managed alternative development programs.</p>			
PERFORMANCE INDICATOR: NUMBER OF HECTARES OF ILLICIT OPIUM UNDER CULTIVATION					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
178,755		143,918		161,000 [Significantly Below Target]	
Details of 2002 Results	Result	<p>Sources/availability: UN and CIA Crime and Narcotics Center (CNC). There are some differences between data provided by the U.S. and the United Nations, due primarily to differences in methodology used in data collection.</p> <p>Data reliability: The data are reliable; some differences between figures provided by CNC and the United Nations are due to differences in methodology.</p> <p>Impact of Performance Shortfall: In 2002, Afghanistan once again became the world’s leading producer of opium poppy. The Afghan government’s ability to prevent or reduce planting of the 2003 spring crop will depend to a large degree on its ability to extend central authority throughout the country and especially to the major poppy cultivation regions. The U.S., UK, and others are reviewing current eradication/alternative development programs to increase effectiveness and speed implementation.</p> <p>Partners: The Department coordinated with many other agencies and, in many cases, funded their assistance programs and efforts. CNC provided analysis and information. USAID managed alternative development programs. DEA provided operational support. UN Office of Drugs and Crime provided coordination, program assistance.</p>			
PERFORMANCE INDICATOR: NUMBER OF HECTARES OF MARIJUANA UNDER CULTIVATION					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
8,700		8,900		6500 [On Target]	
Details of 2002 Results	Result	<p>Sources/availability: Data are estimates. CNC numbers will not be available until early spring. CNC conducted surveys of marijuana cultivation only in selected countries such as Mexico and Colombia and otherwise depended on host government estimates. Most experts believe that most of the marijuana consumed in the United States is domestically produced.</p> <p>Data reliability: The data for Mexico and other Central or South American countries are generally reliable.</p> <p>Partners: CNC provided analysis and information.</p>			

A
P
P
E
N
D
I
C
E
S

Strategic Goal 11 Countering Illegal Drugs
Annual Performance Goal 1 Reduced Foreign Cultivation of Opium Poppies, Coca and Marijuana

PERFORMANCE INDICATOR: NUMBER OF REGIONAL AND INTERNATIONAL PREVENTION SUMMITS			
	2000 BASELINE	2001 RESULTS	2002 RESULTS
	2	3	None [Slightly Below Target.]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of performance progress and was never effectively utilized or tracked.	
		Impact of Performance Shortfall: This indicator has been dropped because the holding of summits is a sporadic and ad hoc process that does not necessarily correlate with improved international counternarcotics cooperation, which has been improving in recent years. This does not mean that such conferences are not useful, simply that they lack the desired value as a performance indicator. Following the events of 9/11, the U.S. and international focus on terrorism made it more difficult to organize such conferences at the summit level.	

Strategic Goal 11 Countering Illegal Drugs
Annual Performance Goal 2 Criminal Justice Sectors of Foreign Governments Break up Major Drug Trafficking Organizations and Effectively Investigate, Prosecute, and Convict Major Narcotics Criminals.

PERFORMANCE INDICATOR: PARTIES TO THE 1988 UN DRUG CONVENTION			
	2000 BASELINE	2001 RESULTS	2002 RESULTS
	152	162	165 [On Target]
Details of 2002 Results	Result	Sources/availability: UN.	
		Partners: Major coordination efforts were with the United Nations and other governments.	

PERFORMANCE INDICATOR: NUMBER OF LAW ENFORCEMENT OFFICIALS RECEIVING COUNTERNARCOTICS TRAINING			
	2000 BASELINE	2001 RESULTS	2002 RESULTS
	1,200	1,662	1,800 [On Target]
Details of 2002 Results	Result	Sources/availability: Internal Department program monitoring.	
		Data reliability: Data are reliable. However, they are indirect measures and there are several other potential factors for determining success for this goal. Partners: The Department coordinated with several other agencies and provided funding for many of their assistance programs. DEA provided training, intelligence, and operational support; DOD provided training, equipment and support, and intelligence; FBI provided training; Coast Guard provided training and operational support; Treasury provided training; DOJ provided training and legal support; intelligence community provided intelligence support.	

Strategic Goal 12 Democracy and Human Rights
 Annual Performance Goal 1 New Democracies Move Toward Political and Economic Stability; Authoritarian Regimes Carry Out Liberalizations

PERFORMANCE INDICATOR: SIZE OF HUMAN RIGHTS AND DEMOCRACY FUND					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
\$9 million		\$13 million		\$13 million [Slightly Below Target]	
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because of restructuring of the program.			
	Result	Data sources/availability: DRL conducted monthly project reviews and required semi-annual, annual, and final written evaluations. Also monitored through site visits to projects. Data reliability: Very good. Impact of Performance Shortfall: With additional, non-earmarked funding, it would be possible to undertake additional democracy and human rights promotion activities in Latin America and sub-Saharan Africa.			
PERFORMANCE INDICATOR: TRAINING FOR STATE DEPARTMENT AND U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT OFFICERS WORKING ON DEMOCRACY					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
Regular DRL/DP presentations in Global Issues Courses..		Presentations were made in political tradecraft and global issues courses.		Under Secretary for Global Affairs spoke at the Ambassadorial/Training Seminars. Democracy and Human Rights was part of the presentation. [On Target]	
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans in favor of more tangible measures, including FSI training for Department officers.			
	Result	Data sources/availability: Information on Under Secretary's involvement is from the dean of the Foreign Service Institute.			
PERFORMANCE INDICATOR: UNITED NATIONS RESOLUTIONS ON THE RIGHT TO DEMOCRACY					
2000 BASELINE		2001 RESULTS		2002 RESULTS	
UN Commission on Human Rights passed a resolution on the right to democracy for the second straight year.		UNCHR resolution on promotion of democracy was passed; similar resolution passed in UNGA plenary; U.S.-sponsored resolution on supporting UN democracy programs passed with more co-sponsors than previously.		No progress. The U.S. was not a member of the UNCHR in 2002; re-elected as member for 2003. [Significantly Below Target]	
Details of 2002 Results	Result	Sources/availability: UNCHR and UNGA records. Impact of Performance Shortfall: U.S. not a member of UNCHR in 2002; objectives postponed. Partners: Major coordination efforts were with the UN and other governments.			

Strategic Goal 12 Democracy and Human Rights
Annual Performance Goal 1 New Democracies Move Toward Political and Economic Stability; Authorization Regimes Carry Out Liberalizations

PERFORMANCE INDICATOR: COMMUNITY OF DEMOCRACIES		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Community of Democracies holds its first ministerial in Warsaw.	Caucus at UNGA was established and met.	Follow-up Ministerial took place in Seoul. [On Target]
Details of 2002 Results	Result Impact of Performance Shortfall: The Ministerial was successful. There would have been greater impact if the Secretary had been able to attend as scheduled, but urgent business made it necessary for him to remain in Washington.	

Strategic Goal 12 Democracy and Human Rights
Annual Performance Goal 2 Greater Respect for Human Rights Around the World

PERFORMANCE INDICATOR: LEAHY AMENDMENT LIMITS ON SECURITY ASSISTANCE		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Leahy amendment made operational by DRL.	Leahy monitoring was partially implemented, and was effective for certain countries. A Department-wide vetting procedure was in place.	While implementation was not uniform, all posts are making an effort to comply. Worldwide quantitative analysis is not currently possible. [On Target]
Details of 2002 Results	Overall Result Indicator has been discontinued because the mechanism to accurately quantify compliance was not in place. A database to accomplish this is in the planning stages. Impact of Performance Shortfall: Compliance procedures at some posts were so stringent as to exceed Leahy standards. However, some programs that should have been covered were not. Although the Department was not aware of an instance where gross violators received training or funds in violation of Leahy, lack of 100% compliance in all categories makes this a possibility. The new Leahy guidance cable addressed this shortfall. Additional work on monitoring implementation will need to be done.	

PERFORMANCE INDICATOR: COUNTRY-SPECIFIC RESOLUTIONS AT THE UNITED NATIONS COMMISSION ON HUMAN RIGHTS (UNCHR)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Commission action on country-specific resolutions subject to political factors; most U.S.-supported resolutions passed.	Resolutions were passed with one exception: China.	No data available. The U.S. was not a member of the UNCHR in 2002; re-elected as member for 2003. [Not Rated]
Details of 2002 Results	Result Data sources/availability: No data available.	

Strategic Goal 12 Democracy and Human Rights
 Annual Performance Goal 2 Greater Respect for Human Rights Around the World

PERFORMANCE INDICATOR: ENHANCED TRAINING FOR U.S. GOVERNMENT OFFICIALS ON COMBATING TRAFFICKING			
2000 BASELINE		2001 RESULTS	2002 RESULTS
No training provided.		Presentations were provided in Political Tradecraft, A-100, and Global Issues courses at the National Foreign Affairs Training Center (NFATC).	G/TIP conducted five presentations at these courses, explaining USG efforts on Trafficking in Persons (TIP). [On Target]
Details of 2002 Results	Overall Indicator has been discontinued in subsequent plans because the function has been transferred to the Office to Monitor and Combat Trafficking in Persons.		
PERFORMANCE INDICATOR: ANTITRAFFICKING PROTOCOL TO THE CRIME CONVENTION			
2000 BASELINE		2001 RESULTS	2002 RESULTS
Negotiations were underway, but were bogged down in debate over definition of prostitution.		U.S. signs anti-trafficking protocol. Negotiations resolve debate over definition of prostitution.	Protocol has not been submitted to Congress for ratification. [Slightly Below Target]
Details of 2002 Results	Overall Indicator has been discontinued in subsequent plans because the function has been transferred to the Office to Monitor and Combat Trafficking in Persons.		
PERFORMANCE INDICATOR: INSTITUTIONALIZATION OF REPORTING ON TRAFFICKING			
2000 BASELINE		2001 RESULTS	2002 RESULTS
Separate section on trafficking introduced.		The new <i>Trafficking in Persons</i> report required by legislation was issued in July 2001; the trafficking section of the <i>Country Reports on Human Rights Practices</i> was expanded.	No conclusion has been reached. [Slightly Below Target]
Details of 2002 Results	Overall Indicator has been discontinued in subsequent plans because the function has been transferred to the Office to Monitor and Combat Trafficking in Persons.		

Strategic Goal 12 Democracy and Human Rights
Annual Performance Goal 3 Greater Observation and Protection of Worker Rights; Reduction of Child Labor; Elimination of Sweatshops Producing Goods for the U.S. Market

PERFORMANCE INDICATOR: WORK OF SECRETARY'S ADVISORY COMMITTEE ON LABOR DIPLOMACY (ACLD)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
ACLD issues initial report, makes initial recommendations.	Charter extended to 12/31/2001. The Department accepted the majority of the ACLD recommendations; some have been implemented.	Nine recommendations issued, three implemented, one approved and five still under consideration. [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans and integrated into the ongoing work of office, departments, or bureaus involved.
	Result	Impact of Performance Shortfall: Progress delayed in implementing recommendations.
PERFORMANCE INDICATOR: FUNDING OF U.S. GOVERNMENT ANTI-SWEATSHOP INITIATIVE		
2000 BASELINE	2001 RESULTS	2002 RESULTS
\$4 million	\$4 million	\$4 million [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans and integrated into the ongoing work of office, departments, or bureaus involved.
	Result	Data sources/availability: Annual reports by grant recipients; high reliability. Impact of Performance Shortfall: Anti-sweatshop efforts rely on convincing private sector and NGOs to craft voluntary approaches and monitor results. Partners: Coordination with Department of Labor and USAID.
PERFORMANCE INDICATOR: U.S. GOVERNMENT SUPPORT FOR INTERNATIONAL PROGRAM ON THE ELIMINATION OF CHILD LABOR (IPEC)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
U.S. provides \$30 million to support IPEC.	\$45 million for IPEC	No progress due to staffing shortages. [Significantly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans and integrated into the ongoing work of office, departments, or bureaus involved.
	Result	Impact of Performance Shortfall: No real progress in advancing worker rights.

Strategic Goal 12 Democracy and Human Rights
 Annual Performance Goal 4 Worldwide Acceptance of Freedom of Religion and Conscience

PERFORMANCE INDICATOR: STATE DEPARTMENT-WIDE AWARENESS OF U.S. RELIGIOUS FREEDOM POLICY		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Department conference on religion and foreign policy.	A conference on Islam and Foreign Policy was held in November 2000.	No conferences held. [Significantly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans and integrated into the ongoing work of office, departments, or bureaus involved.
	Result	Impact of Performance Shortfall: The projected benefits of the conferences – increasing level of knowledge of religious freedom concerns in various countries, and of the role of religious freedom concerns in U.S. foreign policy – were not obtained. Shortfall occurred because new Ambassador-at-Large for International Religious Freedom was appointed significantly later than was assumed when plan was drafted.
PERFORMANCE INDICATOR: FOREIGN ASSISTANCE PROGRAMMING		
2000 BASELINE	2001 RESULTS	2002 RESULTS
No foreign assistance programming devoted to promoting religious freedom; planning for religious reconciliation programs begins.	Discussions were held with USAID but no decisions were reached.	Druze-Christian reconciliation was facilitated in three villages in Lebanon. Funding shortages prevented the establishment of reconciliation programs in Indonesia. [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans and integrated into the ongoing work of office, departments, or bureaus involved.
	Result	Data sources/availability: Lebanon: Washington-based NGO Institute of World Affairs monthly progress reports; assessments by USAID-Beirut Mission. Impact of Performance Shortfall: Indonesia: project funding ended; sectarian violence continued.
PERFORMANCE INDICATOR: OUTREACH TO FAITH-BASED COMMUNITIES		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Islamic Roundtable outreach program.	The Islamic Roundtable met several times. A new outreach program, the Hindu Roundtable, met for the first time. Reaching out to the Muslim community, the Secretary hosted an Iftaar.	No programs established. Shortfall was due to the significantly later-than-expected arrival of the new Ambassador-at-Large for International Religious Freedom. [Significantly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans and integrated into the ongoing work of office, departments, or bureaus involved.
	Result	Impact of Performance Shortfall: Expected benefits did not occur. Shortfall was due to the significantly later-than-expected arrival of the new Ambassador-at-Large for International Religious Freedom. New Ambassador is instituting new priorities for DRL/IRF office.

Strategic Goal 13 Humanitarian Assistance
Annual Performance Goal 1 Equal Access to Protection; Effective and Coordinated Assistance; and Promotion of Durable Solutions (Including Voluntary Repatriation) for Refugees and Victims of Conflict.

PERFORMANCE INDICATOR: CRUDE MORTALITY RATES (CMR)			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
No reports of excessive mortality rates based on set criteria.	No reports of excessive mortality rates based on set criteria.	Prolonged suffering not reported. CMR rate exceeded 1 per 10,000/day for a short time (e.g. Afghanistan, Angola). Better measurement tools created.	Where data were available, refugee crises did not exceed a CMR of 1/10,000 people/day for an extended period. Department/PRM and USAID developed tools to measure and track CMR and under 5 child nutritional status; a training workshop for practitioners was held in July. [On Target]
Details of 2002 Results	<p>Result Data sources/availability: Results were incomplete. Data are not available worldwide. CMR was not reported in all refugee crises. Data collection is not yet standardized.</p> <p>Data reliability: Available data came from reliable sources and were useful to program officers.</p> <p>Partners: The Bureau of Population, Refugees and Migration Affairs collaborated with USAID, CDC, WHO, Refugee Nutrition Information System, World Food Program, Canadian International Development Assistance, UNICEF, UNHCR, IFRC, ICRC and NGOs to establish a standardized methodology for measuring CMR and nutritional status at a workshop in July.</p>		
PERFORMANCE INDICATOR: NUMBER OF UNHCR REPATRIATION PROGRAMS ENDED 2 YEARS AFTER A MAJORITY OF REFUGEES RETURN OR FIND OTHER DURABLE SOLUTIONS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Both Guatemala and Mali repatriations were concluded in 1999, but only after extensions that served to pull UNHCR further into reintegration and development than is preferred.	Refugee repatriation and reintegration programs in Kosovo and East Timor were phasing out.	<p>UNHCR's repatriation programs for East Timorese refugees were almost over and turned over to development agencies. UNHCR planned for FY 2002 a 1-year program to facilitate the local integration or repatriation of the remaining East Timorese in West Timor.</p> <p>Repatriation programs for Kosovar Albanians concluded and continuing reintegration needs were turned over to development agencies. UNHCR completed most of its assistance programs for refugee returnees, but continued to provide protection and assistance to some 220,000 minority IDPs in Kosovo and Serbia. Returns of Serbian IDPs to Kosovo had just begun.</p>	No data. Indicator discontinued and was not tracked. [Not Rated]
Details of 2002 Results	<p>Overall Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of performance progress and was never effectively tracked or utilized.</p>		

Strategic Goal 13 Humanitarian Assistance
Annual Performance Goal 2 Mitigation, Preparedness, and Early Warning of Natural Disasters and Complex Emergencies.

PERFORMANCE INDICATOR: GLOBAL DISASTER INFORMATION NETWORK (GDIN)			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Network still in early stages of testing and development.	Partners reported that GDIN products and services were timely and valuable tools worth further investment.	Attempts were made to obtain information-sharing agreements among data-sharing partners.	<ol style="list-style-type: none"> 1 GDIN community delayed establishment of an operations center but agreed on a design of the center and a more appropriate timeline. [Slightly Below Target] 2 GDIN Community agreed on a new approach to set up five specific services in the 2002-2004 time frame: 1) conference/ workshops; 2) infectious disease analysis; 3) early warning and response; 4) portal service; 5) pilot projects. [On Target]
Details of 2002 Results	Overall	Data sources/availability: Available on the project website, . No problems with data collection.	
	Result 1	Data reliability: Complete and reliable. Data are available on the project web site or accessible by request via email. Impact of Performance Shortfall: GDIN community was excited about the change of plans which was based on advice of governments, the UN, and other partners. In GDIN's opinion, the new approach is more realistic. Partners: Department of Commerce and NASA helped develop a pilot project called PeaceWing. Department of Defense helped develop the GDIN infectious disease service. Department of Transportation, USGS and USAID provided advice.	
	Result 2	Partners: Department/L provided guidance on the role of the GDIN Executive Director and Department officers, and on the establishment of the incorporated elements of the project.	

Strategic Goal 13 Humanitarian Assistance
Annual Performance Goal 3 Elimination of Deployed Landmines and Reduction of Civilian Casualties in Mine-Affected Countries

PERFORMANCE INDICATOR: NUMBER OF COUNTRY PROGRAMS FUNDED BY U.S. NADR APPROPRIATIONS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
31	37	40	32 countries funded by U.S. NADR appropriations. [Slightly Below Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed an inappropriate measure of performance progress and was never effectively tracked or utilized.	
		Data sources/availability: Data from PM/HDP records of programs funded limited to countries that received FY 2002 assistance. Impact of Performance Shortfall: The number of countries targeted included all countries receiving assistance from all Department accounts or in which programs were administered by the Office of Humanitarian Demining Programs. The total number of countries receiving assistance was 39. There was no impact as a result of the shortfall. Data reliability: Reliable. Partners: DOD, USAID, UN (UNDP, UNICEF), OAS, partner countries and various international and local NGOs. Each program was tailored to host nation's needs.	



Strategic Goal 13 Humanitarian Assistance
Annual Performance Goal 3 Elimination of Deployed Landmines and Reduction of Civilian Casualties in Mine-Affected Countries

PERFORMANCE INDICATOR: NUMBER OF U.S.-FUNDED HOST NATION PROGRAMS ACHIEVING MINE-SAFE STATUS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
0	1	2	1 [Slightly Below Target]
Details of 2002 Results	Result	<p>Impact of Performance Shortfall: People continued to be at risk in mine-affected regions of the country; may need additional funding to meet impact-free status goal.</p> <p>Partners: DOD, USAID, UN (UNDP, UNICEF), OAS, partner countries, and various international and local NGOs. Each program was tailored to host nation's needs.</p>	
PERFORMANCE INDICATOR: REDUCTION OF CIVILIAN CASUALTIES IN COUNTRIES WHERE HUMANITARIAN DEMINING PROGRAMS EXIST			
2000 BASELINE	2001 RESULTS	2002 RESULTS	
5%	7%	14% [Above Target]	
Details of 2002 Results	Result	<p>Data sources/availability: Landmine Monitor Report 2002.</p> <p>Data Reliability: Collecting accurate data is difficult because providers of data based collection on calendar year, not U.S. fiscal year. U.S. funding often supplements that of other international donors, so it is difficult for U.S. to claim full credit for outcomes. Some countries do not have the capacity to maintain accurate records. In some cases it is difficult to establish numerically a direct link between activity and subsequent multiple benefits.</p> <p>Partners: DOD, USAID, UN (UNDP, UNICEF), OAS, partner countries, and various international and local NGOs. Each program was tailored to host nation's needs.</p>	
PERFORMANCE INDICATOR: HECTARES/SQUARE KILOMETERS OF LAND RETURNED TO PRODUCTIVE USE			
2000 BASELINE	2001 RESULTS	2002 RESULTS	
3,000 sq. km	3,500 sq. km	8,897 sq. km land returned to productive use. [Above Target]	
Details of 2002 Results	Result	<p>Data sources/availability: Landmine Monitor Report 2002.</p> <p>Data Reliability: Collecting accurate data is difficult because providers of data based collection on calendar year, not U.S. fiscal year. U.S. funding often supplements that of other international donors, so it is difficult for U.S. to claim full credit for outcomes. Some countries do not have the capacity to maintain accurate records. In some cases it is difficult to establish numerically a direct link between activity and subsequent multiple benefits.</p> <p>Partners: DOD, USAID, UN (UNDP, UNICEF), OAS, partner countries, and various international and local NGOs. Each program was tailored to host nation's needs.</p>	
PERFORMANCE INDICATOR: NUMBER OF LANDMINES AND AMOUNT OF UNEXPLODED ORDNANCE REMOVED			
2000 BASELINE	2001 RESULTS	2002 RESULTS	
10,000	20,000	100,000 [Significantly Above Target]	
Details of 2002 Results	Result	<p>Data sources/availability: Landmine Monitor Report 2002.</p> <p>Data Reliability: Collecting accurate data is difficult because providers of data based collection on calendar year, not U.S. fiscal year. U.S. funding often supplements that of other international donors, so it is difficult for U.S. to claim full credit for outcomes. Some countries do not have the capacity to maintain accurate records. In some cases it is difficult to establish numerically a direct link between activity and subsequent multiple benefits.</p> <p>Partners: DOD, USAID, UN (UNDP, UNICEF), OAS, partner countries, and various international and local NGOs. Each program was tailored to host nation's needs.</p>	

Strategic Goal 14 Environment
 Annual Performance Goal 1 Donor Countries and International Financial Institutions Support U.S. Positions and Efforts to Make Trade and Environment Policies Mutually Supportive

PERFORMANCE INDICATOR: CONTENT AND STATUS OF THE FREE TRADE AGREEMENT FOR THE AMERICAS (FTAA)

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Parties negotiating the FTAA create a Governmental Committee on Civil Society that can recommend how concerns for sustainable development can be incorporated into the FTAA.	FTAA negotiators endeavor to insert language supporting environmental/sustainable development concerns into the investment chapters of the proposed agreement.	Progress was made in garnering support for consideration of environmental provisions in the FTAA process. However, some countries still question the need to address environmental issues in trade discussions.	Negotiations are ongoing, as are negotiations for 3-4 bilateral FTAs. The Trade Act of 2002, passed during the last quarter of FY02, authorized the President to negotiate trade agreements subject to an up-or-down vote in Congress. Negotiations continued in FY 2002, with a ministerial meeting in November 2002. FTAA negotiators agreed to incorporate within the Quito Ministerial declaration language that included protecting the environment as an FTAA goal. [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
	Result	<p>Data sources/availability: Incomplete. FTAA negotiations are ongoing, as are negotiations for 3-4 bilateral FTAs.</p> <p>Impact of Performance Shortfall: While environmental concerns were incorporated into the declaration of the Nov. 2002 Ministerial summit, they are not yet incorporated into the draft FTAA text. Since the Trade Promotion Authority Act has set this target as a top objective for any final FTAA agreement, it will most likely be reached – but probably not in FY 2003. Increased attention to bilateral FTAs and to the Doha Round of WTO negotiations has reduced the strategic attention paid to FTAA. While the U.S. continues to make the incorporation of environmental concerns into FTAA a top priority, the manpower and resources have shifted to bilateral FTAs. While FTAA remains one of the Department's targets, given the slow pace of negotiations on the environmental aspect of FTAA, resources will be directed toward the growing number of bilateral FTA negotiations, which have more ambitious timelines.</p> <p>Partners: USTR continued to pursue public outreach efforts to promote its views on making trade and environmental policies mutually supportive. A session for civil society organizations was scheduled in parallel to the November 2002 ministerial meeting.</p>	

PERFORMANCE INDICATOR: STATUS AND IMPACT OF JORDAN'S ENVIRONMENTAL INSTITUTIONAL CAPACITY, ITS LAWS AND REGULATIONS

2000 BASELINE	2001 RESULTS	2002 RESULTS	
Negotiation of U.S.-Jordan Free Trade Agreement (FTA).	U.S.-Jordan FTA signed and ratified. While making some preparations in FY '01, Jordan did not establish its new Environment Ministry. U.S. technical experts from EPA met with Jordanian officials for consultations on the new Ministry, but the U.S.-Jordan Environment Working Group has not yet been formally constituted.	Though it declared its intention, the Government of Jordan has not yet established the Ministry of the Environment, and it is unclear when it might do so. The Jordanian Government's General Corporation for Environmental Protection (GCEP) continues to operate and developed bylaws during 2002. USAID funded an environmental management capacity assessment for Jordan. Regional Environment Office supported workshop for environmental NGOs and GCEP on proposal/grant preparation. [Significantly Below Target]	
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
	Result	<p>Impact of Performance Shortfall: This target was developed to support capacity building for Jordan's anticipated new Environment Ministry. Until a ministry is in place, it will be hard to meet this target. Without new Environment Ministry in place and operating, impact of USG activities was lessened. Impact of environmental management capacity assessment will not be known until 2003.</p> <p>Partners: USAID/Amman funded the environmental management assessment.</p>	

Strategic Goal 14 Environment
Annual Performance Goal 1 Donor Countries and International Financial Institutions Support U.S. Positions and Efforts to Make Trade and Environment Policies Mutually Supportive

PERFORMANCE INDICATOR: COMPLIANCE WITH WORLD BANK CHAD-CAMEROON PIPELINE SOCIAL/ENVIRONMENTAL PROGRAM			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
<p>Governments of Chad and Cameroon, World Bank, and consortium agree on programs promoting sustainable development as part of pipeline project.</p> <p>Establish key priorities for project monitoring.</p>	<p>Governments of Chad and Cameroon and World Bank begin capacity-building training, establish project-monitoring boards</p> <p>Formal mechanisms for consultation, conflict resolution established between local communities and consortium, WB, and local officials.</p>	<p>Chadian local development plan completed.</p> <p>Development board established. Baseline survey of Cameroon's Pygmy communities and implementation of community-based compensation projects completed.</p>	<ol style="list-style-type: none"> 1 Slow progress in improving infrastructure due to lack of capacity and political will, but some progress nonetheless [Slightly Below Target] 2 Successful management of population influxes without excessive environmental impact. [On Target] 3 After successful surface/groundwater contaminant mitigation in Chad, Consortium developed plan illustrating effects of potential pollution sources and how to prevent similar problems in the future. [On Target] 4 Oil will likely begin to flow into pipeline in June 2003. [Above Target] [Summary Rating: On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
	Result	<p>Data sources/availability: Independent Inspection Panel conducted assessment in spring 2002 at request of Chadian citizens and Government. Including Independent Panel Report, all data available from World Bank.</p> <p>Impact of Performance Shortfall: Slow progress in improving infrastructure.</p>	
PERFORMANCE INDICATOR: INTERNATIONAL PRIVATE CAPITAL FLOWS FOR THE SOUTH-NORTH WATER PROJECT IN CHINA INCORPORATE ENVIRONMENTAL PROTECTION			
2000 BASELINE	2001 RESULTS	2002 RESULTS	
<p>China announced plan to initiate South-North Project.</p>	<p>Interagency participation with Chinese Ministry of Water Resources in conference on environmental-protection practices in the South-North Water Project. Interagency coordination tracking environmental impact and management of the South-North Water Project.</p>	<p>South/North Water Transfer (SNWT) environmental advocacy in early 2001 continued to resonate, and strengthened the hand of those most concerned with the environmental aspects of the project. In November 2002, media reports indicated that preliminary construction of the project was scheduled to begin by the end of the year. [Slightly Below Target]</p>	
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
	Result	<p>Data sources/availability: Embassy reporting. Data on this performance goal were largely unavailable (except as noted above) due to an overall lack of public information released on this project by the host government. Outside of tightly controlled press announcements, planning for this project has not taken place in a public or otherwise accessible environment. Embassy Beijing has examined this topic several times since January and indicated that new developments were not forthcoming. Press reporting on SNWT continued to be the primary source of data on environmental assessments of this project.</p> <p>Impact of Performance Shortfall: FY 2002 progress in assessing this goal was limited because of slow development of the project by Chinese planners and delays in releasing information to the public about specific aspects of the plan. Indications were that most aspects of the project were undergoing significant environmental impact assessment (EIA) reviews.</p> <p>Partners: Specific coordination on SNWT with other USG agencies did not take place in 2002. However, there was broad coordination, through a number of interagency working groups, on water issues. Agencies involved include: USGS, EPA, OSTP, Agriculture, and DOC (including NOAA).</p>	

Strategic Goal 14 Environment
 Annual Performance Goal 1 Donor Countries and International Financial Institutions Support U.S. Positions and Efforts to Make Trade and Environment Policies Mutually Supportive

PERFORMANCE INDICATOR: NUMBER OF COUNTRIES' EXPORT CREDIT AGENCIES THAT AGREE TO COMMON ENVIRONMENTAL GUIDELINES.		
2000 BASELINE	2001 RESULTS	2002 RESULTS
OECD consultations continue.	OECD Export Credit Group held five rounds of negotiations on common environmental guidelines.	OECD countries disagreed with USG concepts for strong, common environmental guidelines. USG chose not to join OECD agreement because it is not sufficiently transparent and lacking common standards. [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress
	Result	<p>Data sources/availability: Virtually all OECD governments have reported using World Bank environmental guidelines to benchmark project proposals. Given absence of alternative standards, we expect all OECD governments will de facto adopt uniform environmental standards. Key point will be ensuring Export Credit Agencies do not simply benchmark (i.e., use guidelines as a reference point), but use the standards as a decision point for approving/disapproving project proposals.</p> <p>Data reliability: Data on implementation in other OECD countries have been anecdotal until now. Other governments were required to report data on CY 2002 implementation at the end of December 2002. Can judge completeness, quality and reliability of data after December 2002.</p> <p>Impact of Performance Shortfall: Although negotiations were unable to secure OECD agreement to strong, common and mandatory environmental guidelines, Department succeeded in setting the terms of debate, maintaining negotiating leverage and position eventually to convince other countries to agree to what they are already practicing—evaluating project proposals against what are strong World Bank environmental guidelines.</p> <p>Partners: Close interagency consultations with Treasury, Export-Import Bank, and, when necessary, the White House. Regular contact with environmental NGOs and American export business community.</p>

Strategic Goal 14 Environment
 Annual Performance Goal 2 International Treaties and Agreements that Protect the Environment are Negotiated, Implemented, and Enforced

PERFORMANCE INDICATOR: RESPONSE OF THE INTERNATIONAL COMMUNITY TO ALTERNATIVE APPROACHES TO THE ADMINISTRATION'S NEW APPROACH TO CLIMATE CHANGE		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Parties progress in elaborating components of the Kyoto Protocol. General modalities for CDM and other mechanisms become clearer.	Administration confirmed that it would not join the Kyoto Protocol because it is not a sound approach to addressing climate change. The Department has continued to participate actively within the UN Framework Convention on Climate Change, as well as bilaterally and regionally to promote effective approaches to climate change.	New partnerships announced or initiated with Australia, Canada, the EU, India, Korea, and China. Implementation of partnerships with Japan (more than 30 projects in science, technology, and policy cooperation identified), Central American countries, Italy (more than 20 projects relating to climate science and technology), and Australia (19 projects initiated). Key working groups established; specific projects and project-related activities agreed to and begun. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress. Indicator was formerly entitled <i>Response of the International Community to Alternative Approaches to the Kyoto Protocol</i> .
	Result	<p>Data reliability: The data are reliable, consisting largely of bilaterally agreed work plans and announcements, project lists, and lists of implemented projects.</p> <p>Partners: Bilateral and regional climate change partnerships involve extensive inter-agency cooperation. The Department worked with agencies including DOE, EPA, NOAA, CEQ, DOC, USDA, NASA, USGCRP, and NSF.</p>

Strategic Goal 14 Environment
Annual Performance Goal 2 International Treaties and Agreements that Protect the Environment are Negotiated, Implemented, and Enforced

PERFORMANCE INDICATOR: EFFECT OF PRIOR INFORMED CONSENT CONVENTION

2000 BASELINE		2001 RESULTS	2002 RESULTS
Submit to Senate for advice and consent.		Senate has not yet considered the Prior Informal Consent Convention.	Made progress with Congress toward ratification of the Rotterdam Convention. [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for purpose of tracking general Department progress	
	Result	<p>Impact of Performance Shortfall: There will be no negative impact from this shortfall because not enough other countries have ratified the Rotterdam Convention for it to enter into force in 2002. As a result, the U.S. did not face a potential situation where it would be disadvantaged by not yet being a party to this agreement. We have made good progress in working with Congress in the goal of ratification of the Rotterdam Convention. We believe the process is well on track for the Senate to provide advice and consent and the Congress to pass the necessary implementing legislation in 2003.</p> <p>Partners: Department continues to work actively with EPA and other federal agencies to garner Senate advice and consent to ratification and passage of the necessary implementing legislation for this agreement.</p>	

PERFORMANCE INDICATOR: CONVENTION TO COMBAT DESERTIFICATION MITIGATES THE EFFECTS OF DROUGHT ON ARID, SEMI-ARID, AND DRY SUBHUMID LANDS

2000 BASELINE		2001 RESULTS	2002 RESULTS
Senate provides advice and consent.		Senate gave its advice and consent to ratify the Deserts Convention in October 2000. U.S. instrument of ratification deposited with the UN November 17, 2001. Under the terms of the treaty, the U.S. became a Party to the Convention on February 15, 2001.	Department promoted U.S. scientists to the UNCCD Roster of Experts, and emphasized the importance of the focus on applied research, synthesis work and networking on concrete implementation issues for the committees of the UNCCD. Seven U.S. scientists serve on UNCCD's Roster of Experts, one U.S. scientist on UNCCD's Committee for Science and Technology, and language in the National Action Programs supporting education and information sharing [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
	Result	<p>Data sources/availability: Data is not yet available. The UNCCD's Committee for Science and Technology Group of Experts and the Committee for the Review of the Implementation of the Convention have just recently met, and no documents are yet available.</p> <p>Data reliability: With the number of universities involved and the amount of sharing of information globally will be difficult to capture. The number of participants in IARC and FEWSNET, only two of many possible measures of expanded sharing of technical expertise for desertification, can be tallied as the Department continues its work with UNCCD.</p> <p>Partners: Department coordinates with USAID, BLM, USDA, the Smithsonian, NOAA, and USGS in its technical and policy work in the UNCCD forum.</p>	

PERFORMANCE INDICATOR: STATUS OF RATIFICATION OF STOCKHOLM CONVENTION ON PERSISTENT ORGANIC POLLUTANTS (POPS) CONVENTION

2000 BASELINE		2001 RESULTS	2002 RESULTS
Under negotiation		The President, in a Rose Garden ceremony, endorsed the POPS Convention. United States signed Convention in May 2001 and began preparing documentation to request Senate advice and consent.	U.S. Congress is still considering necessary steps to allow U.S. ratification to proceed. [Slightly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
	Result	<p>Impact of Performance Shortfall: This shortfall will not have a negative impact because not enough other countries have ratified the Stockholm Convention for it to enter into force in 2002. As a result, the U.S. did not face a potential situation where it would be disadvantaged by not yet being a Party to this agreement. The Department has made good progress in working with Congress on ratifying the Stockholm Convention. The Department believes the process is well on track for the Senate to provide advice and consent and the Congress to pass the necessary implementing legislation in 2003.</p> <p>Partners: The Department continued to work actively with EPA and other federal agencies to garner Senate advice and consent to ratification and passage of the necessary implementing legislation for this agreement.</p>	

Strategic Goal 14 Environment
Annual Performance Goal 2 International Treaties, Agreements, and Voluntary Initiatives that Protect the Environment are Negotiated, Implemented, and Enforced

PERFORMANCE INDICATOR: STATUS OF FORCE OF UNITED NATIONS FISH STOCKS AGREEMENT AND FAO COMPLIANCE AGREEMENT		
2000 BASELINE	2001 RESULTS	2002 RESULTS
United States completes implementation of the two agreements.	The Compliance Agreement did not enter into force due to the delay by some countries in completing internal procedures. However, the entry into force of the UN Fish Stocks Agreement (FSA), was achieved a year earlier than expected. Department leadership produced an UNGA resolution containing a plan for its implementation.	The U.N. Fish Stocks Agreement entered into force in December, 2001; the UN General Assembly and States party to the UN Fish Stocks Agreement agreed, in principle, to establish a voluntary trust fund for implementation of the Agreement. Department has begun consultations with the other States Party to the Agreement to promote its effective implementation, particularly pertaining to cooperation with developing states. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress
	Result	Data reliability: Reliable data are available on the number of States that have deposited instruments of ratification. In the future, quantitative data on the implementation of the Agreement will be necessary and will be provided for through the reporting process coordinated by the United Nations related to the annual fisheries resolution. Partners: Department coordinated with NOAA, NMFS, the US Coast Guard and a variety of non-governmental organizations and industry groups in implementing the Agreement.
PERFORMANCE INDICATOR: EFFECT OF AN INTEGRATED U.S. GOVERNMENT POSITION ON THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT		
2000 BASELINE	2001 RESULTS	2002 RESULTS
United States begins to develop interagency position on substantive issues and strategies for addressing procedural questions to reach a consensus USG position.	Consensus Summit position evolved as part of integrated USG international development policy, in close coordination with related development events (FFD, G-8, and Food Summit +5). Department-led interagency policy coordination subcommittee identifying USG deliverables and priority initiatives for Summit.	USG successfully secured international support for its position through unanimous adoption of the Johannesburg Plan of Implementation and the Johannesburg Commitment to Sustainable Development at the World Summit on Sustainable Development (Johannesburg, South Africa, September 2002). [Significantly Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress
	Result	Data sources/availability: Reliable data available: Agencies published interagency policy document "Vision Statement for the World Summit on Sustainable Development." U.S. joined consensus on Johannesburg Plan of Implementation and Johannesburg Commitment to Sustainable Development, both of which endorse U.S. policy objectives. WSSD documents endorsed public-private partnerships concept and participants announced the creation of over 200 such partnerships for sustainable development. Partners: Extensive interagency coordination, including: regular policy- and working-level meetings, coordinated outreach efforts, including briefings, diplomacy, public diplomacy, establishing a Summit training institute and creating a U.S. exhibit at the Summit, development of 20 U.S. partnership initiatives, including four "signature" sustainable development partnerships on water, energy, hunger, and forests.

Strategic Goal 14 Environment
Annual Performance Goal 2 International Treaties, Agreements, and Voluntary Initiatives that Protect the Environment are Negotiated, Implemented and Enforced

PERFORMANCE INDICATOR: TRADE DECISIONS ASSISTED BY BIOSAFETY PROTOCOL IMPLEMENTATION		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Biosafety Protocol implementation proceeds effectively with emphasis on information sharing.	The Intergovernmental Committee for the Cartagena Protocol met for the first time in December 2000 to begin preparations for entry into force of the treaty. We were successful in gaining agreement to develop and launch the pilot phase of the Biosafety Clearing House, which was made operational in FY 2001 due largely to U.S. financial and technical support.	The Biosafety Protocol did not enter into force in 2002 as some expected. Nevertheless, the USG developed a biotechnology regulatory web page to share relevant information for environmentally informed trade decisions. USG further supported the development of the Protocol's Biosafety Clearing House, which will become operational when the Protocol enters into force. The Department's work created the mechanism for information sharing and established a model for other countries to follow which is in place ahead of schedule. [Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for purpose of tracking general Department progress
		Data sources/availability: No data because the Protocol has not yet entered into force, and so has not been implemented by States Parties. Partners: The Department continued to collaborate closely with other interested agencies, including the USDA, EPA, FDA, USGS, DOC, and NIH. The Biosafety Interagency Working Group maintained regular contact with both industry representatives and non-governmental organizations on biosafety issues.
PERFORMANCE INDICATOR: EFFECT OF FAO INTERNATIONAL PLANS OF ACTION FOR SEABIRD BY CATCH AVOIDANCE, FOR SHARK CONSERVATION AND MANAGEMENT, AND FOR FISHING VESSEL CAPACITY REDUCTION BY FAO MEMBERS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
While some countries are taking action, none have established National Plans of Action to implement international plans.	The United States fulfilled its commitments on publishing National Plans of Action on Seabirds and Sharks. A number of other countries also published plans. National Plans of Action on fishing capacity are not due until 2003. However more needs to be done before all countries establish and implement International Plans of Action (IPOAs). In 2001, the United States successfully led the effort to adopt an IPOA on combating IUU fishing.	A regional fisheries management organization rebuilding plan contributed to the recovery of the North Atlantic Swordfish. APEC workshop on shark conservation and management, was held to build capacity for APEC economies to implement the FAO IPOA, a regional fisheries management organization adopts the first limitations on fishing capacity, Southern Ocean Albatross and Petrel Agreement enters into force, and further progress toward establishing a regime to conserve and manage highly migratory fish stocks in central and western Pacific Ocean. [On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress
		Data sources/availability: Accurate data on the status of fish stocks and the level of bycatch of associated and dependent species are difficult and expensive to gather, given the realities and logistics of commercial fishing operations. Limited or variable data can affect the ability of scientists to make accurate assessments regarding the status of fish stocks and associated and dependent species. Data reliability: Fisheries data collection and reliability varies from fishery to fishery and region to region; it is difficult to measure fishing capacity; and data on the level of bycatch of associated and dependent species (such as sharks) are limited and also varied considerably from region to region. Partners: Department coordinates with NOAA, NMFS, USFWS, the US Coast Guard, and a variety of non-governmental organizations and industry groups in advancing US interests and objectives at the global and regional level.

Strategic Goal 14 Environment
Annual Performance Goal 3 International Financial and Multilateral Institutions and Donor Countries Provide Greater Development Assistance Dealing with Key Environmental Issues

PERFORMANCE INDICATOR: ACTIVITY OF CFC-PRODUCING ENTERPRISES		
2000 BASELINE	2001 RESULTS	2002 RESULTS
All seven CFC-producing enterprises halt production.	CFC producers destroy production line equipment.	CFC producers in Russia have properly disposed of all ozone-depleting products. [On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress Data sources/availability: Data are collected and available through the World Bank and the Global Environment Facility, which oversaw the projects to ensure Russia's phase out of ozone depleting chemicals. Partners: Department has closely coordinated with EPA, USAID, and Treasury on the Russian phase-out projects.
PERFORMANCE INDICATOR: REGIONAL ENVIRONMENTAL CENTERS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Kiev and Chisinau Regional Environmental Centers (RECs) established. Tbilisi and Almaty REC agreements being finalized.	Tbilisi REC successfully established by U.S. and operational. Water management conference brought together government and civil society from the three Caucasus countries to discuss management of shared water resources. Almaty REC established by EU; work plans are being developed. Moscow REC established and operational.	All RECs operational. EU provided additional donor support to all RECs; other donor support at or above target for RECs in Georgia, Hungary and Almaty, and is being explored for RECs in Moldova, Russia and Ukraine. RECs promoted progress regionally on implementation of Agenda 21 (from the 1992 United Nations Conference on Environment and Development), and water management, helped organize regional participation in international conferences, with participation by governments, NGOs and private sector. [Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress Data sources/availability: Department, USAID, and published REC reports on donor contributions and implementation, when available. Data reliability: Reliable. Data are corroborated by information from other donors, institutions, and USG observation. Partners: EPA, as the US Executive Agency to the bilateral agreements on the REC-Kiev, REC-Caucasus, and Central Asia Regional Environmental Center (CAREC), and as the primary manager of US funding for the RECs. EPA's initial funding to the CAREC (\$220,800) has supported the regional grants program for Central Asian NGOs, the CAREC involvement in regional preparation for WSSD and now Kiev 2003 Ministerial, development of a training program for CA environmental journalists, and also allowed for program coordination with other NRECs, all of which were catalysts for drawing other donor activities.

Strategic Goal 14 Environment
Annual Performance Goal 3 International Financial and Multilateral Institutions and Donor Countries Provide Greater Development Assistance Dealing with Key Environmental Issues

PERFORMANCE INDICATOR: PROGRESS AMONG U.S. GOVERNMENT, DONORS AND RIPARIANS IN ADDRESSING TRANSBOUNDARY WATER ISSUES IN KEY REGIONS

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
No data.	Riparians met infrequently and unproductively. Donors met but little coordination.	Riparians in the Nile and Mekong met regularly to develop joint project proposals. Donors met to discuss cooperation and coordination. Nile donor conference, held in Geneva, raised \$140 million (U.S.). Initial discussions taking place among the riparians in the Caucasus and Okavango.	The Riparian countries continue to work on a legal framework and have raised more than \$140 million in donor support for joint development projects. Riparian countries have negotiated a framework agreement for navigation on the Sava and begun preparation of joint development activities. Angola, Namibia, and Botswana have participated in joint training on conflict resolution and joint watershed management. Joint projects among NGOs within the Araks and Kura watersheds are underway. Regular regional discussion on joint management of the Amu and Syr Darya Rivers of Central Asia taking place under the auspices of the International Fund to Save the Aral Sea (IFAS) and related organizations. Nile riparian countries established an international organization to facilitate joint management of the watershed. [Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
	Result	Data sources/availability: Data are premised on reporting from U.S. posts, missions and non-governmental parties involved in the activities. Data reliability: Some outcomes were objective and reliable (i.e., meetings occurred, agreements reached, institutions formed); others were subjective and based on anecdotal information. Most of the above reporting was considered reliable.	

PERFORMANCE INDICATOR: MANAGEMENT OF WATER IN WEST BANK AND GAZA

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Construction of wells and pipelines in West Bank. Wastewater treatment project in Gaza. Planning for Amman system rehabilitation and wastewater treatment plant. Construction of Wadi Musa wastewater system.	Four new wells in West Bank come online. Project to protect Gaza aquifer initiated. Amman system rehabilitation project initiated. West Bank village water project initiated. Wastewater project in Wadi Musa came online.	Intifada-related violence in the West Bank and Gaza made work on water projects there much more difficult. Despite the difficult conditions, initial work on the Hebron wastewater treatment project, the Gaza water carrier, and the Gaza desalination project got underway. In Jordan, preparations for the Amman area wastewater treatment project continued, but financing for the project is complex, progress was slower than planned, and construction will not begin until FY 2002.	Two new wells in the West Bank came online. Designs were developed, to supply new water to 100,000 additional people in West Bank villages. Parties signed an agreement for the Amman As Samra wastewater project. Construction is continuing on the Amman water supply system rehabilitation project. Bidding process for the Gaza carrier, continued, with contract award anticipated for FY2003. Water projects were also completed to supply the Ein Sultan refugee camp near Jericho and villages near Jenin. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
	Result	Data sources/availability: USAID reports of project progress Data reliability: Data are reliable and complete, as they come from USAID/Tel Aviv and USAID/Amman, which manage the projects. Partners: USAID is implementing Amman municipal system rehabilitation project in coordination with four other donors (the European Investment Bank, the World Bank, Germany, and Italy). Other donors, including Germany, Japan, and Norway, are involved in water projects in the West Bank and Gaza.	

Strategic Goal 14 Environment
Annual Performance Goal 3 International Financial and Multilateral Institutions and Donor Countries Provide Greater Development Assistance Dealing with Key Environmental Issues

PERFORMANCE INDICATOR: EFFECT OF WATER RESOURCES AND ENVIRONMENT WORKING GROUPS IN MIDDLE EAST

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Key water and environment projects continue to produce results, even in the face of continued slowdown in the peace process; four existing water and environment projects initiate new activities.	Three water and environment projects initiate new activities; current activities continue to make progress.	Poor political climate and Intifada-related violence made all regional activities extremely difficult and progress on all projects slower than planned. One new water activity and one new environment activity were initiated. Regional water center in Amman was not formally established due to the political situation, but work at	The water curriculum for high school students was published in Arabic and Hebrew, and placement in schools began. Middle East experts and officials continued work on multilateral water and environment projects. Rainfall intensity activity was completed in the regional water data banks project, and regional participants agreed on a follow-up activity; one new hydro-geologic activity began, and several more are planned. A new combined water-environment activity in wastewater treatment and reuse was prepared. The USG funded participants in the Dryland Management initiative to attend a workshop on sustainable agroecosystems. Progress on the Waternet electronic network was slowed, with a replacement of the software needed. [On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress.	
		Data sources/availability: Information for the results comes from project reports and direct discussions with project participants. Data reliability: Results data are complete and reliable. Partners: The Department leads the Middle East multilateral process. The technical activities for projects are carried out by different USG technical agencies, including the US Geological Survey, the Bureau of Reclamation, Department of Agriculture, and the Environmental Protection Agency. Other donor countries and international organizations participate in and contribute to the work of the multilateral process, including France, the Netherlands, Norway, Japan, Korea, the EU, the World Bank, and Canada.	

PERFORMANCE INDICATOR: INTERNATIONAL CONSORTIUM FOR COOPERATION ON THE NILE (ICCON) ACTIVITIES

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Initiate environmental study in Nile Basin in support of preparations for establishment of ICCON.	Nile Basin environmental study completed.	Riparians held ICCON meeting in June 2001 and raised \$140 million for regional and subregional activities. Significant progress has been made in developing regional projects.	Nile riparian countries established an international organization to facilitate joint management of the watershed. The riparian countries continue to work on a legal framework and have raised more than \$140 million in donor support for joint development projects. [Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress.	
		Data sources/availability: Data are premised on reporting from U.S. posts, missions, and non-governmental parties involved in the activities. Data reliability: Some outcomes were objective and reliable (i.e., meetings occurred, agreements reached, institutions formed); others were subjective and based on anecdotal information. Most of the above reporting was considered reliable. Partners: All the activities occurred in coordination or partnership with other governmental and non-governmental partners. Partners in the Nile include more than 10 governments, the World Bank, the African Development Bank, GEF, the Islamic Development Bank, UNDP, and several NGOs.	

Strategic Goal 14 Environment
Annual Performance Goal 3 International Financial and Multilateral Institutions and Donor Countries Provide Greater Development Assistance Dealing with Key Environmental Issues

PERFORMANCE INDICATOR: UNEP ASSISTANCE AND CAPACITY BUILDING

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
UNEP agrees on need for more technical assistance on trade-related environmental issues.	U.S. engages support of UNEP leadership for more assistance on trade-related environmental issues.	Governing Council agrees to direct more funds to technical assistance to deal with trade-related environmental issues. U.S. involvement of work of Economic and Trade Unit expands.	UNEP expanded its work in the field of trade-related activities in 2002 in order to participate more fully in work on environmental aspects of the WTO Doha Ministerial Conference. [On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress	
		Data sources/availability: Data available through UNEP's Economics Division. Partners: These activities were coordinated closely with USTR, EPA, and other interested USG agencies.	

PERFORMANCE INDICATOR: STATUS OF U.S. – JAPAN GLOBAL ISSUES COOPERATION AND ENVIRONMENTAL POLICY DIALOG

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
The U.S.-Japan global issues cooperation and Environmental Policy Dialog promotes cooperation in developing countries.	The U.S.-Japan global issues cooperation and Environmental Policy Dialog promotes cooperation in developing countries.	Expanded science and technology cooperation on climate change measurement through Array for Real-Time Geostrophic Oceanography(ARGO) and Integrated ocean drilling program (IODP), and coordinated U.S.-Japan approach to transboundary water in developing countries.	IODP US and Japan currently drafting an MOU to deploy the IODP in 2003 ARGO current deployment as of December 4, 2002: 579 Argo floats have been deployed and are operational, of which, 197 have been deployed by the U.S. and 90 by the Japanese. FY 2002 milestones since the initiation of funding in FY 1999 include 1,624 floats funded globally, with the U.S. funding 737 and the Japanese 202 (many floats have been purchased but are not operational yet). Over the next three years (FY 2003 - FY 2005) funding has been proposed for 2,517 floats, with the US contributing 1,313 and Japan 300. Mekong Water Assessment project not yet launched. Fund site scheduled to be established in Manila before the end of 2002. Pre-award audit completed and passed. [On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress.	
		Data sources/availability: The data were transmitted via satellite, are very reliable, and available within 24 hours to all users via the Internet.	

PERFORMANCE INDICATOR: STATUS OF EU FISHERIES

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
E.U. fisheries' policies dominated by socio-economic concerns; U.S.-E.U. relations in international fisheries forums strained.	E.U. embarked on review of its Common Fisheries Policy (CFP).	Provided the E.U. with detailed feedback on its CFP Green Paper. Fisheries included as an early-warning item in New Trans-Atlantic Agenda discussions and raised with visiting E.U. Parliamentarians. E.U. included conservation as critical focus in draft Green Paper on domestic fisheries. E.U. will finalize the new CFP in the next year.	Department raised U.S. concerns with EU fisheries policies at a high level and in other multilateral fora and continued to work with EU counterparts as the Common Fisheries Policy (CFP) is finalized. [On Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress.	
		Data sources/availability: The data on quantity and kind of development assistance provided by international financial and multilateral institutions and donor countries are generally reliable and available. Partners: Department coordinated with NOAA, NMFS, USFWS, USAID, the US Coast Guard, and a variety of non-governmental organizations and industry groups.	

Strategic Goal 14 Environment
 Annual Performance Goal 3 International Financial and Multilateral Institutions and Donor Countries Provide Greater Development Assistance Dealing with Key Environmental Issues

PERFORMANCE INDICATOR: HAZE POLLUTION SITUATION IN INDONESIA					
1999 BASELINE		2000 RESULTS		2001 RESULTS	2002 RESULTS
Policies and enforcement in Indonesia is negligible.		Government of Indonesia adopts managed burn policy and begins enforcement.		Government of Indonesia adopts managed burn policy and begins enforcement.	No violators were prosecuted. [Significantly Below Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress			
	Result	<p>Data sources/availability: Contacts at the national and local levels; and monitoring the press for the last 5 years has not turned up one example of prosecution for setting forest fires. The Indonesian forest continues to be lost at an increasingly rapid rate due to intentionally set fires; no apparent GOI action taken to prevent it.</p> <p>Data reliability: There has been a marked improvement since 1997-98 in the Government of Indonesia's ability to pinpoint and quantify the extent of fires and the resulting haze, primarily due to the sharing of regional satellite images and other monitoring activities. The problem is not a lack of information but a lack of good governance.</p> <p>Impact of Performance Shortfall: Millions of Indonesians, especially on the islands of Borneo and Sumatra, not to mention additional millions in Malaysia, Singapore and Brunei, continue to suffer ill health from the annual but preventable haze caused by intentionally lit forest fires. The problem is a lack of good Indonesian governance.</p> <p>Partners: USAID funded experts from the Department of Interior to train Indonesian government officials on how to put out fires, but U.S. must now focus on the much more critical and productive exercise of how to encourage the Indonesian government to enforce its own laws against illegal burning.</p>			
PERFORMANCE INDICATOR: STATUS OF UNEP GLOBAL RESOURCES INFORMATION DATABASE (GRID) SIOUX FALLS					
1999 BASELINE		2000 RESULTS		2001 RESULTS	2002 RESULTS
No program.		Interest and support has spread to U.S. Government agencies, private sector and non-governmental organizations.		Possible new donors identified. Contributions made by the GEF and Germany.	U.S., Canadian, and Mexican scientific institutions contribute funding and in-kind resources to GRID Sioux Falls research programs. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was deemed too specific for tracking general Department progress			
	Result	<p>Data sources/availability: Data are available through the UN Environment Program Division of Early Warning and Assessment.</p> <p>Partners: GRID is a cooperative program involving NASA, NOAA, EPA, USGS, and the US Forest Service.</p>			

Strategic Goal 15
Annual Performance Goal 1

Population
Improved Reproductive Health; Reduced Incidence of Maternal Mortality and Other Problems that Particularly Threaten Women; Universal Access to Primary and Secondary Education; and Appropriate Governmental Reaction to World Demographic Changes

PERFORMANCE INDICATOR: MATERNAL MORTALITY AT THE NATIONAL LEVEL

1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
Percentage of births assisted by a skilled birth attendant in the less developed countries is 53 percent. Maternal mortality rate (MMR) in less developed countries is 500 deaths per 100,000 live births (500/100,000).		No data	Two countries (where MMR is over 500/100,000 live births) increased by at least 2 percent the number of births assisted by a skilled birth attendant.	The proportion of births assisted by a skilled attendant increased in 14 countries where the maternal mortality rate is very high: Burundi, Cambodia, Cameroon, Chad, Guinea-Bissau, Haiti, Laos, Lesotho, Malawi, Nepal, Nigeria, Rwanda, Senegal, and Tanzania. [Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because the Department does not actually affect these activities.		
	Result	Data sources/availability: Data for 2001 is taken from prior year's report. Data for 2002 is taken from the UN Population Fund's State of World Population 2002, which provides estimates based upon 1995 and subsequent data. This data is neither fully reliable nor wholly up-to-date, in part because the underlying data may be unreliable and may be collected only every few years. Data from this source has been used because it is a single source for all countries and therefore may allow for a certain degree of cross-country comparison. The difficulty of obtaining reliable yearly data played a part in the decision to discontinue this indicator. Partner: USAID.		

PERFORMANCE INDICATOR: AVAILABILITY OF MODERN FAMILY PLANNING AND OTHER REPRODUCTIVE HEALTH CARE FOR INDIVIDUALS REQUESTING SUCH SERVICES

1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
Contraceptive prevalence rate (CPR) in less developed countries is 39 percent (modern methods).		No data	Twenty-two less developed countries increased CPR by (at least) 2 percent.	Over 20 countries increased CPR (modern methods) by 2 percent or more in 2002. Among these, 10 countries increased CPR (modern methods) by at least 10 percentage points: Cambodia, Costa Rica, Czech Republic, Laos, Lesotho, Mongolia, Malawi, Turkmenistan, Uganda, Uzbekistan, and Yugoslavia. [Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because the Department does not actually affect these activities.		
	Result	Data sources/availability: Data for 2001 were taken from prior year's report. Data for 2002 were taken from the UN Population Fund's State of World Population 2002, which provides estimates based upon 1995 and subsequent data. Data are neither fully reliable nor wholly up-to-date, in part because the underlying data may be unreliable and may be collected only every few years. Data from this source have been used because it is a single source for all countries and therefore, may allow for a certain degree of cross-country comparison. The difficulty of obtaining reliable yearly data played a part in the decision to discontinue this indicator. Partner: USAID.		

PERFORMANCE INDICATOR: SECONDARY SCHOOL ENROLLMENT RATES AMONG GIRLS

1999 BASELINE		2000 RESULTS	2001 RESULTS	2002 RESULTS
Sixty-three countries had enrollment under 50 percent.		No data	No improvement.	Thirty countries where girls' enrollment in secondary school was less than 50 percent in 2001 increased by 2 percent or more in 2002. [Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because the Department does not actually affect these activities.		
	Result	Data sources/availability: Data for 2001 were taken from prior year's report. Data for 2002 were taken from the UN Population Fund's State of World Population 2002, which provides estimates based upon 1995 and subsequent data. Data are neither fully reliable nor wholly up-to-date, in part because the underlying data may be unreliable and may be collected only every few years. Data from this source have been used because it is a single source for all countries and therefore, may allow for a certain degree of cross-country comparison. The difficulty of obtaining reliable yearly data played a part in the decision to discontinue this indicator. Partner: USAID.		

Strategic Goal 16 Health
 Annual Performance Goal 1 Increased Political and Financial Commitment to Health

PERFORMANCE INDICATOR: NATIONS IN TARGETED REGIONS AND DONOR PARTNERS APPOINT EXECUTIVE-LEVEL AIDS ENVOYS TO ENGAGE ON HIV/AIDS ISSUES AT THE HEAD-OF-STATE LEVEL

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Fewer than 8	8	Cooperation increasing at executive level.	Combating HIV/AIDS was a higher priority of U.S. ambassadors, officials of the Department and other U.S. government agencies, and foreign officials. A successful chiefs-of-mission conference in Port-au-Prince in April 2001 resulted in an action plan by the ambassadors to combat the HIV/AIDS pandemic. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was determined to be an inappropriate measure of the Department's overall performance progress, difficult to utilize or track, or not indicative of the Department's role.	
	Result	Partners: The Department coordinated its advocacy activities with other U.S. government agencies involved in the fight against HIV/AIDS, including the White House Office of National AIDS Policy, the U.S. Agency for International Development, the Department of Health and Human Services, the DOD, DOC, and the Department of Labor.	

PERFORMANCE INDICATOR: LONG-TERM TREND IN NATIONAL HEALTH EXPENDITURES/RESPONSIVENESS (E.G., WHO INDEX ON SYSTEM RESPONSIVENESS, PERCENTAGE OF GDP SPENT ON HEALTH) OF COUNTRIES IN TARGETED REGIONS

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
For WHO Country Health System Responsiveness Index: Baseline year for the number of countries in targeted regions.	From 1997 to 1998 (the years for which the most recent data is available), the number of countries in which total expenditure on health as a percentage of GDP increased was 95 (50.26%), while there was a decrease in 64 (33.86%) countries, and no change in 30 (15.87%) countries.	No data.	Thirty-two countries and a multilateral institution pledged over \$2 billion to the Global Fund. Forty sub-Saharan African countries have developed national strategies to fight HIV/AIDS, almost three times as many as in 2000. Nineteen sub-Saharan African countries now have national AIDS councils, a six-fold increase since 2000. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was determined to be an inappropriate measure of the Department's overall performance progress, difficult to utilize or track, or not indicative of the Department's role.	
	Result	Data sources/availability: Information on national health expenditures in 2001-2002 was not available. The information on Global Fund proposals and pledges is from the Global Fund, and is reliable. The information regarding activities of sub-Saharan African countries is from UNAIDS, and is also reliable. Partners: The Department coordinated with the Department of Health and Human Services, the White House Office of National AIDS Policy, USAID, and other agencies on all issues concerning the Global Fund.	

Strategic Goal 16 Health
Annual Performance Goal 1 Increased Political and Financial Commitment to Health

PERFORMANCE INDICATOR: LEVEL OF INTERNATIONAL COLLABORATION AND PARTNERSHIPS TO SUPPORT HEALTH; GLOBAL FUND IS MANIFESTATION OF COLLABORATION AND PARTNERSHIP, BECOMES FULLY OPERATIONAL

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Raised global surveillance in international forums; TB research center established in Baltic States; increased international awareness of malaria and influenza vector control issues and WHO Rollback Malaria Program.	More countries involved in developing alternative malaria and flu vector control methods; increased awareness of Rollback Malaria.	The level of bilateral and multilateral collaboration on global health increased significantly. Negotiations concluded to establish Global Fund to Fight AIDS, Tuberculosis, and Malaria, with pledges exceeding \$1.7 billion. Rollback Malaria reported progress. Stop TB Partnerships Global Drug Facility became operational.	Global Fund began work; negotiations continued to put in place working mechanisms to guarantee program and financial accountability, set rules for procurement, etc. Global Fund had multi-year pledges totaling \$2.1 billion, with approximately \$750 million available for the year; one large contribution from the private sector. [Significantly Above Target]
Details of 2002 Results	Result	Data Reliability: Information about Global Fund pledges and receipts is complete and reliable. Partners: The Department coordinated with the Department of Health and Human Services, the White House Office of National AIDS Policy, USAID, and other agencies on all issues concerning the Global Fund.	

PERFORMANCE INDICATOR: DISEASE INCIDENCE RATES HIV/AIDS

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
5.4 million new infections	5.3 million new infections	5.0 million new infections	The number of new HIV/AIDS infections was estimated to have declined from 5.3 million in 2000 to 5 million in 2001, and less than 5 million in 2002. The pandemic is still very strong. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was determined to be an inappropriate measure of the Department's overall performance progress, difficult to utilize or track, or not indicative of the Department's role.	
	Result	Data sources/availability: This result was an estimate of UNAIDS, but is widely used and cited. Data Reliability: Many people do not know whether they are HIV positive; many who do know do not inform public health authorities. Therefore, the exact number of new HIV/AIDS infections is unknown. Partners: The Department coordinated with the Department of Health and Human Services, USAID, DOD, and the Department of Labor in its efforts to fight the HIV/AIDS pandemic.	

PERFORMANCE INDICATOR: DISEASE INCIDENCE RATES FOR POLIO

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
7,142 cases	2,979 cases	537 cases	The number of polio cases is estimated to have decreased from 2000 and 2001 levels. No estimate of the number of cases in 2002 is available yet. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was determined to be an inappropriate measure of the Department's overall performance progress, difficult to utilize or track, or not indicative of the Department's role.	
	Result	Data sources/availability: The number of polio cases was an estimate of the WHO. It is reliable but not exact. Not all polio cases are reported to public health authorities. Therefore, the exact number of polio cases is unknown. Partners: The Department of Health and Human Resources and USAID play the main role in USG's efforts to eradicate polio.	

Strategic Goal 16 Health
 Annual Performance Goal 1 Increased Political and Financial Commitment to Health

PERFORMANCE INDICATOR: NUMBER OF HIPC COUNTRIES COMMITTING TO INCREASE SOCIAL AND HEALTH SPENDING AND TO INCREASE VACCINATION RATES FROM DEBT SAVINGS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
No data available.	10	13	As of September 2002, 26 of 38 heavily indebted poor countries (HIPCs) had qualified for and received interim or final debt relief under the enhanced HIPC initiative. Preliminary documents had been considered for two of the remaining twelve countries. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was determined to be an inappropriate measure of the Department's overall performance progress, difficult to utilize or track, or not indicative of the Department's role.	
	Result	Data sources/availability: Data are from the IMF and are reliable. Partners: The Department coordinated its work on the HIPC initiative with the Department of the Treasury.	

Strategic Goal 17 Mutual Understanding
 Annual Performance Goal 1 Improve and Strengthen the International Relations of the United States by Promoting Better Mutual Understanding between the People of the United States and Peoples of the World through Educational and Cultural Exchange

PERFORMANCE INDICATOR: INDEPENDENT POLLING AND ANALYSIS OF SUCCESS AND POSITIVE PROFESSIONAL PROGRAM EVALUATIONS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
60%	65%	97% participants rated program "highly successful"	94% participants perceived value in their experience [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans and replaced with more tangible indicators of performance progress.	
	Result	Data sources/availability: Responses from 1,921 participants from a cross-section of seven bureau educational and cultural exchange programs, representing alumni from 1976 to 2000. Data reliability: Data are reliable in general; however, collection would be better supported by more resources put into tracking alumni and the addition of staff with performance measurement expertise to the bureau.	

Strategic Goal 18 Human Resources
Annual Performance Goal 1 The Department will Hire and Retain an Adequate Number of Talented, Diverse Foreign Service, Civil Service, and Foreign Service National Employees

PERFORMANCE INDICATOR: NUMBER OF REGISTRANTS FOR THE FOREIGN SERVICE WRITTEN EXAM, THE ALTERNATE EXAM PROGRAM AND STUDENT AND SPECIALIST PROGRAMS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
FSWE 13,667 (Takers of FSWE: 8000) AEP 578 Student 1,450 Specialist 3,028	FSWE 23,459 (FSWE Takers: 13,000) AEP 845 Student 1787 Specialist 3,695	FSWE: 59,000 (Apr 2002, Sept 2002 exams) AEP: 677 Student: 4,000 Specialist: 2,000 [Significantly Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it indicates only initial interest and completion of simple on-line registration.
	Result	Data reliability: While data were complete and reliable, they are not the most critical measures. The Department has determined that the indicator of exam registrants is not a reliable indicator of our outreach efforts. Registration is a simple on-line process while taking the exam shows commitment and therefore indicates how well we have reached our target audiences. In FY 2002, 27,000 people took the FSWE as compared to 13,000 in FY 2001 and 8,000 in FY 2000. This no-show rate is typical. In addition, the Department now tracks minority interest through the percentage who take the FSWE. In FY 2002, 35% of exam takers were minorities, as compared with 27% in FY 2001 and 27% in FY 2000. In deficit areas, there also was success in recruiting. In FY 2002, consular career track takers were 25.7% of FSWE takers and admin career track 16.7%; by comparison in FY 2001, consular was 24.4% and admin was 16% of exam takers; in FY 2000, consular was 28.3% and admin 18.1% of exam takers. With higher overall numbers of exam takers, these percentages translate into a good turnout for those historically deficit career tracks. Partners: Outreach and recruitment activities involved coordination with many associations and conferences, as well as with colleges and universities, and with interagency initiatives such as A Call to Serve.
PERFORMANCE INDICATOR: HIRING LEVELS (TO MEET EXPANDING PRIORITIES AND MANDATES AND TO PROVIDE A PERSONNEL COMPLEMENT.)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Hiring to attrition (Approximately 800 hires)	Overall Hiring: 504 Foreign Service, 351 Civil Service Hiring to attrition: 229 FS, 87 Specialists, 351 Civil Service Hiring above attrition: 101 Security Officers & Engineers; 87 IT- IMS & IMTS	Hired 470 Junior FS officers, more than 700 FS specialists, and over 600 CS employees including over 300 security personnel and 150 IT professionals. (900 above attrition, to begin closing mission-critical gaps overseas) [On Target]
Details of 2002 Results	Result	Data reliability: Useful and reliable data that reflect guiding goals of Department's management team in implementing the Diplomatic Readiness Initiative.

Strategic Goal 18
Annual Performance Goal 2

Human Resources

Develop and Implement Training and Professional Development Programs and Make Them Available to All Full-time Employees Throughout Their Careers

PERFORMANCE INDICATOR: NUMBER OF CIVIL SERVICE EMPLOYEES IN CAREER DEVELOPMENT PROGRAM		
2000 BASELINE	2001 RESULTS	2002 RESULTS
1,040	1,055	No data. Measure was discontinued as program was decentralized. (Not Rated)
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because voluntary programs (i.e. candidates are self-selected) are not an accurate indicator of success in this area. We have continued to support LCDI but have focused more on empowering line managers to use it as a tool in employee development. The new indicators is the number of briefings delivered. The change reflects a desire to transfer ownership of the process to the bureaus and broaden organizational exposure to the initiative. Through active marketing, a total of 21 bureaus received instructional briefings supported with resource material.
	Result	Data sources/availability: Data for this measure were no longer collected.
PERFORMANCE INDICATOR: PERCENTAGE OF LANGUAGE STUDENTS ASSIGNED FOR AT LEAST THE RECOMMENDED AMOUNT OF TIME AND MEET THEIR TRAINING GOAL		
2000 BASELINE	2001 RESULTS	2002 RESULTS
75% [On Target]	77% (Note: 83% figure reported in FY 2001 Report inadvertently was the fill rate, not training success rate)	75% [On Target]
Details of 2002 Results	Overall	Indicator was discontinued because the measure does not tell the full picture of the value the Department gets from its language programs. Indicator was replaced in subsequent plans. Percentage of employees assigned that year to Language-Designated Positions who meet the requirements (88% in FY 2002 met LDP requirements).
	Result	Data sources/availability: Data generated from the Student Training Management System (STMS) and end-of-training proficiency tests and were compiled on an annual basis. Data reliability: The data were based both on actual test scores as recorded in the Department's corporate training database and were complete and reliable as of the date aggregate data were 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 change would be minimal, and unlikely to alter the overall reported result figure. Partners: Other federal agencies and the armed service branches enroll personnel in NFATC training programs.
PERFORMANCE INDICATOR: NUMBER OF FOREIGN SERVICE NATIONALS (FSNS) TRAINED		
2000 BASELINE	2001 RESULTS	2002 RESULTS
1,123	1,487	1,984 Department FSNs received crisis management training; 261 non-Department FSNs also received crisis management training; 2,245 total [Significantly Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because FSN is largely need-based and numbers do not reflect performance progress.
	Result	Data sources/availability: Data generated from the Student Training Management System (STMS) and end-of-training proficiency tests and were compiled on an annual basis Data reliability: Data based on actual enrollments as recorded in the Department's corporate training database and were complete and reliable as of the date aggregate data were compiled. Data rectification can result in change in to overall enrollment totals. However, such change would be minimal and unlikely to radically alter the overall reported result. Partners: Other federal agencies and the armed service branches enroll personnel in NFATC training programs.

Strategic Goal 18 Human Resources
Annual Performance Goal 2 Develop and Implement Training and Professional Development Programs and Make Them Available to All Full-time Employees Throughout Their Careers

PERFORMANCE INDICATOR: STATUS OF UPGRADE OF ANALOG MULTIMEDIA LABORATORIES (INSTALLED IN 1993) TO DIGITAL		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Digital lab not in operation.	First and second digital labs in operation.	Second lab installed ahead of schedule in FY01. Third lab installed in FY02. [Significantly Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because lab has been installed and this measure is no longer needed.
	Result	Data sources/availability: The data were tracked through planning schedules, Distance Learning Working Group minutes, visual confirmation of completion, and testing of installed equipment. Data reliability: Reliable.
PERFORMANCE INDICATOR: FORMAL CAPACITY REVIEW		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Review necessary.	Review initiated.	Funding for formal capacity review and construction identified and approved. Informal identification of potential additional space requirements initiated at NFATC and shared with the Bureau of Administration's operations division to use in preparing a Statement of Work for an architecture and engineering contractor to be put out for bid in FY 2003. [Significantly Below Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because it was determined to be an inappropriate measure of performance progress.
	Result	Data sources/availability: The data were tracked through planning schedules and completion of scheduled tasks. Data reliability: Reliable. Impact of Performance Shortfall: FY 2001 target for formal capacity review was delayed by lack of funding, thus pushing back the FY 2002 target.

Strategic Goal 18 Human Resources
Annual Performance Goal 3 Current and New Work-Life Programs Improve the Quality of the Workplace for all Employees and the Quality of Life for Foreign Service Employees and their Dependents Abroad

PERFORMANCE INDICATOR: FOREIGN SERVICE AND CIVIL SERVICE RESIGNATION RATES		
2000 BASELINE	2001 RESULTS	2002 RESULTS
FS generalists 1.1%; FS specialists 1.2%; CS full time 1.8%	FS generalists .67%; FS specialists 1.06%; CS full time 1.79%	Foreign Service generalist 0.5%, Specialist 0.8%, and Civil Service 1.2% [Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued in subsequent plans because attrition and resignations are historically low in the Foreign Service and Civil Service; attrition will be caused mostly by retirements. Therefore, we have decided to use measures relating to the success of our spousal employment programs. In FY 2002 we expanded the spousal networking assistance program to nine additional posts. We have added 26 new jobs on the economy in those posts from May through October.
	Result	Data sources/availability: Data consistently available and analyzed. Partners: Other USG agencies with overseas operations, to ensure opportunities for Foreign Service spouses to work overseas, as a factor in Foreign Service retention.

Strategic Goal 19
Annual Performance Goal 1

Information Resources
Secure, Advantageous, Commercial-Quality Information Technology (IT) Supporting the Full Range of International Affairs Activities of the United States.

PERFORMANCE INDICATOR: PERCENTAGE OF COMMERCIAL NETWORKING FACILITIES AVAILABLE FOR UNCLASSIFIED AND CLASSIFIED PROCESSING COMPLETED		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Custom-leased telecommunications lines. Limited bandwidth and availability. Enterprise Network Management (ENM) program initiated to consolidate global network and systems management.	Some progress made; 12 Virtual Private Networks (VPNs) installed and OpenNet+ pilot completed. Network availability of 85% baselined by ENM.	<ol style="list-style-type: none"> 1 OpenNet+ (Internet) pilot period completed and lessons learned documented. [On Target] 2 Substantial progress made on deployment to domestic and overseas posts. [On Target] 3 54 Virtual Provider Networks (VPNs) installed. [Above Target] 4 Enterprise Network Management (ENM) improved network availability to 97%. [On Target]
Details of 2002 Results	<p>Result 1 Data sources/availability: Department. Partners: The OpenNet Plus pilot did not include users from other agencies, however, with the implementation of OpenNet Plus worldwide, over 5,400 interagency users will have access to the Internet.</p>	
	<p>Result 2 Data sources/availability: FY 2003 OpenNet Plus Exhibit 300 submission has the most comprehensive description of the OpenNet Plus program. Additionally, up-to-date information can be found on the OpenNet Plus Virtual War Room at http://opennetplus.irm.state.gov. Partners: This project is managed by the Department but among those who received OpenNet Plus in FY 2002 were users from over 23 other agencies that comprise the Overseas Interagency Community. At the completion of the program, over 5,400 interagency members will have access to OpenNet Plus.</p>	
	<p>Result 3 Data sources/availability: OMB Exhibit 300 - Capital Asset Plan for ENM. Partners: This project is managed by the Department but requires close coordination with the Diplomatic Telecommunications Service Program Office (DTSP0) and the end users at the 260 overseas posts served by the DTS network.</p>	
	<p>Result 4 Data sources/availability: OMB Exhibit 300 - Capital Asset Plan for ENM. Data reliability: 97% +/- 2% Partners: This project is managed by the Department but requires close coordination with the Diplomatic Telecommunications Service Program Office (DTSP0) and the end users at the 260 overseas posts served by the DTS network.</p>	
PERFORMANCE INDICATOR: PERCENTAGE OF CLASSIFIED AND UNCLASSIFIED DESKTOP COMPUTERS OLDER THAN 4 YEARS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Unclassified—10% Classified—90%	1,875 desktops and 90 servers replaced; jump-started replacement program for 2002.	Classified program was significantly increased for a surge in installations in 2002 and completion in 2003. 7% of classified desktop computers are slower than the 450MHz standard and 35% of unclassified desktop computers are over four years old. [On Target]
Details of 2002 Results	<p>Result Data sources/availability: All program installation information is collected, validated, and stored in a comprehensive database that utilizes a web-enabled capability to maintain current information from worldwide users. Data reliability: The data maintained by the Classified Connectivity Program (CCP) are very reliable, validated via program quality management processes implemented through all phases of the program. Partners: The CCP initiative, managed by the Department, provides Secure Internet Protocol Router Network (SIPRNET) access to up to 30 other USG agencies at overseas posts. Department, through the CCP, coordinates closely with the posts scheduled for CCP installations in order to provide this seamless infrastructure access to these agencies. In addition, Department has partnered with DIA to provide procurement and deployment support to the DIA elements at posts worldwide, thus ensuring standardization of the infrastructure and appropriate end user training.</p>	

Strategic Goal 19 Information Resources
Annual Performance Goal 1 Secure, Advantageous, Commercial-Quality Information Technology (IT) Supporting the Full Range of International Affairs Activities of the United States

PERFORMANCE INDICATOR: REDUCTION OF OVERSEAS SERVERS		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Average post had 12 servers.	Average post had 16 servers.	Resources were redirected to focus initially on the large domestic portion of the total requirement. The strategy for consolidating overseas servers will be completed at the end of CY 2003. [Significantly Below Target]
Details of 2002 Results	Overall	New indicator will be developed when overseas consolidation strategy is completed at end of CY 2003.
	Result	Data sources/availability: CACI International, a highly respected international consulting firm, completed a domestic cost benefit analysis. The analysis concluded, "the benefits for a customer utilizing the Enterprise Server Operations Center (ESOC) facility represent a clear cost avoidance in both realized and unrealized costs." Partners: It is anticipated that servers in the ESOC will support multi-agency needs; however, for the moment the project is focused on the Department. The project is designed to create a highly secure work area where the Department and other agencies can share access to information. Over time, this project will grow to include all servers that are part of the Department network infrastructure, located at domestic sites and at the Department's 260 overseas posts. Customers will then include all Department employees worldwide and those of foreign affairs agencies overseas and domestically that currently house their servers in Department facilities.
PERFORMANCE INDICATOR: PROGRESS TOWARD ELIMINATION OF THE CURRENT CABLE SYSTEM AND PROCESSES (E.G., ACP-127 AND IRM COMMUNICATIONS CENTERS)		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Current cable system outmoded. CableXpress deployed as an interim solution.	Significant progress made in preparing groundwork for upgrade.	Comprehensive requirements analysis completed, steering committee formed, users consulted to determine requirements, BPR completed, and prototype developed. [On Target]
Details of 2002 Results	Result	Data sources/availability: Produced Business Process Reengineering study. Identified required functionality. Conducted due diligence and explored security options Data reliability: The results of a user review of the prototype will be used to adjust requirements, as necessary. Partners: The solution developed was based on exploration of ongoing initiatives and best practices in messaging. Initiatives within the Department, the Foreign Affairs Systems Integration (FASI) pilot, other government agencies, and commercial organizations were examined and evaluated for their applicability to this project. The SMART project will coordinate required interfaces and services between the Department and other agencies via a working group and interagency committee.

Strategic Goal 20 Infrastructure and Operations
 Annual Performance Goal 1 Protection of Personnel and Information Involved in Diplomatic Pursuits

PERFORMANCE INDICATOR: PERCENTAGE OF 38 EMERGENCY SECURITY BUDGET AMENDMENT PROJECTS COMPLETED			
2000 BASELINE	2001 RESULTS		2002 RESULTS
69%	90%		90% [On Target]
Details of 2002 Results	Result	Data sources/availability: Data verified and compiled quarterly, both through program managers and cable traffic with posts. Data reliability: Cable traffic ensured that countermeasures were delivered and installed to confirm program data accuracy.	
PERFORMANCE INDICATOR: PERCENTAGE OF POSTS WITH TECHNICAL SECURITY EQUIPMENT UPGRADES			
2000 BASELINE	2001 RESULTS		2002 RESULTS
4%	36%		58% [Slightly Below Target]
Details of 2002 Results	Result	Data sources/availability: Data verified and compiled quarterly, both through program managers and cable traffic with posts, to ensure deliverables and installation. Data reliability: Tracking projects through their accomplishments provides the information necessary to ensure we achieve our goal of protecting our security information. Impact of Performance Shortfall: The events of 9/11 and anthrax scares led to major shipping delays in providing technical security equipment to overseas posts.	
PERFORMANCE INDICATOR: ACCOUNTABILITY REVIEW BOARDS FINDING THAT A SERIOUS INJURY, LOSS OF LIFE, OR SIGNIFICANT DESTRUCTION AT A U.S. GOVERNMENT MISSION WAS DUE TO INADEQUATE SECURITY MANAGEMENT OR COUNTERMEASURES			
2000 BASELINE	2001 RESULTS		2002 RESULTS
0	0		0 [On Target]
Details of 2002 Results	Overall	This indicator was discontinued in subsequent plans because it represents an internal bureau goal, not one for the Department as a whole.	
	Result	Data reliability: U.S. diplomatic personnel and information are secured, no incidents due to lack of security management or countermeasures.	
PERFORMANCE INDICATOR: NUMBER OF FOREIGN SERVICE NATIONALS TRAINED IN CRISIS MANAGEMENT			
2000 BASELINE	2001 RESULTS		2002 RESULTS
1,123	1,487		No data provided. Indicator discontinued and tracked in Human Resources goal.
Details of 2002 Results	Overall	No data provided. Indicator discontinued and tracked in Human Resources goal.	
PERFORMANCE INDICATOR: PERCENTAGE OF NEWLY-CLEARED DEPARTMENT EMPLOYEES THAT HAVE RECEIVED AN ANNUAL SECURITY BRIEFING			
2000 BASELINE	2001 RESULTS		2002 RESULTS
80%	92%		99% [Above Target]
Details of 2002 Results	Overall	This indicator was modified in subsequent plans to capture newly cleared personnel and the percentage to receive an introductory security briefing.	
	Result	Data sources/availability: The number of new employees briefed with need-to-know access in comparison to the number of employees hired into sensitive positions.	

Strategic Goal 20 Infrastructure and Operations
 Annual Performance Goal 1 Protection of Personnel and Information Involved in Diplomatic Pursuits

PERFORMANCE INDICATOR: PERCENTAGE OF NETWORK INTRUSION DETECTION SYSTEMS FOR OPENNET IN PLACE – ABROAD AND DOMESTIC		
2000 BASELINE	2001 RESULTS	2002 RESULTS
40% Abroad 50% Domestic	66% Abroad 87% Domestic	100% [On Target]
Details of 2002 Results	Overall	This indicator was discontinued in subsequent plans because the project has now been completed on schedule.
	Result	Data sources/availability: Data verified and compiled quarterly, both through program managers and cable traffic with posts, to ensure deliverables and installation.
PERFORMANCE INDICATOR: PERCENTAGE OF PERIODIC REINVESTIGATIONS BEING DONE TO MEET 5-YEAR REQUIREMENT OF EXECUTIVE ORDER 12968		
2000 BASELINE	2001 RESULTS	2002 RESULTS
33%	33%	189 reinvestigations per month [Significantly Below Target]
Details of 2002 Results	Overall	Indicator was modified to show the rate that needs to be obtained in order to meet the 5-year rule instead of as a percentage.
	Result	Data sources/availability: The volume of employee reinvestigations; tracked monthly. Data reliability: The conduct of reinvestigations ensures that the goal of protecting sensitive information is achieved.
PERFORMANCE INDICATOR: PERCENTAGE OF ACCESS CONTROL SYSTEM AND NEWLY DESIGNED BUILDING PASSES IN PLACE		
2000 BASELINE	2001 RESULTS	2002 RESULTS
0%	20%	Phase II 85% complete; 75% of personnel data has been gathered and entered into the computer database [Slightly Below Target]
Details of 2002 Results	Overall	Data sources/availability: Data verified and compiled quarterly through program managers, to ensure deliverables and installation.
	Result	Data reliability: Tracking projects through their accomplishments provides the information necessary to ensure that the goal of protecting security information is achieved. Impact of Performance Shortfall The performance shortfall was caused by a three-month delay due to the prime contractor defaulting. This caused the contract to be re-bid and awarded to a new vendor.

Strategic Goal 20 Infrastructure and Operations
 Annual Performance Goal 1 Protection of Personnel and Information Involved in Diplomatic Pursuits

PERFORMANCE INDICATOR: PERCENTAGE OF LEVEL V AND IV FACILITIES WITH SHATTER RESISTANT WINDOW FILM		
2000 BASELINE	2001 RESULTS	2002 RESULTS
0%	22%	Two of three level V facilities completed; the third is being installed. One level IV facility was completed; funding obtained to begin five in next FY 2003. [Significantly Below Target]
Details of 2002 Results	Overall	Indicator was discontinued in subsequent plans because of funding issues and increase in the number of buildings to be included.
	Result	Data sources/availability: Data verified and compiled quarterly, through program managers, to ensure deliverables and installation. Data reliability: Highly reliable; the installation of SRWF helped to ensure that employees are safe from physical harm.

PERFORMANCE INDICATOR: NUMBER OF PROTECTEES THAT SUFFER PHYSICAL HARM WHILE UNDER DS PROTECTION		
2000 BASELINE	2001 RESULTS	2002 RESULTS
0	0	0 [On Target]
Details of 2002 Results	Overall	Indicator was discontinued in subsequent plans because it is an internal bureau indicator and not of overall Department progress.
	Result	Data sources/availability: Bureau of Diplomatic Security.

Strategic Goal 20 Infrastructure and Operations
 Annual Performance Goal 2 Secure, Safe, and Functional Facilities Serving Domestic and Overseas Staff

PERFORMANCE INDICATOR: PHYSICAL SECURITY UPGRADE PROGRAM PROJECTS COMPLETED		
2000 BASELINE	2001 RESULTS	2002 RESULTS
636 projects	315 projects	87% of Physical Security Projects were completed [Above Target] (Represents 1,098 projects of the 1,262 identified in revised plan)
Details of 2002 Results	Overall	Indicator has been discontinued in subsequent plans because it was determined to be an inappropriate measure of the Department's overall performance progress or was changed to reflect new performance measures for the Bureau of Overseas Buildings Operations (OBO).
	Result	Data reliability: Data were complete, reliable, and accurately measured the number of security projects completed. Data used to guide OBO managers in their work, and are measures that assist the Director in evaluating staff performance. Partners: OBO and overseas posts coordinated physical security projects with other overseas agencies and host governments, as applicable.

Strategic Goal 20 **Infrastructure and Operations**
Annual Performance Goal 2 **Secure, Safe and Functional Facilities Serving Domestic and Overseas Staff**

PERFORMANCE INDICATORS: 1) NEW CAPITAL CONSTRUCTION PROJECTS AWARDED 2) NEW CAPITAL CONSTRUCTION SITES ACQUIRED		
2000 BASELINE	2001 RESULTS	2002 RESULTS
10 sites 8 projects initiated 4 projects completed	6 NOB sites acquired, 4 under contract 5 projects initiated 3 projects completed	10 new sites acquired for NEC (New Embassy Compound) overseas capital construction projects. [Above Target] 13 new capital construction projects were awarded. [Significantly Above Target]
Details of 2002 Results	Overall	Indicators were discontinued in subsequent plans because they were determined to be inappropriate measures of the Department's overall performance progress or were changed to reflect new performance measures for the Bureau of Overseas Buildings Operations (OBO).
	Result	Data reliability: Data were complete, easily verifiable, and reliable as a means to denote progress towards the Department's performance goal of providing secure, safe, and functional new facilities at overseas posts. Partners: The OBO Long-Range Overseas Buildings Plan (which contains data on new NEC sites) was thoroughly coordinated with the Department's regional bureaus and other agencies
PERFORMANCE INDICATOR: MAJOR REHABILITATION PROJECTS PLACED IN CONSTRUCTION		
2000 BASELINE	2001 RESULTS	2002 RESULTS
11 projects completed 13 projects initiated	6 projects completed 3 projects initiated	14 major rehabilitation projects entered construction [On Target]
Details of 2002 Results	Overall	Indicator was discontinued in subsequent plans because it was determined to be an inappropriate measure of the Department's overall performance progress or was changed to reflect new performance measures for the Bureau of Overseas Buildings Operations (OBO).
	Result	Data reliability: Data were complete and reliable in that they accurately measured the results and provided managers useful information in accessing current performance and determining how to improve overall performance. Partners: Major rehabilitation projects were coordinated with the Department's regional bureaus and with those outside agencies that work in the facilities to be rehabilitated.
PERFORMANCE INDICATOR: MASTER REAL ESTATE PLAN: HST BUILDING AND FOREIGN AFFAIRS CONSOLIDATION		
2000 BASELINE	2001 RESULTS	2002 RESULTS
HST Building phase I – internal demolition; Renovation ongoing	HST Building Phase I on schedule. 97% of demolition complete; remainder to be completed by 1/31/02. Consolidation to be completed in FY 2002.	HST - Phase 1A of Old State demolition was 100% complete; infrastructure construction started. Consolidation was 85% complete; prospectus for addition to American pharmaceutical building reviewed by OMB. [On Target]
Details of 2002 Results	Result	Data sources/availability: Results were preliminary and data were available on an ongoing basis from the Bureau of Administration and/or the General Services Administration. Data reliability: Highly reliable. Impact of Performance Shortfall: The HST Building renovation will require temporary leased space and office relocations for the next several years. IIP and ECA offices will continue to be dispersed until consolidation is complete.

Strategic Goal 20 Infrastructure and Operations
 Annual Performance Goal 2 Secure, Safe, and Functional Facilities Serving Domestic and Overseas Staff

PERFORMANCE INDICATOR: FOREIGN AFFAIRS CONSOLIDATION		
2000 BASELINE	2001 RESULTS	2002 RESULTS
25 moves/renovations	63 moves/renovations	N/A
Details of 2002 Results	Overall	Validity: Indicator was discontinued because it is more accurately a part of the Master Real Estate Plan, reported in the previous indicator.
PERFORMANCE INDICATOR: USUN CONSTRUCTION AT UN PLAZA		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Search in progress for interim space. 50% of design completed.	On hold pending approval of Department above-standard construction funding. 90% design completed; submitted by GSA and Architecture/Engineering firm to Department.	98% of design completed; interim space sought [Slightly Below Target]
Details of 2002 Results	Result	Data sources/availability: Results were preliminary. Data available from the Bureau of Administration and GSA. Data reliability: Highly reliable. Impact of Performance Shortfall: If the Department cannot meet its funding obligations, the project will not proceed in a timely manner in cooperation with the GSA. Partner: GSA.
PERFORMANCE INDICATOR: CAPITAL IMPROVEMENT PLAN		
2000 BASELINE	2001 RESULTS	2002 RESULTS
Dependent on requested funding.	Unfunded. Requested again in the FY 2003 ESC&M budget request.	First allotment was received in FY 2002; 18 projects completed. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because the number of projects done is totally funds-driven.
	Result	Data sources/availability: Annual funding through Embassy Security, Construction, and Maintenance appropriation. Department ensures that our highest capital improvement priorities are met in a timely manner. Data reliability: Highly reliable. Impact of Performance Shortfall: The safety and security of employees and the viability of Department facilities are at stake without this constant attention. Partners: Local jurisdictions and GSA.

Strategic Goal 20 Infrastructure and Operations
Annual Performance Goal 2 Secure, Safe and Functional Facilities Serving Domestic and Overseas Staff

PERFORMANCE INDICATOR: FACILITIES READINESS (ANNUAL BBTU REDUCTION RATES)			
2000 BASELINE		2001 RESULTS	
330 BBTU (Billion British Thermal Units) (3% reduction)		An estimated 321.3 BBTU for original facilities in the plan. Have since added Columbia Plaza, Kentucky Consular Center, and Charleston Regional Finance Center, bringing actual total to an estimated 353.2 BBTUs.	
		60 BBTU rate accomplished, a 1% reduction. [Significantly Below Target]	
Details of 2002 Results	Overall	Indicator has been discontinued because this information is reported annually to the DOE.	
	Result	Data sources/availability: Results are preliminary. Data reliability: Highly reliable. Submission of annual report due each January to the DOE. Impact of Performance Shortfall: Inability to meet goal set forth in Executive Order 13123; however, federal buildings undergoing major renovations are exempt. The Department will not reach goal of 35% reduction by 2005, due to renovations. Partners: DOE, GSA, and EPA.	

Strategic Goal 20 Infrastructure and Operations
Annual Performance Goal 3 Adequate Funding to Achieve the Department's Foreign Policy and Diplomatic Readiness Goals is Founded on Results-Oriented Budgeting, Effective Financial Management Systems and Demonstrated Financial Accountability

PERFORMANCE INDICATOR: TIMELINESS OF BUDGETS AND FINANCIAL STATEMENTS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Not timely	All OMB, passback, and congressional submissions met deadlines.	All OMB, passback, and congressional submissions met deadlines.	FY 2003 budget submission not submitted on time. FY 2002 statements issued on time with "Unqualified" opinion. [Slightly Below Target]
Details of 2002 Results	Overall	Validity: Indicator has been discontinued because it has been incorporated into other indicators with more appropriate measures applied.	
	Result	Data sources/availability: Department records.	

Strategic Goal 20
Annual Performance Goal 3

Infrastructure and Operations

Adequate Funding to Achieve the Department's Foreign Policy and Diplomatic Readiness Goals is Founded on Results-Oriented Budgeting, Effective Financial Management Systems and Demonstrated Financial Accountability

PERFORMANCE INDICATOR: AUDIT OPINION ON PREVIOUS YEAR'S FINANCIAL STATEMENT (REF: CFO ACT)			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
FY 1998 Financial Statements received "Unqualified" opinion, but not issued on a timely basis.	FY 1999 Financial Statements received "Unqualified" opinion, but not issued on a timely basis.	FY 2000 Financial Statements received "Unqualified" opinion and issued by March 1, 2001 due date	FY 2001 Statements issued on time with "Unqualified" opinion. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it has been incorporated into other indicators with more appropriate measures applied.	
	Result	Data reliability: Report by an independent auditor.	
PERFORMANCE INDICATOR: DEPARTMENT'S RESOURCES ALLOCATED BY GPRA PLAN GOALS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
48%	75% (to be adjusted after calculation of base year percent).	90% (to be adjusted after calculation of base year percent).	All line items in the bureaus' budget requests cite goals shown in the Department's latest performance plan. [Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it has been incorporated into other indicators with more appropriate measures applied.	
	Result	Data reliability: The Department's planning and budgeting documentation.	
PERFORMANCE INDICATOR: STATUS OF JOINT PROGRAM PLANNING WITH NATIONAL SECURITY COMMUNITY			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Mission partners don't appreciate need for common platforms.	All national security organizations clear issue papers and set shared objectives.	Interagency working groups improved information sharing and program planning. Some coordination of technology acquisition demonstrated.	Partnered with national security community to make improvements in interagency collaboration, budget data exchange, and IT program planning. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it has been incorporated into other indicators with more appropriate measures applied.	
	Result	Partners: USG agencies in the national security community.	

Strategic Goal 20 Infrastructure and Operations
Annual Performance Goal 3 Adequate Funding to Achieve the Department's Foreign Policy and Diplomatic Readiness Goals is Founded on Results-Oriented Budgeting, Effective Financial Management Systems and Demonstrated Financial Accountability

PERFORMANCE INDICATOR: STATUS OF ACCOUNTABILITY REPORT (REF: GMRA)

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Accountability Report signed 10/99, and distributed thereafter.	Accountability Report signed and submitted July 2000.	Accountability Report signed and submitted March 2001 including Performance Plan data.	Report signed and submitted March 2002, including Performance Plan data; Received AGA "Certificate of Excellence in Accountability Reporting." [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it has been incorporated into other indicators with more appropriate measures applied.	
	Result	Data reliability: The 2001 Accountability Report received the Certificate of Excellence in Accountability Reporting Award.	

PERFORMANCE INDICATOR: DEBT COLLECTIONS: QUANTITY

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
1,976 debts	3,837 debts	10,600 debts	7,321 debts [Significantly Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it is inappropriate as an high-level priority indicator.	
	Result	Data sources/availability: Department's Central Financial Management System (CFMS). Data reliability: Reliable.	

PERFORMANCE INDICATOR: DEBT COLLECTIONS: \$ TOTAL

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
\$2,373,595	\$123,442,775	\$679,921,924	\$703,304,323 [Significantly Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it is inappropriate as an high-level priority indicator.	
	Result	Data sources/availability: Department's Central Financial Management System (CFMS). Data reliability: Reliable.	

PERFORMANCE INDICATOR: CREDIT CARD PURCHASES OVERSEAS: QUANTITY

1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
5,874 transactions	22,000 transactions	38,298 transactions	42,000 transactions [Significantly Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it is inappropriate as an high-level priority indicator.	
	Result	Data sources/availability: Department's Central Financial Management System (CFMS). Data reliability: Reliable estimate.	

Strategic Goal 20
Annual Performance Goal 3

Infrastructure and Operations

Adequate Funding to Achieve the Department's Foreign Policy and Diplomatic Readiness Goals Is Founded on Results-Oriented Budgeting, Effective Financial Management Systems and Demonstrated Financial Accountability

PERFORMANCE INDICATOR: CREDIT CARD PURCHASES OVERSEAS: \$ TOTAL			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
\$4,794,125	\$12,095,000	\$16,858,610	\$21,450,000 [Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued because it is inappropriate as a high-level priority indicator.	
		Data sources/availability: Department's Central Financial Management System (CFMS). Data reliability: Reliable estimate.	
PERFORMANCE INDICATOR: CREDIT CARD PURCHASES IN U.S.: QUANTITY			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
33,466 transactions	38,200 transactions	47,032 transactions	52,000 [Significantly Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued because it is inappropriate as a high-level priority indicator.	
		Data sources/availability: Department's Central Financial Management System (CFMS). Data reliability: Reliable estimate.	
PERFORMANCE INDICATOR: CREDIT CARD PURCHASES IN U.S.: \$ TOTAL			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
\$20,600,000	\$23,200,000	\$29,868,398.68	\$31,264,000 [Significantly Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued because it is inappropriate as a high-level priority indicator.	
		Data sources/availability: Department's Central Financial Management System (CFMS). Data reliability: Reliable estimate.	
PERFORMANCE INDICATOR: COLLECTIONS BY CREDIT CARD: \$ TOTAL			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
\$3,749,912	\$5,625,000	\$18,031,974	\$25,000,000 [Significantly Above Target]
Details of 2002 Results	Overall Result	Indicator has been discontinued because it is inappropriate as a high-level priority indicator.	
		Data sources/availability: Department's Central Financial Management System (CFMS). Data reliability: Reliable estimate.	

Strategic Goal 20 **Infrastructure and Operations**
Annual Performance Goal 3 **Adequate Funding to Achieve the Department’s Foreign Policy and Diplomatic Readiness Goals is Founded on Results-Oriented Budgeting, Effective Financial Management Systems and Demonstrated Financial Accountability**

PERFORMANCE INDICATOR: SECURITY ORIENTATION AND TRAINING			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Unknown	75% of all personnel trained.	90% of all personnel trained.	100% of all personnel trained. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it is inappropriate as a high-level priority indicator.	
	Result	Data sources/availability: Staffing Patterns and Department Confirmation Records. Data reliability: Reliable.	
PERFORMANCE INDICATOR: STATUS OF POSTS’ USAGE OF DATA COLLECTED AND TRANSFERRED ON A REGIONAL BASIS TO SUPPORT BUDGET AND FINANCIAL FUNCTIONS			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Global database includes post-by-post data.	Software is developed that captures and transfers data on a regional basis.	Management uses regional data as a resource for making decisions.	All posts incorporated ICASS information into their Mission Performance Plans (MPPs); ICASS data were basis for FY 2004 funding request. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it is inappropriate as a high-level priority indicator.	
	Result	Data sources/availability: Global Database; ICASS Service Center Data Base; and Central Financial Management System (CFMS). Data reliability: Reliable.	
PERFORMANCE INDICATOR: PERCENTAGE OF GRANT PAYMENTS PROVIDED ELECTRONICALLY			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Unknown	Not all grant payments are made electronically.	91% of grant payments are made electronically.	95% of grant payments were made electronically. [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because it is inappropriate as a high-level priority indicator.	
	Result	Data sources/availability: Department’s Central Financial Management System (CFMS). Data reliability: Reliable estimate.	

Strategic Goal 20 Infrastructure and Operations
 Annual Performance Goal 4 Better Business Practices and Increased Focus on Customers Ensure Excellence in Provision of Administrative and Information Services

PERFORMANCE INDICATOR: RECORDS AND PUBLISHING SERVICES REDUCTION OF FOIA STATUTORY BACKLOG			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Not reported	0%	0%	14% reduction [Below Target]
Details of 2002 Results	Result	<p>Data sources/availability: The FREEDOMS database (Bureau of Administration) provides running status regarding the target; preliminary result.</p> <p>Data reliability: High reliability based on FREEDOMS database report, PA Biennial Report, and Compliance Report to the President.</p> <p>Impact of Performance Shortfall: Due to delays in hiring and procurement processes, activity was not fully initiated until last quarter of FY 2002. Hiring is ongoing to achieve full staffing. Reduction will not be achieved until the end, rather than the beginning, of FY 2004; however, no additional resources will be needed beyond those already requested for FY 2003.</p> <p>Partners: National security/foreign policy agencies, Congress, National Archives and Records Administration, and OMB.</p>	
	Overall	Indicator has been discontinued because ILMS implementation was delayed until FY 2003.	
PERFORMANCE INDICATOR: LOGISTICS MANAGEMENT CUSTOMER SATISFACTION, CYCLE TIME, ILMS OPERATION PLAN AND IMPLEMENTATION			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Not reported	70% satisfaction rate. Implementation plan developed.	Plan published 12/00. Commercial Off-the-Shelf Systems selected in FY 2000; conference room pilots completed.	Integrated Logistics Management System (ILMS) Implementation delayed until FY 2003. No work performed. [No Rating]
Details of 2002 Results	Overall	Indicator has been discontinued because ILMS implementation was delayed until FY 2003.	
	Result	<p>Data sources/availability: Return on Investment data collected and analyzed monthly; State/Federal Procurement Data collected daily and analyzed quarterly.</p> <p>Data reliability: ROI data were highly reliable; tracked by the Office of the Procurement Executive (A/OPE). State/Federal Procurement Data System (S/FPDS) data were highly reliable; tracked by the Office of the Procurement Executive (A/OPE) and reported to GSA.</p> <p>Partners: OMB (Office of Federal Procurement Policy), GSA, and U.S. Army.</p>	
PERFORMANCE INDICATOR: E-COMMERCE: NUMBER OF OFFICES AND POSTS ONLINE			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Not reported	39	49	75 [On Target]
Details of 2002 Results	Overall	Indicator has been discontinued because the data have been reevaluated; procurement indicators now based on return on investment over the long term.	
	Result	<p>Data sources/availability: Return on Investment data collected and analyzed monthly; State/Federal Procurement Data collected daily and analyzed quarterly.</p> <p>Data reliability: ROI data were highly reliable; tracked by the Office of the Procurement Executive (A/OPE). State/Federal Procurement Data System (S/FPDS) data were highly reliable; tracked by the Office of the Procurement Executive (A/OPE) and reported to GSA.</p> <p>Partners: OMB (Office of Federal Procurement Policy), GSA, and U.S. Army.</p>	

APPENDIX – PART I

U.S. Department of State - FY2002 Accountability and Performance Report – DRAFT

Performance Results -- 1999-2002

Shown by Annual Goal by Indicator

Strategic Goal 20 Infrastructure and Operations
Annual Performance Goal 4 Better Business Practices and Increased Focus on Customers Ensure Excellence in Provision of Administrative and Information Services

PERFORMANCE INDICATOR: SMALL, DISADVANTAGED BUSINESS UTILIZATION – SMALL, WOMEN-OWNED BUSINESS; DISABLED VETERANS; HISTORICALLY UNDERUTILIZED BUSINESS ZONES			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Not reported	Meet/exceed all targets.	Small women-owned: TBD Disabled Veterans: 2.3% Historically Underutilized Business zones: 0%	FY 2002 data not yet available from the Small Business Administration. [No Rating]
Details of 2002 Results	Overall	Indicator has been discontinued because this information is reported annually to the Small Business Administration (SBA).	
	Result	Data sources/availability: Goal attainment figures furnished by the Small Business Administration March 2003. Data reliability: Highly reliable – published annually by SBA and scrutinized by the Executive and Legislative Branches. Partners: SBA, other USG agencies.	
PERFORMANCE INDICATOR: GENERAL SERVICES MANAGEMENT ALTERNATIVE FUEL VEHICLES ACQUISITION			
1999 BASELINE	2000 RESULTS	2001 RESULTS	2002 RESULTS
Performance Indicator: General	40 AFVs; additional 21 vehicles and 2 natural gas shuttle buses.	Total of 79 AFVs acquired, including one (1) additional natural gas shuttle bus and seven (7) natural gas vans.	101 cars and 2 buses using alternative fuels. [Above Target]
Details of 2002 Results	Overall	Indicator has been discontinued because this information is reported annually to GSA.	
	Result	Data reliability: Highly reliable and reported to the DOE annually. Partners: DOE, and GSA.	

FY 2002 KEY PROGRAM EVALUATIONS BY STRATEGIC GOAL

The following pages provide detailed information on findings, recommendations, and actions the Department will take as a result of selected Program Evaluations and all Program Assessment Rating Tool (PART) reviews completed during FY 2002.

Strategic Goal 1		REGIONAL STABILITY	
Title or Topic	Security Assistance for New NATO and NATO Aspirant Countries		
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)		
Department Contact	EUR – Nerissa Cook		
Major Findings	<ul style="list-style-type: none"> ◆ Program was given a PART rating of “Moderately Effective.” ◆ Program purpose is clear. ◆ State and Defense Departments formally review strategic goals in a highly structured processes. ◆ Independent parties do not carry out regularly scheduled evaluation of program effectiveness. ◆ The Department and DOD may have differing priorities for the programs. The Department’s and DOD’s budget schedules do not produce simultaneous recommendations. ◆ Program results in many of the countries are positive. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ State and Defense Departments will press nations that are lagging in their reform efforts. ◆ Continued development of an e-government management tool will assist management in seeing where deficiencies appear. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Specific long-term goals and short-term goals and performance indicators identified via PART will be integrated into the FY 2005 Bureau Performance Plans. ◆ During the Bureau Performance Plan Reviews with the Deputy Secretary, there will be an assessment of the progress made on implementing PART recommendations. 		
Title or Topic	Security Assistance Programs for Sub-Saharan Africa		
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)		
Department Contact	AF/RA - Michael J. Bittrick		
Major Findings	<ul style="list-style-type: none"> ◆ The program was given a PART rating of “Results not Demonstrated.” ◆ Performance plans set out long-term goals with associated annual targets, but no annual goals. ◆ Performance goals are overly broad, making it difficult to tie the outcome to the specific program. ◆ Program manager reports and program evaluations should be better linked to specific goals in performance plans. ◆ Actual performance information should be included in annual performance reports to compare annual and long-term goals to actual performance. ◆ Performance measurement contracts or other means of manager accountability should be implemented 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Decreased funding due to difficulty measuring program effectiveness. ◆ Restructure performance plans to include separate annual and long-term goals, targets and baseline information. Standardize performance information collection. ◆ Implement measures to hold program managers accountable for program performance. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Specific long-term goals and short-term goals and performance indicators identified via PART will be integrated into the FY 2005 Bureau Performance Plans. ◆ During the Bureau Performance Plan Reviews with the Deputy Secretary, there will be an assessment of the progress made on implementing PART recommendations. 		
Title or Topic	Peacekeeping Operations (including OSCE and East Timor Programs)		
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)		
Department Contact	EAP – Richard DeVilla Franca		
Major Findings	<ul style="list-style-type: none"> ◆ The program was given a PART rating of “Results not Demonstrated.” ◆ Performance plans set out long-term goals with associated annual targets, but no annual goals. ◆ Performance goals are overly broad and dependent on a number of factors, making it difficult to tie the outcome to the specific program. ◆ Program manager evaluations should be better linked to performance goals and performance plans. ◆ Clarify which program manager(s) is/are ultimately accountable for program performance. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Decreased funding due to difficulty measuring program performance ◆ Restructure performance plans to include separate annual and long-term goals, targets and baseline information. Performance information should be collected in a standardized manner 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Decreased funding due to difficulty measuring program performance. ◆ Specific long-term goals and short-term goals and performance indicators identified via PART will be integrated into the FY 2005 Bureau Performance Plans. ◆ During the Bureau Performance Plan Reviews with the Deputy Secretary, there will be an assessment of the progress made on implementing PART recommendations. 		

Strategic Goal 2		WEAPONS OF MASS DESTRUCTION
Title or Topic	Nuclear Nonproliferation: U.S. Efforts to Help Other Countries Combat Nuclear Smuggling Need Strengthened Coordination and Planning	
Evaluator	General Accounting Office	
Department Contact	NP - Michael Foughty	
Major Findings	<ul style="list-style-type: none"> ◆ Current multi-agency approach is not well coordinated. No agency leads efforts to prioritize funding and assess recipients' requirements. ◆ Within agencies, including the Department, there are also coordination problems. ◆ While equipment transfers have improved recipients' ability to detect nuclear smuggling, some equipment is not well maintained, accounted for or installed on a timely basis. ◆ There is no systematic approach to obtaining information on smuggling incidents in recipient countries. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Department should take the lead in developing a USG-wide plan to help other countries develop an integrated approach that prevents nuclear smuggling. The plan should include unified USG program goals, definition of agencies' roles, program-wide cost estimates, timeframes, performance measures, equipment maintenance strategies, and exit strategies for each country. ◆ Agencies should consolidate their efforts internally; the Department should establish one program office. ◆ Strengthen efforts to ensure accounting, maintenance, and timely installation of equipment; ensure that information about nuclear materials detected by US-provided equipment is shared with the US. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Department is leading interagency development of a strategic plan for nuclear nonproliferation assistance within a new International Nuclear Detection Interagency Working Group, established in July 2002, that will to meet quarterly. ◆ Strategic plan for nuclear detection assistance has been prepared, including all of the elements recommended by GAO. As part of the process, DOE is preparing a global threat analysis to better inform planning. ◆ All Department radiation detection assistance has been consolidated in one office. ◆ DOE has agreed to accept Department funding to undertake maintenance, repair, and replacement of detection equipment provided by all agencies for non-proliferation purposes. 	
Title or Topic	Chemical Weapons: Organization for the Prohibition of Chemical Weapons Needs Comprehensive Plan to Correct Budgeting Weaknesses	
Evaluator	General Accounting Office	
Department Contact	AC - Jamie Young	
Major Findings	<ul style="list-style-type: none"> ◆ Since establishment in 1997, the ability of the OPCW to carry out key inspection functions has been hindered by inaccurate budget projections and, more recently, budget deficits. ◆ The OPCW has underestimated expenses and overestimated real income from member states. ◆ This has led to significant reductions in inspection activity (primarily at industrial, as opposed to military, sites) in 2001 and 2002. ◆ Although the OPCW and the Department have taken some steps, the OPCW has not developed a comprehensive plan to overcome its inherent budgeting weaknesses. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Department should work with the OPCW to develop a comprehensive plan to address budgeting weaknesses. ◆ Department should report annually to Congress on progress in correcting these budgeting weaknesses. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Numerous measures were taken by the Department at the October 2002 Conference of States Parties that will: <ul style="list-style-type: none"> ◆ Restore normal levels of inspection activity for the last quarter of the calendar year. ◆ Improve the accuracy of income and expenditure projections for 2003. ◆ Provide OPCW with greater liquidity to cope with temporary cash-flow problems. ◆ Department will work with the new Director General of the OPCW to develop a comprehensive plan that assesses the efficacy and adequacy of measures already taken, continues improvement of OPCW budgeting, and institutionalizes changes that are shown to be effective. 	

Strategic Goal 7		AMERICAN CITIZENS	
Title or Topic	Office of American Citizen Services and Crisis Management (ISP-I-02-07 2/02)		
Evaluator	State Department Inspector General		
Department Contact	CA - Leo Wollemborg		
Major Findings	<ul style="list-style-type: none"> ◆ The Office of American Citizen Services and Crisis Management (ACS) rightfully enjoys an excellent reputation for providing the traveling public with a high level of service and timely, accurate information, and support and guidance for consular sections. ◆ Additional attention to management issues, office space, automation, and staff development would improve operations. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ The OIG recommended improvements in standard operating procedures, written guidance, training and employee development, management, and information technology tools. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The recommendations have all been accepted and implemented by CA. ACS updated and improved its orientation and training for new officers, written reference materials, (including the Foreign Affairs Manual), and computer programs. ACS also improved management procedures to utilize the skills and talents of senior Civil Service employees more effectively. 		
Title or Topic	Review of Domestic Passport Operations (ISP-CA-02-32 3/02)		
Evaluator	State Department Inspector General		
Department Contact	CA - Leo Wollemborg		
Major Findings	<ul style="list-style-type: none"> ◆ Although Passport Services has established a comprehensive set of internal control procedures for cashiering and blank passport book controls that minimize the risk of malfeasance, the internal control procedures for cashiering were not implemented consistently at five of the six passport agencies visited. ◆ CA's management assessment/internal control reviews are not conducted frequently enough to assess adequately whether internal controls have been properly implemented. ◆ OIG recommended that Passport Services review and make changes to internal controls procedures at passport agencies to improve the tracking and monitoring of cash receipts and deposits, and that management assessment/internal controls reviews occur at each passport agency every other year. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Passport Services developed an internal controls compliance program to ensure that agencies promptly comply with report recommendations. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Passport Services increased internal controls reviews of passport agencies to once every two years, as recommended. 		
Title or Topic	Information Management: Selected Agencies' Handling of Personal Information GAO-02-1058		
Evaluator	September 30, 2002		
Department Contact	General Accounting Office		
	CA - Colombia Barrosse		
Major Findings	<ul style="list-style-type: none"> ◆ The agencies generally complied with the key requirements and guidance pertaining to information collection, privacy, security, and records management. However, GAO identified isolated instances of forms that were not accurate, current, or did not contain the proper privacy notices. Specifically, at the Departments of Labor and State, the forms displayed on the Internet showed expired OMB approvals. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ None for Department. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The DS-11 passport form displayed on the Internet showed an expired OMB approval because the renewal paperwork was approved by OMB after the GAO's initial meetings with Department. An appropriately updated DS-11 is now on the Internet. 		

Strategic Goal 8 TRAVEL AND MIGRATION	
Title or Topic Evaluator Department Contact	Consular Affairs Information Security Program (IT-A-02-04 9/02) State Department Inspector General CA - Leo Wollemborg
Major Findings	<ul style="list-style-type: none"> ◆ CA has developed a comprehensive approach to addressing information security risks. CA's 1999 Modernized Systems Information Systems Security Plan establishes organizational authorities and responsibilities to ensure that specified security requirements are met in its client-server environment, domestically and overseas. CA oversees the development and dissemination of policies and procedures, ensures the development and presentation of user and contractor awareness sessions, conducts both vulnerability and risk assessments, and inspects and spot checks systems and desktops to confirm that consular sections are in compliance with required security configurations. ◆ Seventy percent of CA systems had risk assessments, almost fifty percent were operating with a security level determination and an overall security plan in place, and eleven percent had been certified and accredited.
Major Recommendations	<ul style="list-style-type: none"> ◆ More needs to be done to ensure CA managers have sufficient information concerning the extent to which their systems are protected against fraud, illegal practices, and mission failure.
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ CA has completed categorizing and prioritizing applications and is actively working toward bringing each active system fully in line with applicable statutes and guidelines. Several more systems successfully completed certification; accreditation is pending. CA has a program for independent security review of its systems, and has completed reviews of select overseas applications. Security requirements are being addressed earlier in an application's development process, resulting in security requirements becoming verifiable and traceable throughout the system's life cycle.
Title or Topic Evaluator Department Contact	State Department Visa and Consular Services Program (Border Security) ¹ Office of Management and Budget Program Assessment Rating Tool (PART) CA - Betty Ng
Major Findings	<ul style="list-style-type: none"> ◆ The program was given a PART rating of "Moderately Effective." ◆ While there are frequent evaluations of parts of the program and annual targets are regularly met, annual goals and targets do not adequately relate to the long-term goals or provide relevant performance data. Measurable goals should better reflect what the Department is actually doing to meet the needs of Americans traveling abroad and non-U.S. citizens traveling to the United States. ◆ Department is collecting adequate information to manage and implement the program successfully. ◆ Department has revised its planning in accordance with new laws and significant new requirements to integrate more effectively its planning related to homeland security and counterterrorism with that of other agencies. ◆ The Program is not redundant and works in conjunction with many other federal programs and agencies.
Major Recommendations	<ul style="list-style-type: none"> ◆ No funding recommendations since programs are funded primarily through consular fees from the Department's Bureau of Consular Affairs, which is relatively effective and heavily scrutinized.
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Specific long and short-term goals and performance indicators identified via PART will be integrated into the FY 2005 Bureau Performance Plans. ◆ During the Bureau Performance Plan Reviews with the Deputy Secretary, there will be an assessment of the progress made on implementing PART recommendations.
¹ This PART analysis also applies to Strategic Goal #1, American Citizens	

Strategic Goal 9		COUNTERING TERRORISM
Title or Topic	Anti-Terrorism Assistance Program	
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)	
Department Contact	S/CT - Niki Grandimo	
Major Findings	<ul style="list-style-type: none"> ◆ Program was given a PART rating of Moderately Effective. ◆ Events have compelled the Department to improve strategic planning to make program responsive to on-site training delivery needs overseas. ◆ Course offerings have been expanded to cover new training needs including terrorist financing. ◆ Program collects performance information and allocates resources to specific activities to ensure utilization for intended purpose. ◆ Fiscal planning is constantly reviewed in context of new priorities outlined by the Department’s Coordinator for Counter-Terrorism. ◆ Continued improvement in attempting to quantifiably measure the success of training programs is necessary to set targets and measure progress against long-term goals. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Slightly increased funding to allow program to continue all training programs currently underway, but no significant expansion in the number of courses and eligible countries. ◆ Improve long-term performance measurement and establish measures to gauge progress toward long-term goals. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Specific long-term goals and short-term goals and performance indicators identified via PART will be integrated into the FY 2005 Bureau Performance Plans. ◆ During the Bureau Performance Plan Reviews with the Deputy Secretary, there will be an assessment of the progress made on implementing PART recommendations. 	

Strategic Goal 11		ILLEGAL DRUGS	
Title or Topic	Evaluation of Model Programs for Drug Abusing High Risk Youth in Brazil and Peru	Evaluator	Outside Contractors
Department Contact	INL – John Barger	Department Contact	INL – John Barger
Major Findings	<ul style="list-style-type: none"> ◆ Between 50 and 70 percent (Brazil) and 50 percent (Peru) of participants completed the program and returned to families or found jobs, as compared to a completion rate of only 10-15 percent for similar programs in the U.S. ◆ Cost of six-month residential treatment was \$1,533 (Brazil) and \$1,768 (Peru), as compared to \$19,000 in the United States. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Funding for programs should continue. ◆ Peru program needs a separate facility to separate adolescents in various stages of the program ◆ Client-staff ratio in Peru needs improvement. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ INL will continue to fund the Brazil and Peru programs. ◆ Peru program is in the process of adjusting the client-staff ratio. ◆ Construction of a separate facility for Peru program will start when funding is available. 		
Title or Topic	Drug Abuse Treatment Training in Peru	Evaluator	Outside Contractors
Department Contact	INL – John Barger	Department Contact	INL – John Barger
Major Findings	<ul style="list-style-type: none"> ◆ Staff increased its use of actual tools and principles from training. ◆ Training methods were faithfully implemented at one and nine-month follow-ups after training. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Continue providing drug abuse treatment training to organizations in foreign countries that offer substance abuse treatment services. ◆ Prepare a student training guide or manual that highlights key concepts and terms, and connects content to training objectives. ◆ Conduct a future evaluation by following-up on clients of the three groups, to ascertain if there is any group difference in former clients' quality of life and drug use relapse as measures of organizational effectiveness. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ INL continues to provide drug treatment training to foreign countries. ◆ The content of student training manuals has been revised, as recommended by the evaluator. ◆ INL is now funding a long-term, follow-up evaluation of the training program's effectiveness on relapse, crime, and reintegration rates among clients. 		

Strategic Goal 13		HUMANITARIAN ASSISTANCE
Title or Topic Evaluator Department Contact	Humanitarian Response Efforts for Women and Conflict Victims State Department Inspector General PRM - Kelly Clements	
Major Findings	<ul style="list-style-type: none"> ◆ Progress made in advancing humanitarian response goals for refugee, returnee, and internally displaced women. ◆ Performance monitoring needs to support program and funding decisions more frequently. ◆ Improved coordination with Department's implementing partners is necessary. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ PRM should establish performance objectives and indicators for all USG-funded IO and NGO activities, addressing women's policy and program goals, including those for sexual violence and psychological social distress. Monitoring, evaluation, and funding of proposals should be based on these performance objectives and indicators. An automated database for retrieving and analyzing proposals, projects, and progress toward meeting policy and program objectives should be on line by the end of FY 2002. ◆ PRM should coordinate with UNHCR to develop comprehensive guidelines for women's initiatives, including a charter that addresses its empowerment objectives, integration with other post-conflict activities, and the framework for transition to local women. PRM should take into account lessons from previous studies of women's initiatives. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ PRM and UNHCR both support the Reproductive Health for Refugees Consortium (RHRC), a group of seven organizations established to increase access to a broad range of quality, voluntary, reproductive health care to refugees and IDPs. The RHRC's draft multi-sectoral assessment tool, which is now being field tested, will include information on how best to monitor and evaluate projects, and provide a guide for which objectives and indicators are best to use under certain circumstances. PRM has begun planning with the Department's Information Resources Management Bureau to implement the database. ◆ UNHCR is revising its <i>Guidelines on Prevention and Response to Sexual Violence Against Refugees</i>. PRM has provided comments to the shared drafts in order to strengthen these guidelines. PRM supported an assessment by the Women's Commission- for Refugee Women & Children of UNHCR's implementation of its <i>Guidelines on the Protection of Refugee Women</i>. 	
Title or Topic Evaluator Department Contact	UNHCR Policy on Refugee Women and Guidelines on Their Protection: An Assessment of Ten Years of Implementation Women's Commission on Refugee Women and Children PRM - Kelly Clements	
Major Findings	<ul style="list-style-type: none"> ◆ Implementation of the <i>Guidelines on the Protection of Refugee Women</i> was uneven, incomplete, and occurred on an ad hoc basis in certain sites, rather than in a globally consistent and systematic way. ◆ Past evaluations have recommended that training on gender be mandatory for all UNHCR staff, but the agency has chosen not to require this. Inadequate training impedes implementation of the <i>Guidelines</i>. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Restore funding, which has now fallen below adequate levels, to ensure progress in implementation of the <i>Policy and Guidelines on Protection of Refugee Women</i>. ◆ Make mandatory training for all UNHCR staff on <i>Guidelines</i> a priority. ◆ In anticipating the impact of funding decisions, pay more attention to the linkages between assistance and protection for refugee women. ◆ Continue to advocate and promote policies and efforts that ensure protection for refugee women and improved gender programming within UNHCR. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ In the FY 2004 Bureau Performance Plan, one PRM strategy is to target funding to projects that promote women's equal access to resources and their participation in managing these resources, with particular focus on the distribution of food and other support items. ◆ PRM has funded UNHCR projects in Africa that focused on women's direct and indirect participation in managing and distributing resources, and that provided training to women in refugee law to help them better understand their rights as refugees. ◆ PRM funds an NGO partner to provide SGBV technical assistance to UN agencies, NGOs, and host governments in a variety of locations, with a goal of improving SGBV prevention and response among war affected populations. ◆ PRM will require UNHCR and other partners to adopt and implement codes of conduct that prohibit exploitation. 	

Strategic Goal 13		HUMANITARIAN ASSISTANCE <i>continued</i>	
Title or Topic	Independent Evaluation of the Kosovo Women’s Initiative		
Evaluator	Consultants Jock M. Baker and Hilda Haug under the supervision of the UNHCR Evaluation and Policy Analysis Unit		
Department Contact	PRM - Kelly Clements		
Major Findings	<ul style="list-style-type: none"> ◆ PRM’s pro-activeness in supporting the Kosovo Women’s Initiative (KWI) is a positive factor. ◆ PRM’s emphasis on rapid disbursement of funds and bi-monthly reports was unrealistic, inconsistent with KWI goals, and undermined the project’s cost-effectiveness. ◆ The scale of resources that the USG earmarked for KWI (\$10 million) was out of proportion to UNHCR’s capacity to implement the project. ◆ The multiple layers of bureaucracy and reporting complicated and confused project implementation. ◆ The large size of the earmark led UNHCR to question whether the donor was overly active in setting UNHCR’s own priorities. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ The report recommends several possible alternative arrangements for future women’s initiatives, including UNHCR as the lead agency, another UN agency as the lead, a lead bilateral agency, direct assistance to local NGOs, and implementation directly through an international NGO. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Department/PRM has not earmarked funding for the KWI in FY 2003. PRM will bear in mind the evaluation’s recommendations when funding future women’s initiatives. In particular, the critiques of onerous reporting requirements and the disproportional size of the earmark vis-a-vis the capacities of implementing partners should be considered in planning for any future women’s initiatives. Department/PRM is also incorporating the report’s findings and recommendations into an ongoing lessons-learned project. 		
Title or Topic	Refugee Admissions to the U.S.		
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)		
Department Contact	PRM – Kelly Clements		
Major Findings	<ul style="list-style-type: none"> ◆ Program was given a PART rating of “Adequate.” ◆ Program scored well for planning; management and program managers collaborated with grantees and states to ensure effective use of funds. ◆ Strategic planning should narrow goals to measure program effectiveness more easily; draft FY 2004 Performance Plan included more focused and quantifiable goals. ◆ Program has recently developed new performance measures that do not yet have data available to measure progress in meeting targets; Administration expects performance in this area to increase in future years, as managers begin managing by new measures and as new performance data are available. ◆ There is some overlap between one function of the program and another program run by the Department of Health and Human Services. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Budget increase to meet increased security costs. ◆ Administration will review relationship between programs at Department and Department of Health and Human Services. ◆ Department will continue ongoing efforts to improve strategic planning to ensure goals are measurable and mission-related. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The FY 2005 Bureau Performance Plan will contain the specific long and short-term goals and performance indicators identified via PART. ◆ During the Bureau Performance Plan Reviews with the Deputy Secretary, there will be an assessment of the progress made on implementing PART recommendations. 		

Strategic Goal 13		HUMANITARIAN ASSISTANCE <i>continued</i>
Title or Topic Evaluator Department Contact	Refugees to Israel Office of Management and Budget Program Assessment Rating Tool (PART) PRM – Kelly Clements	
Major Findings	<ul style="list-style-type: none"> ◆ Program was given a PART rating of “Adequate.” ◆ Purpose of program is clear, but there is a declining need for the program, as shown in number of individuals assisted yearly. ◆ The program has made significant progress in its strategic planning during the past year. ◆ Department has worked with recipient organization on performance goals that meaningfully reflect program purpose. ◆ Overall, program is well-managed. Department responded well to previous program evaluations. ◆ Program is making progress toward achieving its long- and short-term goals. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Budget should reflect program’s decreasing need. ◆ Annual goals for each of the program areas would be useful. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The FY 2005 Bureau Performance Plan will contain the specific long- and short-term goals and performance indicators identified via PART. ◆ During the Bureau Performance Plan Reviews with the Deputy Secretary, there will be an assessment of the progress made on implementing PART recommendations . 	

Strategic Goal 17		MUTUAL UNDERSTANDING
Title or Topic Evaluator Department Contact	Outcome Assessment of the U.S. Fulbright Scholar Program SRI International ECA - Ted Kniker	
Major Findings	<ul style="list-style-type: none"> ◆ The evaluators found strong quantitative and qualitative evidence that the program is achieving its legislative mandate. ◆ Scholars build knowledge and long-term relationships with host institutions and foreign colleagues. Seventy-five percent of participants still collaborate with people met on their program, even fifteen to twenty years later. ◆ Scholars make U.S. campuses and communities more international (73% have incorporated international aspects of their Fulbright experience into their courses and teaching). 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Scholars express high levels of satisfaction with the Fulbright Program. ◆ Provide more information about opportunities for alumni grants. ◆ Provide opportunities to participate in Fulbright panels. ◆ Give more attention to technical/scientific contributions made by Fulbright Scholars. ◆ Use retired alumni at low cost to deliver lectures, and other activities in their host countries. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Organize travel/study trips for alumni. ◆ Strengthened outreach to increase the diversity of participants within the Fulbright U.S. Scholar Program. ◆ More alumni activities and involvement of alumni in follow-on program activities. ◆ Enhance outreach to alumni via the Fulbright Scholar Program website and Fulbrightweb.org (the online Fulbright community). ◆ Increase communication and coordination with the Fulbright Program Alumni Organization and its chapters. 	

Strategic Goal 17		MUTUAL UNDERSTANDING <i>continued</i>
Title or Topic	Outcome Assessment of the American Council on Young Political Leaders (ACYPL) Program	
Evaluator	American Institutes for Research	
Department Contact	ECA - Ted Kniker	
Major Findings	<ul style="list-style-type: none"> ◆ ACYPL Program is successful in giving U.S. and foreign participants a more complex understanding of international issues and their host country's political system, economy, culture, and social issues. ◆ The program is effective in creating institutional and professional linkages among program delegation members and between delegates and their host country counterparts. ◆ The program promotes the Department's foreign policy objectives and strategic goals by encouraging mutual understanding between Americans and foreigners. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Better prepare delegates about the host country prior to arrival. ◆ Increase the economic, cultural, and social components of the program. ◆ Allow delegates more free time to explore the host country. ◆ Develop an Internet-based system for alumni tracking. ◆ Increase ways that alumni can get involved in the program. ◆ Encourage the establishment of ACYPL counterpart organizations abroad. ◆ Ensure close collaboration of ACYPL counterpart organizations abroad with U.S. embassy staff. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Provide delegates with detailed briefing materials on program and host countries, orientations, and meetings with embassy counterpart organization officials and briefings on logistical and administrative matters. ◆ ACYPL has stepped up efforts to ensure economic, cultural, and social components are significant in each country visit. ◆ Study tours are rigorous, but larger blocks of time are being added to include cultural activities, sightseeing, and free time. ◆ ACYPL is refining an alumni database and working with counterpart organizations to help track highly mobile alumni, despite limited organizational resources. ◆ ACYPL will continue publishing the alumni newsletter and directory, hosting of new delegates, and begin new initiatives to further engage alumni. ◆ Old counterpart relationships have been re-established in two countries and new partnerships are being explored in as many as five new countries. ◆ ACYPL recognizes and encourages the need for good communication between its foreign counterpart organizations and the U.S. embassy staff involved with the ACYPL program. ACYPL will continue to encourage and promote closer cooperation. 	
Title or Topic	Evaluation of the International Visitor Program Special Initiative Projects	
Evaluator	ECA Office of Policy and Evaluation Staff	
Department Contact	ECA - Ted Kniker	
Major Findings	<ul style="list-style-type: none"> ◆ The International Visitor Program Special Initiative Projects were successful in increasing participants' understanding of the impact of the events of 9/11 on the United States and Americans and on global peace and security. ◆ The projects significantly contributed to the ECA and public diplomacy goals of promoting closer international relations and mutual understanding and respect. ◆ The program experience helped increase participants' understanding of the United States and Americans and of their professional fields and interests. ◆ The projects were successful in providing accurate and balanced information about the United States by providing opportunities for participants to dialogue with their U.S. professional counterparts as well as with "everyday Americans." 	

Strategic Goal 17		MUTUAL UNDERSTANDING <i>continued</i>
Major Recommendations	<ul style="list-style-type: none"> ◆ At the start of their program, ensure that participants receive a thorough briefing on the USG and the U.S. federal system. ◆ Build into the program more opportunities for participants to experience U.S. culture and society outside of formal meetings or presentations. ◆ Increase opportunities for participants to speak with students at schools, colleges, and universities, as well as with civic groups in communities around the country. ◆ Secure more meetings with administration officials, particularly Department officials. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The program office awarded Meridian International Center a grant in FY 2003 to organize weekly presentations for visitors on federalism. ◆ The program office has instituted quarterly meetings with its eight grantee national program agency to discuss programming, pacing, and other subjects. Through the NCIV core grant, they will work with the Councils for International visitors (CIVs) and the National program agencies (NPAs) on these issues in two regional National Council for International Visitor (NCIV) meetings, the annual meeting in Washington, DC the programmers workshop in December 2002, and other training opportunities. ◆ Program office made an effort to publicize International Education Week among the CIVs to encourage use of IVs in schools in their communities. Message is being reiterated to CIVs, NPAs and bureau staff in ongoing training sessions. ◆ Through branch chiefs and continued close coordination with public diplomacy office colleagues in the Department's geographic and functional bureaus, program office has been able to arrange more and higher- level administration appointments for visitors. Afghan women's group and Arab women political leaders group projects were great successes in this regard. 	
Title or Topic Evaluator Department Contact	Muskie/FSA Graduate Program Evaluation Iowa Social Science Institute, University of Iowa ECA - Ted Kniker	
Major Findings	The Muskie/FSA Program is meeting its goal of providing participants with the skills and experiences to become leaders in key sectors. Alumni are more likely than semifinalists to work in sectors of the economy targeted for reform, particularly business and law. They have significant influence within the organizations where they work; report significantly higher incomes, indicate greater job satisfaction, supervise greater numbers of employees, and evince more democratic ideas about workplace leadership than do semifinalists. They directly utilize skills and knowledge gained during their program in their current jobs. They report increased self-confidence, increased ability to overcome difficulties, and increased communication skills as a result of the program. Perhaps most importantly, they believe that they personally have a great deal of influence on society.	
Major Recommendations	<ul style="list-style-type: none"> ◆ Interviewers from universities need additional training in ECA objectives and using standardized interviewing protocols. ◆ Focus more attention on the civic education component of the program by engaging participants more actively in community activities. ◆ Dedicate energy and resources to keeping in touch with alumni. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Alumni activities and organizations need to address alumni needs more effectively and assist alumni in fulfilling their potential. ◆ Interview protocols have been standardized; interviewers now receive training on FSA and ECA goals. ◆ The administering organization now has resources to develop a better alumni-tracking system and institutionalize the alumni contact strategy. ◆ Alumni programs now receive greater visibility, and more attention is given to soliciting alumni input in programming. 	

Strategic Goal 17		MUTUAL UNDERSTANDING <i>continued</i>
Title or Topic	Georgian Institute of Public Administration	
Evaluator	Lehmann Surveys and Research	
Department Contact	ECA - Ted Kniker	
Major Findings	<ul style="list-style-type: none"> ◆ GIPA is well run by the Georgian staff, effective, and exceeds its initial goals. ◆ The role played by the National Academy of Public Administration (NAPA) needs attention: better record-keeping, recruitment of a more diverse group of American faculty, and the creation of basic orientation materials. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ The institute has developed a reputation for excellence that is luring Georgia's best and brightest into the field of public administration. Alumni, a substantial proportion of whom choose employment in the public sector, are highly sought after in both the public and private sector. ◆ Funding to support GIPA should continue. ◆ Pay more attention to the American-side management by NAPA. ◆ Additional funds should be allocated to support a case study workshop where alumni could learn how to turn their employment experiences into teaching materials for future cohorts, a small grants program to fund working papers in targeted issues of public policy, and a small grant to fund the creation of a Georgian language textbook of public administration. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The recommendations will serve as a guideline for a solicitation to NAPA for another year of GIPA funding in 2003-2004. 	
Title or Topic	Assessment of Selected Educational Exchange Programs in Turkey	
Evaluator	K.W. Tunnell Company and PDS, Inc.	
Department Contact	ECA - Ted Kniker	
Major Findings	<ul style="list-style-type: none"> ◆ Participants learn much about the United States through their experience in the country. When they return to Turkey they understand the United States better and they continue to interact with US institutions and individuals for many years into the future. ◆ Participants change as a result of the experience. ◆ Participants value the technical and educational benefits of their experience. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Assess the alumni efforts for selected programs with a view toward finding ways to promote wider participation wherever there is a reservoir of returned participants. ◆ Assess the selection procedures of programs to see if behavior indicators can be used to identify individuals who will contribute back to their community 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The bureau is looking at ways to increase alumni efforts and tracking. ◆ Future evaluations will use some of the indicators developed by the evaluators. ◆ Behavior indicators found too costly and intrusive in the selection process for merit-based selection programs. 	
Title or Topic	Educational and Cultural Exchange Programs in Near East Asia and South Asia	
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)	
Department Contact	ECA - Ted Kniker	
Major Findings	<ul style="list-style-type: none"> ◆ The program was given a PART rating of "Results not Demonstrated." ◆ The program is managed well overall, but scored low on strategic planning for two reasons. First, the long-term goals are not set relative to an established baseline and do not have clear time frames and targets against which to measure annual progress. Second, the program does not have regional long-term goals for Near East Asia and South Asia, but instead has worldwide, functional goals (e.g. Fulbright Visiting Student Program). ◆ The program scored high in purpose, planning, and management. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Adjust performance measures to include measurable timeframes and targets for achieving goals. ◆ Develop regionally-based performance measures. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Performance goals will be redrafted to include baseline and time frame language. ◆ Performance targets will be readjusted based on 2002 performance measurement. ◆ Analysis of performance will be conducted on several demographic variables, including geography. ◆ Develop two comprehensive performance measurement system that allows more effective annual measurement and reporting 	

Strategic Goal 18		HUMAN RESOURCES	
Title or Topic	Hardship Staffing Review	Evaluator	General Accounting Office
Department Contact	M/DGHR - Laura Hall		
Major Findings	<ul style="list-style-type: none"> ◆ Uneven burden of hardship staffing. ◆ Insufficient incentives for hardship staffing, especially due to 12-percent pay cut overseas due to lack of locality pay. ◆ Strong disincentives for hardship service . 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Improve assignment and bidding data collection. ◆ Review assignment process to share burdens more fairly. ◆ Targeted recruitment. ◆ Develop financial and other incentives for hardship service. 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Requested funding for upgraded personnel data systems. ◆ Strengthened fair share bidding program to place first those who have not recently served in hardship posts and to fill hardship posts first. ◆ Increased focus on recruitment of candidates with foreign language skills. ◆ Established working group to address both potential incentives and remedies for disincentives. 		
Title or Topic	Language Review	Evaluator	General Accounting Office
Department Contact	M/DGHR - Laura Hall		
Major Findings	<ul style="list-style-type: none"> ◆ Critical foreign language gaps. ◆ Insufficient staff to permit adequate training. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ Strategic workforce planning approach to foreign languages. ◆ Targeted recruitment . 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Increased staffing to allow adequate training. ◆ Continued strategic workforce planning approach to determining language requirements of overseas positions. ◆ Increased attention to early development of strategic foreign language skills needed in workforce. 		
Title or Topic	Bureau of Human Resources - Compliance Follow-Up Review		
Evaluator	State Department Inspector General		
Department Contact	M/DGHR - Laura Hall		
Major Findings	<ul style="list-style-type: none"> ◆ Bureau is appropriately addressing key human capital management areas. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ N/A 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ N/A 		
Title or Topic	Employee Satisfaction and Commitment Survey		
Evaluator	State Department		
Department Contact	M/DGHR - Laura Hall		
Major Findings	<ul style="list-style-type: none"> ◆ Employees are committed, public-service minded, and connected to the Department’s mission. ◆ Employees want more focus on leadership and management. ◆ Retention is mostly based on struggles of families, particularly dual-career couples, in the mobile foreign service lifestyle. ◆ Lack of locality pay overseas erodes value of hardship differentials as incentive to service in hardship posts. 		
Major Recommendations	<ul style="list-style-type: none"> ◆ N/A 		
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ Mandatory leadership and management training program for all mid-level employees and increased training at junior and senior levels. ◆ Revision of promotion precepts to emphasize leadership. ◆ Established spousal employment working group. 		

Strategic Goal 18		HUMAN RESOURCES <i>continued</i>
Title or Topic	Foreign Service Promotion System	
Evaluator	State Department Inspector General	
Department Contact	M/DGHR - Laura Hall	
Major Findings	<ul style="list-style-type: none"> ◆ "Up-or-out" promotion system is appropriate and does not negatively impact Department's skill base or staffing levels 	
Major Recommendations	<ul style="list-style-type: none"> ◆ N/A 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ N/A 	

Strategic Goal 20		INFRASTRUCTURE AND OPERATIONS
Title or Topic	Embassy Security Construction Program	
Evaluator	Office of Management and Budget Program Assessment Rating Tool (PART)	
Department Contact	OBO - John Dudley or Robert Bell	
Major Findings	<ul style="list-style-type: none"> ◆ Program was given a PART rating of "Moderately Effective." ◆ OMB gave the Capital Security Construction Program the highest PART rating (78 percent) of any Department program evaluated. It was found to have a clear purpose, used solid performance measures to measure results, and was effective in realizing program goals. 	
Major Recommendations	<ul style="list-style-type: none"> ◆ Program has good planning, purpose, and management; enhancements to program should continue. 	
Major Actions Taken or That Will be Taken	<ul style="list-style-type: none"> ◆ The FY 2005 Bureau Performance Plan will contain the specific long and short-term goals and performance indicators identified in the PART, which were taken from the FY 2004 OBO Bureau Performance Plan. ◆ During the Bureau Performance Plan Reviews with the Deputy Secretary, there will be an assessment of the progress made on enhancing the Capital Security Construction Program. ◆ Fifteen capital construction projects are currently under construction, seven of which will be completed in FY 2003. 	

OFFICE OF INSPECTOR GENERAL *2002 Performance Report*

MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present the Office of Inspector General's Performance Report for FY 2002, setting forth our accomplishments and success in meeting our goals and achieving the performance results set forth in our FY 2002 Performance Plan. While our goals are separate from those of the Department and the BBG, in accordance with our statutory independence, they are directed toward a common purpose in helping them to achieve their missions as effectively, efficiently, and economically as possible.

This has been a year of challenge, change, and accomplishment for the Office of Inspector General. Since assuming my responsibilities in August 2001, I have flattened the organization, reorganized the office along functional lines, and undertaken a series of management improvements intended to increase the impact of our work and move us toward making OIG's internal operations a model for the Department. We have focused on improving our working relationships; making our work more useful, relevant, and timely; and addressing the initiatives of the President's Management Agenda and other issues of importance to the Department, the Broadcasting Board of Governors (BBG), the Congress, and the Administration.

Although we have to do more to achieve fully our goals and performance targets (we were successful or partially successful in meeting 89 percent of our measures), we have made considerable progress over the past year. Our FY 2002 results exceeded those reported in FY 2001 for 84 percent of our measures and, for 63 percent of our measures, represented the highest level of performance for any of the four years for which we have data. For example, we exceeded our target for potential monetary benefits by more than 1,000 percent, identifying more than \$40 million in potential questioned costs or fines and recoveries in the course of our audit and investigative operations.

Many of our most significant results cannot be conveyed by quantitative measures alone. In addressing the increasing threat to America at home and abroad, we have more than doubled our coverage of Department bureaus and missions receiving post management and security inspections each year and have increased our issuance of reports by 50 percent.

Our efforts to encourage the Department to implement worldwide, two-tone emergency and imminent danger notification systems was credited by several survivors with preventing loss of life during the June 14, 2002, car bomb attack against Consulate General Karachi. We also have taken on an increasing number of Department, BBG, and Congressional requests for specific work on such concerns as management issues at Embassy New Delhi, the brief overthrow of the government in Venezuela, and vulnerabilities in visa policies and procedures. These and other accomplishments are highlighted under the strategic goals that they support.

As I leave the Office of Inspector General to await confirmation to the post of Inspector General of the Department of Homeland Security, I am pleased by the progress that OIG has made. I recognize, however, that much more must be done to achieve the results that the President, the Congress, the agencies, and the American people expect and deserve. My hope is that OIG will continue to be recognized as an organization dedicated to concrete results and an example of excellence for the agencies it serves.



Clark Kent Ervin
Inspector General

OUR VISION

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

OUR MISSION

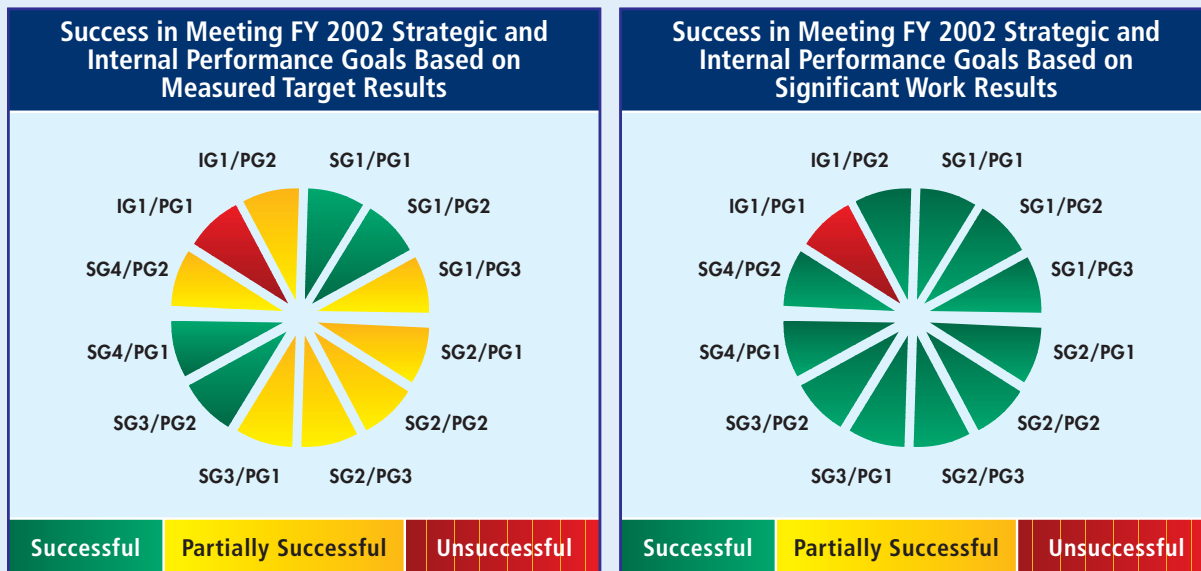
The mission of the Office of Inspector General (OIG) is to serve as an independent, objective reviewer and evaluator of the operations and activities of the U.S. Department of State and the Broadcasting Board of Governors. We analyze those operations and activities with a view toward promoting effectiveness, 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 Broadcasting Board of Governors, and the Congress, keeping them fully and currently informed of significant developments and serious concerns.

EXECUTIVE SUMMARY

This is the fourth annual performance report under the Government Performance and Results Act (Results Act). It represents the results of efforts and accomplishments in support of OIG's performance goals for FY 2002, a year of significant change, including a new Inspector General, a complete reorganization of OIG's structure, and totally revised OIG strategic and performance plans, goals, and measures for FY 2002 and beyond.

The FY 2002 Performance Plan contains four strategic, ten performance, and two internal enabling goals, along with nineteen measures and targets used to evaluate our success in achieving them. We have defined "Successful" as meeting or exceeding our target; "Partially Successful" as missing our target, but showing improvement over FY 2001; and "Unsuccessful" as missing our target and declining in performance from FY 2001. Under these criteria, we were successful in nine (47%), partially successful in eight (42%), and unsuccessful in two (11%) of our measures.

On a more positive note, this year's performance represented a substantial improvement over our FY 2001 results. Our performance for FY 2002 exceeded our FY 2001 performance on 84 percent of our measures. Furthermore, our FY 2002 results for 63 percent of our measures were better than in any of the three prior years (1999-2001) for which data was available. Specifics of our performance and success in achieving our targets for these measures are reported in more detail beginning on page 101.



In addition, we have highlighted under each strategic goal the qualitative accomplishments and results supporting our goals that are not captured by our quantitative measures. These include:

- Conducting a review of U.S. policy toward Venezuela to address Congressional questions as to whether the Department and/or Embassy Caracas had any involvement in the brief April 2002 overthrow of Venezuelan President Hugo Chavez. The review concluded that the Department’s and the embassy’s actions were consistent with U.S. law and policy in support of democracy and constitutionality (Foreign Policy).
- Expanding OIG’s security inspections program, in the wake of the terrorist attacks of September 11, 2001, to provide “limited-scope” security inspections, by including a security inspector on each of the 21 post management inspections conducted during FY 2002, and identifying deficiencies in emergency procedure programs that are easily correctable with little or no additional resources and have a major impact on mission security (Security).
- Highlighting overly restrictive requirements for employees to receive incentive differentials at several posts in Central Asia, which led the Department to issue less restrictive guidelines, increasing the chances that the incentive program will achieve its objective of retaining qualified employees at difficult-to-fill posts (Financial Management and Administrative Support Systems).
- Completing 16 audits of Department and BBG contractors and grantees that identified more than \$17.6 million in potential questioned costs or funds put to better use, and concluding the sentencing of two defendants convicted in a large-scale scheme to use the investor visa program fraudulently, resulting in \$17.6 million in restitution to victims of the scheme (Accountability).
- Implementing an automated Project Tracking System and OIG Timesheet System that together allow the Office of Inspector General to track more accurately the allocation of our resources to specific projects and the timeliness and cost of our products and activities (Internal Enabling Goal).

TABLE OF STRATEGIC AND PERFORMANCE GOALS AND FY 2002 RESULTS

Strategic Goal	Performance Goals	Measure	Target	Actual ^{1,2}
The Department and the BBG effectively, efficiently, and economically advance the foreign policy interests of the United States.	Identify opportunities for improving the management and operations of overseas missions, domestic bureaus, and international broadcasting activities through post management and thematic inspections, audits, and program evaluations.	% of Recommendations Resolved in 6 Months	91%	62% (PS) ▲
		% of Recommendations Closed in Year	70%	78% (S) ▲
	Evaluate at least eight U.S. Government operations and programs with foreign policy implications and recommend actions necessary to remove or overcome them.	Reports Issued	8	8 (S) ▲
	Increase the cumulative number/percentage of missions and selected bureaus inspected on a five-year cycle.	% of Missions Inspected within Last 5 Years	77%	70% (PS) ▲
The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad.	Evaluate at least six Department programs designed to improve security for its people, buildings, and information, and identify any corrective actions necessary to ensure that they meet their stated goals.	Reports Issued	6	7 (S) ▲
		% of Recommendations Resolved in 6 Months	67%	82% (S) ▲
		% of Recommendations Closed in 1 Year	82%	64% (PS) ▲
	Identify vulnerabilities and recommend corrective action with respect to information systems and security at no fewer than 10 overseas missions.	Missions Inspected	10	7 (PS) ▲
	Increase the cumulative number/percentage of missions and selected bureaus receiving security inspections and reviews on a five-year cycle.	% of Missions Inspected within Last 5 Years	85%	79% (PS) ▲
The Department and the BBG have the necessary financial and support systems and controls to meet legal and operational requirements.	Identify challenges and vulnerabilities, with recommendations to address them, for at least 15 Department financial and administrative support programs and activities.	% of Recommendations Resolved in 6 Months	79%	44% (U) ▼
		% of Recommendations Closed in 1 Year	92%	58% (PS) ▲
		Reports Issued	15	21 (S) ▲
	Evaluate Department and BBG progress in measuring performance and linking performance goals to budget, and recommend improvements, as appropriate.	Reports Issued	5	5 (S) ▲
The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations.	Identify a minimum of \$3.75 million in potential monetary benefits as a result of audit and investigative recommendations.	\$ Value of Cost Savings, Efficiencies, Recoveries, and Fines	\$3.75 million	\$40.04 million (S) ▲
	Promote awareness and adherence to standards of professional and ethical conduct and accountability; where necessary, conduct thorough and expeditious investigations of fraud, waste, abuse, and mismanagement.	% of Cases Closed within 200 Days	61%	75% (S) ▲
		% of Cases Open less than 200 Days	76%	50% (PS) ▲
Internal Enabling Goal	Attract and retain employees with the requisite skills and expertise.	Staff on Hand	225	218 (U) ▼
		Attrition Rate	15%	13% (S) ▲
	Issue a final report or other product within 225 days of starting a project.	Project Length	225	250 (PS) ▲

¹ (S) = Successful; (PS) = Partially Successful; and (U) = Unsuccessful

² Results in FY 2002 compared with those of FY 2001: ▲ = Better ▼ = Worse

PERFORMANCE DATA QUALITY AND LIMITATIONS

The performance data in the FY 2002 report is the most complete and accurate data in any of the four OIG performance reports issued under GPRA and meets the standards for reliability contained in Office of Management and Budget Circular A-11, section 232. For the first time, we have four years of data for every measure, although our project length data for prior years is less complete and accurate than our FY 2002 data. In addition, the results of prior years' data for recommendations closed within one year of issuance as reported in the FY 2002 Performance Plan have been restated, generally lower, as the result of computational errors that were discovered when calculating FY 2002 results. The data itself comes from five basic sources:

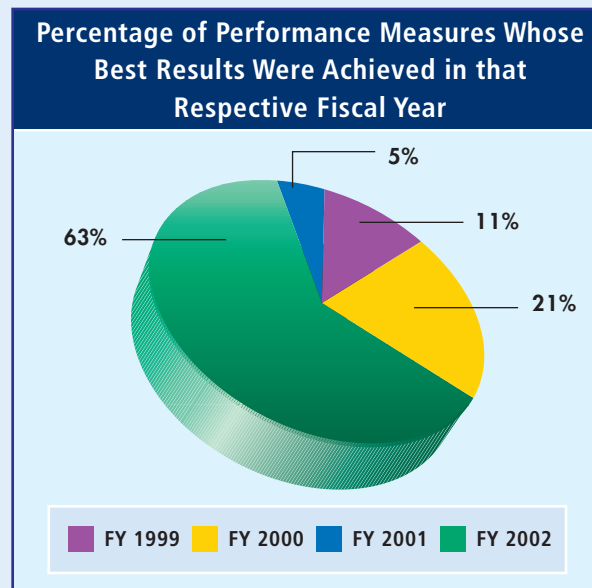
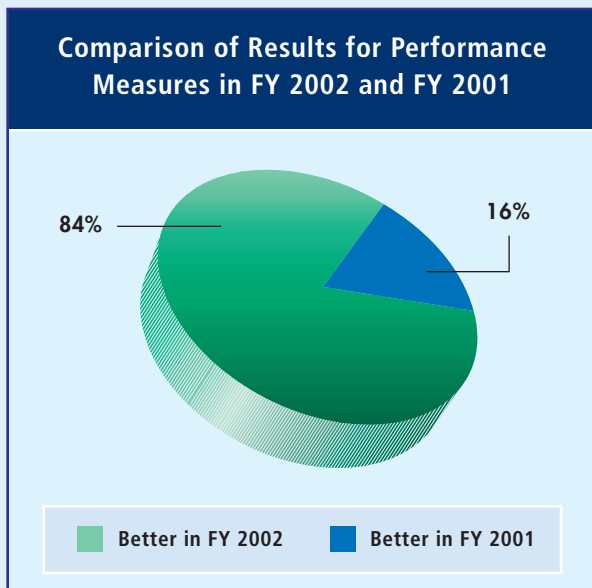
- The OIG Compliance Analysis Tracking System (CATS)—six measures relating to recommendations;
- OIG reports—eight measures relating to missions reviewed, programs evaluated, reports issued, and potential monetary benefits;
- The OIG Case Management System (CMS)—two measures relating to investigative cases;
- OIG personnel records—two measures relating to staff on hand and the attrition rate; and
- The Project Tracking System (PTS)—one measure relating to project length.

Our internal controls and validation efforts lead us to believe that the data is as accurate and reliable as can be reasonably expected. For example, CATS data is reconciled monthly with the individual issuing office records, and status reports then are provided to selected Department bureaus for reconciliation with their records. Data found in OIG reports are indexed and referenced prior to issuance according to the professional standards appropriate for that type of report. CMS and personnel data are reconciled by the Offices of Investigations and Administration, respectively, prior to inclusion in the performance report. PTS data is reviewed and updated on a bi-weekly basis and, although there are occasional discrepancies on timeliness data for individual projects, they have not been found to have any significant effect on the results.

For FY 2002 and beyond, our performance measures are directed almost entirely toward traditional measures of OIG success, including reports issued, recommendations resolved and implemented, cost efficiencies identified, and fines and recoveries collected. We also have established a new project tracking system and automated timesheet system that have improved significantly our ability to monitor both timeliness of our work and alignment of resources with our goals. We are working to ensure that the data provided by this and complementary systems are as complete and accurate as possible.

MEETING UNMET TARGETS

Overall, in FY 2002, we did not meet 53 percent of our targets. However, we met or exceeded our FY 2001 performance results for 84 percent of the measures. In addition, our FY 2002 results represented four-year highs for 63 percent of our targets.



For three of the ten measures and targets that were not met, we have established revised targets in our FY 2003 Performance Plan that exceed those expected, but missed, in FY 2002. The targets for the seven other measures have been readjusted to reflect an increase over our FY 2001 performance, although the expected results will still fall short of FY 2002 targets. The following table shows the year in which we expect to achieve our unmet FY 2002 targets.

SCHEDULE FOR ACHIEVING UNMET FY 2002 TARGETS										
SG/PG	SG1/PG1a	SG1/PG3	SG2/PG1c	SG2/PG2	SG2/PG3	SG3/PG1b	SG3/PG1c	SG4/PG2a	IG1/PG1	IG1/PG2
Unmet FY 2002 Target	91%	77%	82%	10 missions reviewed	85%	79%	92%	76% in 200 days or less	225 staff	225 days
FY in which Target will be Met or Exceeded	FY 2005 or 2006	FY 2004	FY 2005 or 2006	FY 2003	FY 2003	FY 2005 or 2006	FY 2007 or 2008	FY 2005	FY 2004	FY 2003

PERFORMANCE EVALUATIONS

No performance evaluations or other formal assessments of OIG programs and operations were conducted during FY 2002. However, more than a dozen OIG reviews conducted during FY 2002 have provided program evaluations of Department programs and operations, some of which have been highlighted in the Department’s performance report.

MANAGEMENT CHALLENGES

OIG faced many of the same management challenges that the Department and other government entities were struggling to address, especially those encompassed within the President's Management Agenda (PMA) initiatives on strategic management of human capital, improving financial performance, and better integrating budgeting with performance. As a result, OIG introduced two Internal Enabling Goals related to our human resources and the timeliness of our projects, with a move toward tracking project costs beginning in FY 2002. As explained on pages 123 through 127, we were much less successful in achieving these goals in FY 2002 than we anticipated. However, we are continuing to address them in FY 2003 and beyond.

PRESIDENT'S MANAGEMENT AGENDA

Although OIG introduced several human resource initiatives (such as repayment of employee student loans) to attract and retain staff and revamped our web site to make it more customer-oriented and useful, the majority of our activities supporting the PMA consisted of the audits, inspections, and other reviews that focused on the human capital, financial management, outsourcing, and rightsizing activities related to Department and BBG programs and operations. Details of these activities are highlighted on page 120.

BUDGET INFORMATION

Obligations for FY 2002 totaled \$29,194,706. This was expended in support of our strategic goals as follows:

Strategic Goal 1: Foreign Policy	\$10.1 million	35% of resources
Strategic Goal 2: Security	\$ 6.7 million	23% of resources
Strategic Goal 3: Financial Management and Administrative Support	\$ 7.0 million	24% of resources
Strategic Goal 4: Accountability	\$ 5.4 million	18% of resources

EFFECT OF FY 2002 PERFORMANCE ON FY 2003 PERFORMANCE GOALS

After revising most of OIG's performance goals, measures, and targets in each of our first four performance plans, our FY 2002 goals and measures remain unchanged for FY 2003 and 2004. We also have included an additional performance measure under our second internal enabling goal, which will track the percentage of projects completed within 183 days, 184 to 244 days, and more than 244 days. This new measure will provide a more complete and accurate assessment of our progress in reducing the length of projects than can be shown by average project length alone. Thirteen of our FY 2003 targets have been revised as a result of our FY 2002 performance results (See table that follows).

REVISIONS TO FY 2003 TARGETS RESULTING FROM FY 2002 PERFORMANCE													
SG/PG	SG1/PG1a	SG1/PG1b	SG1/PG2	SG1/PG3	SG2/PG1a	SG2/PG1b	SG2/PG1c	SG3/PG1a	SG3/PG1b	SG3/PG1c	SG4/PG1	SG4/PG2a	SG4/PG2b
Original FY 2003 Target	91%	70%	8	79%	6	70%	85%	15	82%	94%	\$4.0 Million	56%<100 4%@ 100-200	50%<100 6%@ 100-200 19%@ 201-300 25%>300
Revised FY 2003 Target	85%	8%	9	73%	7	84%	67%	21	72%	72%	\$7.8 Million	50%<100 10%@ 100-200	50%<100 25%@ 100-200 8%@ 201-300 17%>300

In an effort to make our measures more meaningful as indicators of our success in achieving our performance goals, we have added two new measures for FY 2003. The first measure—the percentage of “significant” (as identified by OIG) recommendations closed within one year of issuance—has been added to the first performance goal under each of our strategic goals for Foreign Policy, Security, and Financial Management and Administrative Support Systems. This new measure is intended to provide a more accurate picture of our success in getting the most important recommendations implemented, since all recommendations are not of equal weight or impact. The second measure under our second internal enabling performance goal is the percentage of projects completed within 6 months. We believe that, when combined with the average number of days from project start to product issuance—which can be unduly influenced by the inclusion of a few very long or short projects—it will provide a more balanced view of the timeliness of our products.

NEW MEASURES AND TARGETS FOR FY 2003				
	SG1/PG1c	SG2/PG1d	SG3/PG1d	IG1/PG2b
Target & Measure	50% of significant recommendations closed within one year of issuance	50% of significant recommendations closed within one year of issuance	50% of significant recommendations closed within one year of issuance	65% of projects completed within 183 days

It should be noted that, as required under Office of Management and Budget Circular A-11, the OIG will be reviewing its Strategic Plan for possible interim revisions due by March 31, 2003. If the strategic plan is revised, the first performance plan to be affected will be our plan for FY 2004.

STRATEGIC GOAL: FOREIGN POLICY

The Foreign Service Act of 1980, as amended, mandates that the OIG assess the effectiveness of foreign policy implementation by reviewing activities and operations performed under the direction of Chiefs of Mission for consonance with U.S. foreign policy. This responsibility—which is unique to the State Department Office of Inspector General and the one most closely aligned with the mission of the Department—is an essential component of our overseas and domestic inspections, intelligence oversight reviews, and audits of issues affecting foreign policy such as counterterrorism, counternarcotics, and visa programs.

OIG's FY 2002 performance goals under this strategic goal have focused on identifying opportunities to improve the management and operations of foreign policy and international broadcasting activities; identifying and recommending solutions to obstacles to oversight and coordination of foreign policy operations and programs; and increasing the percentage of missions inspected at least once every five years, with the intention of inspecting all missions on a five-year cycle by 2007. With respect to our success in meeting these respective goals, please see below:

- *Identify opportunities for improving the management and operations of overseas missions, domestic bureaus, and international broadcasting activities through post management and thematic inspections, audits, and program evaluations.* Our efforts to achieve this goal were only partially successful based on mixed results on our quantitative measure, but successful on the basis of our qualitative work, discussed below, that was performed and reported on in FY 2002. On our quantitative measures, we missed our target for recommendations resolved—that is, corrective actions accepted by management—by a substantial margin, although we bettered our FY 2001 performance. However, we exceeded our measure for recommendations implemented, which is a better overall measure of success, since it indicates that the desired corrective actions have been completed and the problem corrected.
- *Evaluate at least eight U.S. government operations and programs with foreign policy implications—especially those under Chief of Mission authority or related to international broadcasting and the free flow of information around the world—identify obstacles to Chief of Mission, Department, or BBG oversight and coordination of the operations and programs, and recommend actions necessary to remove or overcome them.* Our efforts to achieve this goal were successful based on the results of both our quantitative measure and our qualitative work, discussed below, that was performed and reported on in FY 2002.
- *Increase the cumulative number/percentage of missions and selected bureaus inspected on a five-year cycle.* Our efforts to achieve this goal were only partially successful in that we fell considerably short of our target, although we showed improvement over our FY 2001 performance.

MAJOR ACCOMPLISHMENTS IN SUPPORT OF THIS STRATEGIC GOAL

OIG Activity or Finding	Result
<p>In response to a congressional request, the Inspector General led a review of U.S. policy toward Venezuela in the wake of the April 2002 brief overthrow of President Hugo Chavez.</p>	<p>The OIG review addressed Congressional questions, finding that the Department's and Embassy Caracas's actions were consistent with U.S. law and policy in support of democracy and constitutionality and finding no evidence to suggest that the Department or Embassy Caracas planned, participated in, or encouraged the overthrow of President Chavez.</p>
<p>Inspections of more than 40 overseas missions since September 11 have identified common themes involving embassy security, the war on terrorism, lack of personnel resources at hardship posts, insufficient public diplomacy resources, and the need for significant additional resources to meet construction plans to address security vulnerabilities.</p>	<p>OIG identified actions needed by the Department to address these concerns, including re-examination of staffing numbers in light of the security situation and limited U.S. interests in some countries, revising Mission Performance Plans to reflect new policies and programs, and developing bureau "swat teams" of experienced officers to train FSN staff and correct problems.</p>
<p>Inspections of small, remote posts in the Pacific, Africa, the Caribbean, and Europe found that these posts played a minor role in advancing homeland security, but did not fully understand the role they could play.</p>	<p>OIG identified the contributions of these missions to homeland security through their active public and bilateral diplomacy and expanded intelligence and consular surveillance, and encouraged the Department to provide expanded guidelines to help them understand how they could more fully support U.S. homeland security objectives.</p>
<p>As part of its support for the President's Management Agenda, OIG reviewed the staffing of overseas missions and found that the principle of retaining some U.S. representation in each place ("universality") still has merit.</p>	<p>OIG has assisted the Department in implementing its global rightsizing initiative by examining staffing levels at overseas posts, as the Department establishes common criteria for its assessment of post staffing.</p>
<p>At the request of the Department, OIG reviewed costs incurred in conducting the trial of two Libyans accused of blowing up Pan Am flight 103 over Lockerbie, Scotland.</p>	<p>OIG's verification of the costs of conducting the trial and the appropriate share of incremental costs that the U.S. had agreed to pay for conducting the trial in the Netherlands rather than in Scotland resulted in a \$13 million cost savings for the U.S. government.</p>
<p>A review of the BBG's Middle East Broadcasting Activities identified weaknesses in BBG efforts to reach its predominantly Muslim Middle East audience.</p>	<p>This new program has benefited from OIG suggestions and recommendations in its formative stages, including a commitment to integrate as much hard news and U.S. government policy editorials as practicable into its youth-oriented music format as quickly as possible.</p>
<p>A review of the administrative operations of Radio Free Europe/Radio Liberty (RFE/RL) found that the inadequate administrative support unit serving the bureaus had the potential for providing host governments an excuse to shut down bureaus or intimidate RFE/RL broadcasters.</p>	<p>When fully implemented, OIG's corrective actions will reduce the likelihood of host governments' taking actions against RFE/RL bureaus or broadcasters by enabling staff better to keep pace with changes in applicable tax and social welfare benefit legislation in host countries.</p>
<p>A review of the BBG's broadcast affiliates program found weak oversight and coordination of the program.</p>	<p>OIG recommendations that BBG implement a strategic plan, improve its database, communicate with Department public affairs sections, and provide the resources to accomplish this mission have significantly strengthened this program to promote the free flow of information around the world.</p>
<p>An inspection of BBG regional operations in West Africa recommended prompt action to put the Voice of America (VOA) on the air in Sierra Leone and Liberia more effectively in support of U.S. goals of regional stability, humanitarian aid, and support for democracy.</p>	<p>BBG's prompt, effective response to this challenge provided support for U.S. objectives in the region at a time of continuing regional instability; large numbers of refugees, and internally displaced persons yet to return to their homes; and weak democratic institutions.</p>

PERFORMANCE GOAL 1

Identify opportunities for improving the management and operations of overseas missions, domestic bureaus and international broadcasting activities through post management and thematic inspections, audits, and program evaluations.

MEASURE: Percentage of recommendations resolved within six months of issuance.

FY 2002 RESULT: Partially Successful



MEASURE: Percentage of recommendations closed within one year of issuance.

FY 2002 RESULT: Successful

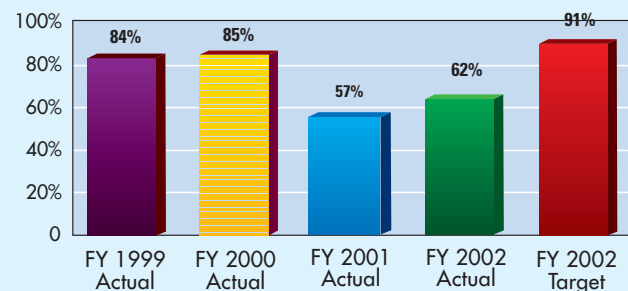


Success in meeting performance targets: Our success in meeting these targets was mixed, and, overall, was below the performance levels of prior years. We fell considerably short of our target on recommendations resolved within six months (showing some improvement over FY 2001, but far short of prior years). While we exceeded our target for recommendations closed within one year—a more important measure since it indicates final action being achieved and problems corrected—we were less successful than in the three prior years. The shortfall in recommendations resolved was due largely to staffing gaps in our compliance staff and, as we fell behind on that target, the effort to focus our resources first on the more important target for closing recommendations within a year. To address these shortcomings, we are looking to ensure adequate staffing coverage and have formed a new compliance oversight committee that will report to the IG quarterly to identify progress and issues in which a more proactive approach is needed to meet our FY 2003 targets. However, we do not expect to achieve 91% for recommendations resolved within six months until 2005 or 2006, at the earliest.

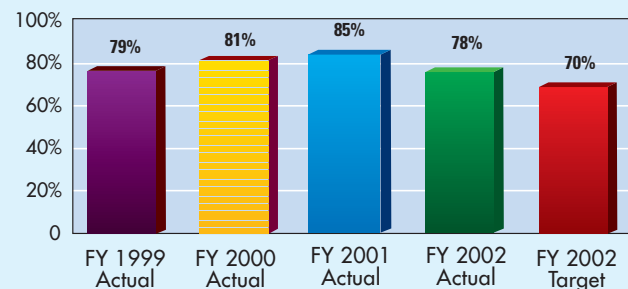
Data quality and strategies to address data limitations: A computation error in data reported in prior years was corrected (the data in this table reflects the correction), and we have verified the accuracy and completeness of the FY 2002 data in our compliance analysis tracking system.

Effect of results on the FY 2003 performance plan: Our FY 2003 target for resolved recommendations has been lowered to our FY 2000 actual level, while our target for closed recommendations is unchanged, with both targets set at 85%. We also have added a measure and target for “significant” recommendations implemented within a year to measure progress on our most critical recommendations.

Recommendations Resolved Within 6 Months of Issuance



Recommendations Closed Within 1 Year of Issuance



PERFORMANCE GOAL 2

Evaluate at least eight U.S. government operations and programs with foreign policy implications—especially those under Chief of Mission authority or related to international broadcasting and the free flow of information around the world—identify obstacles to Chief of Mission, Department, or BBG oversight and coordination of the operations and programs, and recommend actions necessary to remove or overcome them.

MEASURE: The number of U.S. government operations and programs with foreign policy implications evaluated.

FY 2002 RESULT: Successful

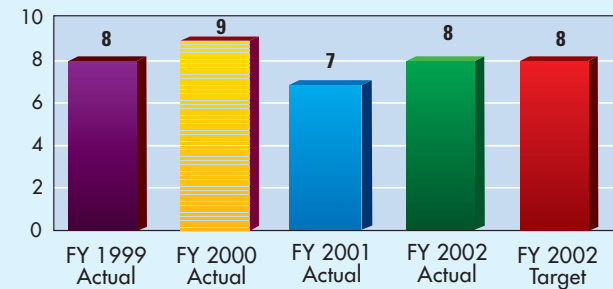
FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
8	9	7	8	8

Success in meeting performance target: We met our target and showed a slight increase from FY 2001, in which our unmet target also was to evaluate eight government operations and programs. The operations and programs with foreign policy implications evaluated in 2002 included three related to international broadcasting activities, four related to Department operations and programs, and one related to broader U.S. government activities. Three of these evaluations (U.S. Policy Toward Venezuela, U.S. Support to International Police Task Force in Bosnia, and BBG Middle East Broadcasting Activities and Initiatives) were undertaken in direct response to Congressional requests.

Data quality and strategies to address data limitations: The number of operations and programs evaluated is based on the number of reports on these subjects that actually were issued during the fiscal year. They do not include evaluations that were started but not completed by the end of the fiscal year. These will be reported in our FY 2003 results. We have verified the accuracy and completeness of this performance data.

Effect of results on the FY 2003 performance plan: We have increased our FY 2003 target from 8 to 9.

U.S. Government Operations & Programs with Foreign Policy Implications Reviewed



PERFORMANCE GOAL 3

Increase the cumulative number/percentage of missions and selected bureaus inspected on a five-year cycle.

MEASURE: The percentage of missions and selected bureaus inspected within the past five years.

FY 2002 RESULT: Partially Successful

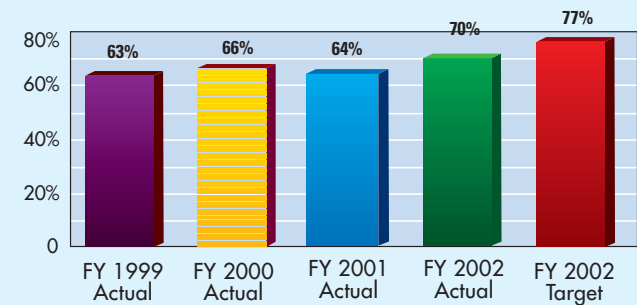
FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
63%	66%	64%	70%	77%

Success in meeting performance target: Although we showed improvement over our FY 2001 results, we fell considerably short of our target. This is the direct result of 11 inspections that were conducted in FY 2002, but for which reports were not issued by the end of the FY (see discussion in data quality and limitations below). Had these reports been issued in FY 2002, we would have met our target of 77 percent. Based on the number of mission inspections scheduled and a much lower target for the time it takes us to complete (i.e., issue a product on) all our projects in FY 2003, we expect to achieve our FY 2003 target of 73 percent. Although the percentage of missions inspected within the past five years will decrease in FY 2003, that was anticipated in our long-term plan, and we will still be on schedule to achieve 100 percent by 2007.

Data quality and strategies to address data limitations: Although our performance goal and measure include references to "selected bureaus," which we also inspect, our goal to reach a five-year inspection cycle is targeted toward overseas missions, and the percentages reported above include only overseas missions. If selected bureaus were included, the results as well as the target would vary from these reported. The measure will be changed to reflect this narrower focus in the future. In addition, the percentages reflect the number of missions, as a percentage of all overseas missions, for which inspection reports have been issued during the FY. If a mission was inspected in FY 2002 but the report was not issued prior to the end of the FY, it was not included in our FY 2002 results, but will be reported with our FY 2003 data. The data for these measures come directly from the reports issued during the FY, and we have verified their accuracy and completeness.

Effects of results on FY 2003 performance plan: This performance goal has been dropped as a separate goal for FY 2003 and beyond, and included as a measure in support of our first performance goal under this strategic goal, for which it is a more accurate indicator. Targets for succeeding years will continue to be set to achieve our goal of a five-year inspection cycle by the end of FY 2007.

Percentage of Missions Inspected Within Last Five Years



STRATEGIC GOAL: SECURITY

With the growing threat of terrorism and regional instability in the post-9/11 environment, the security of U.S. personnel, facilities, and information has become an issue of overriding importance. During FY 2002, OIG expanded its program of limited security and intelligence oversight reviews, significantly increasing its coverage of overseas posts by including a security inspector on all post management inspections. In addition, OIG pilot tested and implemented a new program of Information Security Evaluation Inspections, which will provide in-depth reviews of the security of Department and BBG domestic and overseas information systems. Full-scope security inspections also review information security as part of the inspection process.

Our FY 2002 performance goals under this strategic goal focused on evaluating the effectiveness of programs to improve security for Department people, facilities, and information; identifying and recommending corrective actions to vulnerabilities in Department and BBG information security and systems; and increasing the percentage of missions inspected as to security at least once every five years, with the intention of inspecting all missions on a five-year cycle by 2007. With respect to our success in meeting these goals, please see below:

- *Evaluate at least six Department programs designed to improve security for its people, buildings, and information and identify any corrective actions necessary to ensure that they meet their stated goals.* Our efforts to achieve this goal were only partially successful in that we missed our target for one of our three quantitative measures, although our results for all three measures exceeded our performance for FY 2001, and the goal was well supported by our qualitative work, discussed below, that was performed and reported on in FY 2002.
- *Identify vulnerabilities and recommend corrective action with respect to information security and systems at no fewer than 10 overseas missions.* Our efforts to achieve this goal were only partially successful in that we fell 30 percent short of our target—which, because this was the first year we started performing information security inspection evaluations, was still a significant accomplishment—although the qualitative work conducted and reported on in FY 2002 contributed considerably to our success on this goal.
- *Increase the cumulative number/percentage of missions and selected bureaus at which security inspections are conducted each year until all missions undergo a security inspection at least once every five years.* Our efforts to achieve this goal were only partially successful as we fell slightly short of our quantitative target, although we improved on our FY 2001 performance for this measure, and the goal was supported by our qualitative work, discussed below, that was performed and reported on in FY 2002.

MAJOR ACCOMPLISHMENTS IN SUPPORT OF THIS STRATEGIC GOAL

<p>OlG Activity or Finding</p>	<p>Result</p>
<p>A vulnerability assessment of the Central Financial Management System application identified system configuration issues that could be corrected without affecting overall network performance or availability, and found that overall, the associated security features appeared to function correctly and were well managed.</p>	<p>This review and another vulnerability assessment identified similar problems, suggesting that they may exist throughout the Department's IT infrastructure.</p>
<p>OlG expanded its security inspections program to encompass limited-scope security inspections by including a security inspector on each of the 21 post management inspections conducted during the second half of FY 2002. These limited-scope inspections focused on individual physical security and emergency preparedness, aimed primarily at identifying and correcting weaknesses in the missions' ability to defend against a large-scale vehicle bomb attack.</p>	<p>OlG has identified deficiencies in emergency procedure programs that are easily correctable, usually requiring little, if any, additional resources, and have a major impact on mission security. Survivors of the most recent vehicle bomb attack against the U.S. consulate in Karachi, Pakistan, noted that the lack of personnel injury was attributed to the use of the alert system and the instinctive response taken by people due to frequent emergency drills.</p>
<p>A review of the Bureau of Consular Affairs' (CA) information security program, conducted in response to public and congressional concern about the Department's ability to manage and process consular activities safely, found that CA has developed a comprehensive approach to addressing information security risks. Approximately 70% of systems have had risk assessments, and almost 50% are operating with an overall security plan in place, but only two of CA's 36 systems have been certified and accredited.</p>	<p>The Department has acknowledged that more needs to be done and is actively planning, prioritizing, and working toward bringing each of its active systems fully in line with information security statutes and OMB guidance.</p>
<p>A major review of domestic security programs, which examined compliance with earlier recommendations concerning handling of classified information at the Department's Main State facility, found that the Department has made significant strides in enhancing the protection of classified information, especially sensitive compartmented information (SCI).</p>	<p>Pursuant to an OlG recommendation, the Department transferred responsibility for handling the SCI program from the Bureau of Intelligence and Research to the Bureau of Diplomatic Security (DS); reduced the number of offices where SCI is processed, read, and discussed; and enhanced physical security for those offices. The Department has also strengthened procedures for reporting security incidents.</p>
<p>A review of the classified connectivity program evaluated the Department's program to deploy a standards-based, global network for secure information processing and communications to about 250 embassies and consulates worldwide. The Bureau of Information Resource Management is making progress and taking a more structured approach to "C-LAN" modernization, but OlG recommended that IRM coordinate with DS to complete the steps needed for C-LAN certification and accreditation and ensure that information technology contingency planning is coordinated and carried out in a standardized manner.</p>	<p>As a result of this work, IRM has developed a System Security Authorization Agreement for C-LAN type accreditation and submitted it to DS for evaluation and implementation. IRM has also developed and tested an IT contingency planning toolkit and is working to promote awareness, training, and use of the toolkit among organizations Department-wide.</p>
<p>An evaluation of the Department's program for providing its employees worldwide with desktop access to the Internet found that the Department has a deliberate process for ensuring that bureaus and overseas missions meet established technical, physical, security, and management requirements for Internet access before they are granted connectivity through OpenNet Plus.</p>	<p>In accordance with OlG report recommendations, the Department has drafted a policy to eliminate redundant Internet connections and associated costs once OpenNet Plus is fully deployed.</p>
<p>An assessment of automation in the Department's munitions export licensing process found that the process managed by the Department's Office of Defense Trade Controls (DTC), Bureau of Political-Military Affairs, is inefficient, involving extensive use of manual and paper-based processes, data re-keying, and inadequate license tracking mechanisms. OlG reported that these problems are due in part to multiple DTC systems that are independent of one another, as well as a lack of connectivity with systems used by external license review agencies.</p>	<p>DTC recognized the need to improve its munitions export licensing process and systems and has begun developing plans to modernize, but OlG recommended that it broaden and coordinate its efforts with representatives from industry, other Department bureaus and offices, and other federal organizations involved in the munitions export licensing process. The bureau agreed with OlG's recommendations and said that the report's analysis would serve as a basis for consideration of still further measures to strengthen the timeliness and overall efficiency of the munitions export licensing system to the benefit of U.S. government and industry and foreign markets.</p>

PERFORMANCE GOAL 1

Evaluate at least six Department programs designed to improve security for its people, buildings, and information and identify any corrective actions necessary to ensure that they meet their stated goals.

MEASURE: Programs reviewed and reports issued.

FY 2002 RESULT: Successful

FY 1999 ACTUAL 2	FY 2000 ACTUAL 6	FY 2001 ACTUAL 6	FY 2002 ACTUAL 7	FY 2002 TARGET 6
----------------------------	----------------------------	----------------------------	----------------------------	----------------------------

MEASURE: Percentage of recommendations resolved within six months of issuance.

FY 2002 RESULT: Successful

FY 1999 ACTUAL 48%	FY 2000 ACTUAL 56%	FY 2001 ACTUAL 70%	FY 2002 ACTUAL 82%	FY 2002 TARGET 67%
------------------------------	------------------------------	------------------------------	------------------------------	------------------------------

MEASURE: Percentage of recommendations closed within one year of issuance.

FY 2002 RESULT: Partially Successful

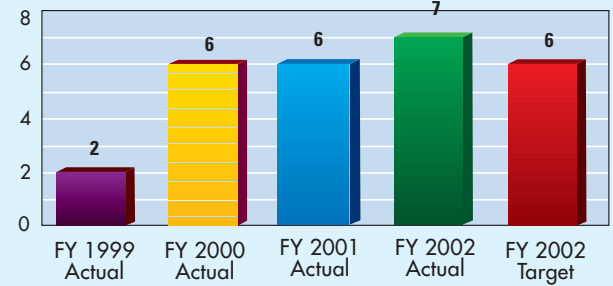
FY 1999 ACTUAL 55%	FY 2000 ACTUAL 60%	FY 2001 ACTUAL 60%	FY 2002 ACTUAL 64%	FY 2002 TARGET 82%
------------------------------	------------------------------	------------------------------	------------------------------	------------------------------

Success in meeting our performance targets: We exceeded two of the targets for measuring our performance under this goal, but fell short on the more critical target for recommendations closed within one year. The primary reason for this shortfall was intermittent staffing gaps in our security compliance unit, which left available staff to handle unrealistic workloads for various periods. To improve our results, we have filled a vacant position in our security compliance division, are refocusing our resources on compliance issues, and have formed a new compliance oversight committee that will report to the IG quarterly to identify progress and issues in which a more proactive approach is needed to meet our FY 2003 targets. We do not expect to achieve our 82% target for recommendations closed until 2005 or 2006.

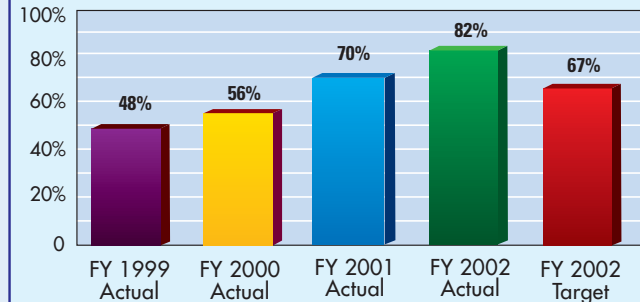
Data quality and strategies to address data limitations: A computation error in data reported in prior years was corrected (the data in this table reflects the correction), and we have verified the accuracy and completeness of the data we are reporting.

Effects of results on FY 2003 performance plan: For FY 2003, we have increased the target for recommendations resolved and programs reviewed to match our FY 2002 levels of 82% and 7 respectively, and have lowered the target for recommendations closed to 67%. We also have added a measure and target for "significant" recommendations closed within a year.

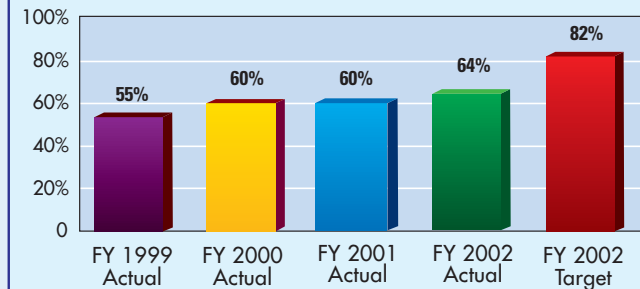
Security and Intelligence Programs Reviewed and Reports Issued



Issuance Security Recommendations Resolved Within 6 Months of Issuance



Security Recommendations Closed Within 1 Year of Issuance

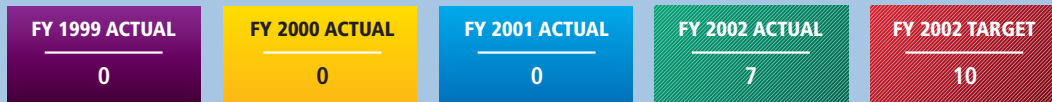


PERFORMANCE GOAL 2

Identify vulnerabilities and recommend corrective action with respect to information security and systems at no fewer than 10 overseas missions.

MEASURE: Number of Information Security Inspection Evaluations performed at overseas missions.

FY 2002 RESULT: Partially Successful

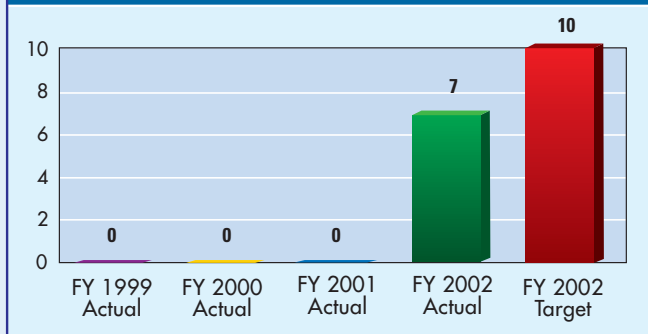


Success in meeting our performance target: We did not achieve our target of 10 evaluations, having performed and issued reports on only seven of those evaluations (one report was still in process) by the end of the FY. This was due partly to a decision, made early in the FY, further to refine our new methodology—this was the first year that we began conducting such inspections—by piloting it at four domestic bureaus before traveling to overseas missions. In addition to the seven missions inspected during FY 2002, we conducted information security inspection evaluations at five domestic bureaus as well. These reviews were supplemented by information security reviews conducted as part of our full-scope security inspections.

Data quality and strategies to address data limitations: The number of missions receiving information security inspection evaluations, as reported under this measure, is based on the number of reports that were actually issued during the fiscal year. They do not include one evaluation that was started but not completed by the end of the fiscal year. This will be reported in our FY 2003 results. We have verified the accuracy and completeness of this data.

Effects of results on FY 2003 performance plan: Our goal and measure remains unchanged, but we have reduced our target for the number of evaluations to be conducted in FY 2003 from 20 to 15 missions.

Information Security Inspection Evaluations Performed at Overseas Missions



PERFORMANCE GOAL 3

Increase the cumulative number/percentage of missions and selected bureaus at which security inspections are conducted each year until all missions undergo a security inspection at least once every five years.

MEASURE: Percentage of missions and selected bureaus receiving a security inspection or review within the past five years.

FY 2002 RESULT: Partially Successful

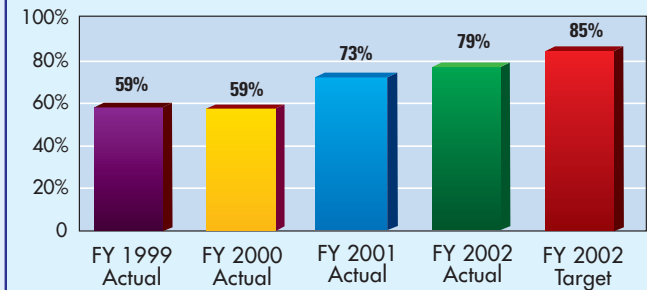


Success in meeting our performance target: Although we showed improvement over our FY 2001 results, we fell short of our FY 2002 target. This is the direct result of 10 inspections that were conducted in FY 2002 but whose reports were not issued by the end of the FY (see discussion in data quality and limitations below). Had these reports been issued in FY 2002, we would have met our target of 85 percent. Based on the number of mission inspections scheduled and a much lower target for the time it takes us to complete (i.e., issue a product on) all our projects in FY 2003, we expect to achieve our FY 2003 target to conduct security inspections at 90 percent of overseas missions.

Data quality and strategies to address data limitations: Although our performance goal and measure include references to “selected bureaus,” we have not performed security inspections of any domestic bureaus, leaving that to DS. Our goal to reach a five-year inspection cycle is targeted toward overseas missions, and the percentages reported above include only overseas missions. If selected bureaus also were included, the results as well as the target would vary from these reported. The measure will be changed to reflect this narrower focus in the future. In addition, the percentages reflect the number of missions, as a percentage of all overseas missions, whose inspection reports have been issued during the FY. If a mission was inspected in FY 2002 but the report was not issued prior to the end of the FY, it was not included in our FY 2002 results, but it will be reported with our FY 2003 data. The data for these measures come directly from the reports issued during the FY, and we have verified their accuracy and completeness.

Effect of results on the FY 2003 performance plan: This performance goal has been dropped for FY 2003 and beyond and included as a measure in support of our first performance goal under this strategic goal, for which it is a more accurate indicator. Our FY 2003 target remains at 90%, and targets for succeeding years will continue to be set to achieve our goal of conducting security inspections on a five-year inspection cycle by the end of FY 2007.

Percentage of Missions Receiving Security Inspections Within Last Five Years



STRATEGIC GOAL: FINANCIAL MANAGEMENT AND ADMINISTRATIVE SUPPORT SYSTEMS

A significant portion of the foreign affairs budget is devoted to developing, maintaining, and securing the infrastructures—including physical facilities, information systems, financial management, grants management, procurement, personnel systems, and administrative support services—that underlie and support the Department’s operations and provide a base for the conduct of U.S. foreign policy. A major part of OIG resources are devoted to efforts in support of this goal, including addressing systemic weakness and security vulnerabilities; ensuring accountability for the estimated \$3 billion in federal financial assistance, including grants and cooperative agreements, that is administered by the Department; and working with the Department and BBG to identify opportunities to streamline operations and reduce infrastructure and operational costs, inefficiency, and redundancy while increasing effectiveness, where possible.

Our FY 2002 performance goals under this strategic goal focused on identifying, and recommending solutions to, vulnerabilities in Department and BBG financial and administrative support programs and activities, and evaluating the Department’s and BBG’s progress in measuring performance and linking performance to budget. With respect to our success in meeting these goals, please see below:

- *Identify challenges and vulnerabilities, with recommendations to address them, for at least 15 Department financial and administrative support programs and activities.* Our efforts to achieve this goal were only partially successful because, although significantly exceeding our first quantitative measure, we fell considerably short on our other two measures for recommendations resolved and implemented. We did manage to show considerable improvement over our FY 2001 results for the more important measure of recommendations implemented. In addition, this goal was supported by the qualitative work, discussed below, that was performed and reported on in FY 2002.
- *Evaluate Department and BBG progress in measuring performance and linking performance goals to budget, recommending improvements, as appropriate.* Our efforts to achieve this goal were successful, having exceeded both our FY 2002 target and our performance for prior years.

MAJOR ACCOMPLISHMENTS IN SUPPORT OF THIS STRATEGIC GOAL

OIG Activity or Finding	Result
An inspection of BBG regional operations in West Africa highlighted mismanagement that resulted in the loss of more than \$200,000 in broadcasting equipment and had a negative effect on the placement of VOA programs on the air in VOA's top listening region in the world.	BBG and the Department now are sensitized to the reasons for the problems that occurred, greatly lessening the likelihood of significant loss in the future.
A review of the BBG's controls on domestic personal property highlighted weaknesses in internal controls.	In response, BBG has completed its first system-wide inventory since independence and created a reliable baseline. A central or limited number of receiving points will be established, and discipline brought to bear for employees who habitually lose U.S. government property in their care.
A review of administrative operations of RFE/RL highlighted vulnerabilities from possible lagging compliance with host government laws regulating employment tax and social contributions for bureau staff.	RFE/RL agreed to seek permanent slots with benefits for its administrative support staff serving its 30 bureaus. With some host country regimes becoming less tolerant of a free press, maintaining the timely regularization of the bureaus with respect to local tax laws will remove a potential technical excuse either to intimidate journalists or close a bureau.
The review of BBG's Broadcast Affiliates Program found that the program used many of its limited resources for low performing affiliates.	At OIG urging, the BBG has completed a strategic plan that seeks to focus resources on higher quality and better performing affiliates.
A review of intragovernmental receivables determined that the Department did not properly account for \$93.8 million owed to the Department by other agencies, resulting in significant overstatement of accounts receivable estimated at the end of the fiscal year.	Recommendations to correct these anomalies are being addressed by the Department in support of the President's Management Agenda initiative to improve financial performance.
A review of the Department's Regional Procurement Support Offices (RPSO) found significant accounting anomalies that distorted financial operating results and hindered RPSO management in carrying out its functions.	Recommendations to correct these anomalies are being addressed by the Department in support of the President's Management Agenda initiative to improve financial performance.
A survey of Civil Service Leadership Training found that the Department's Leadership Competencies Development Initiative (LCDI) recognized the importance of leadership training for Civil Service employees but that more than half of the employees interviewed were unaware of the program.	As a result of OIG's survey and briefings with the Bureau of Human Resources (HR) and the Foreign Service Institute (FSI), the Department updated its HR website regarding the LCDI leadership training, and announced a new Training Continuum for Civil Service employees and a new Leadership and Management Training Continuum.
A review of a grantee in China was undertaken at the request of the ambassador to ensure that U.S. funds were being used effectively, based on concerns about the grantee's financial management.	OIG found that the fund was making a good faith effort to respond to Department concerns by taking actions to improve operations and programs, including hiring and training additional staff and conducting project audits and reviews.
Inspections of U.S. embassies in Tbilisi, Georgia; Yerevan, Armenia; and Baku, Azerbaijan, found that overly restrictive requirements for employees to receive incentive differentials for serving at these difficult posts created the potential for excessive staff turnover.	Based on OIG findings and recommendations, the Department has eased the restrictions on receiving incentive differentials at these posts, increasing the chances that the incentive program will achieve its objective of retaining qualified employees in difficult-to-fill posts.
A review to assess the adequacy of the internal controls over cashing operations and blank passports found that established procedures that would minimize the risk of malfeasance are not implemented consistently at five of the six passport agencies, and the unannounced adjudication audit program is not achieving its primary objective of preventing and detecting malfeasance.	The Department accepted and has begun implementing OIG's recommendations, including developing a software package for fee reconciliation and instituting checks and balances for monitoring blank passports and procedures for depositing cash collections daily.
OIG identified critical infrastructure needs due to old, inadequate, and overcrowded facilities in all geographic regions, along with significant additional resource requirements for renovating or relocating all of the missions that have security vulnerabilities.	The Department's Office of Overseas Buildings Operations has been consistently responsive and acted promptly in addressing all of the deficiencies and problems identified in the course of OIG inspections.

PERFORMANCE GOAL 1

Identify challenges and vulnerabilities with recommendations to address them, for at least 15 Department financial and administrative support programs and activities.

MEASURE: Programs reviewed and reports issued.

FY 2002 RESULT: Successful

FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
13	14	15	21	15

MEASURE: Percentage of recommendations resolved within six months of issuance.

FY 2002 RESULT: Unsuccessful

FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
52%	72%	65%	44%	79%

MEASURE: Percentage of recommendations closed within one year of issuance.

FY 2002 RESULT: Partially Successful

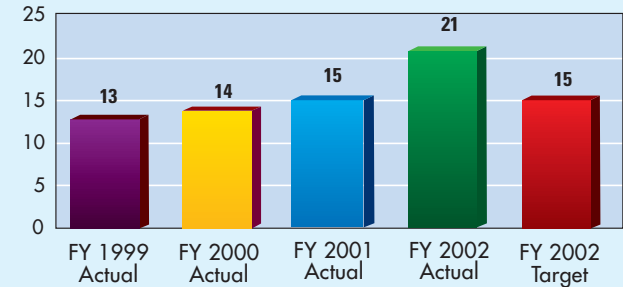
FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
40%	72%	26%	58%	92%

Success in meeting our performance targets: We significantly exceeded our target for programs reviewed and reports issued but missed our targets for resolving and closing recommendations within the target timeframes. The primary reason for this shortfall was the decision to try to close the backlog of our oldest recommendations (open for more than one year) first. While we reduced these by about 25%, it meant expending fewer resources on our measured recommendations. To improve our results, we have formed a new compliance oversight committee, reporting quarterly to the Inspector General to identify progress and issues requiring a more proactive approach to meet our revised FY 2003 targets. We do not anticipate meeting our FY 2002 targets before FY 2005 or 2006.

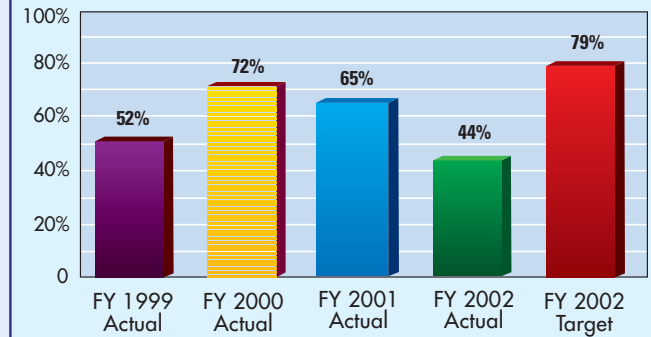
Data quality and strategies to address data limitations: A computation error in data reported in prior years was discovered (the data in this table reflects the correction), and we have verified the accuracy and completeness of the FY 2002 data in our compliance analysis tracking system, as well as the number of programs evaluated and reports issued.

Effects of results on FY 2003 performance plan: Our FY 2003 targets for both recommendations resolved within 6 months and those closed within 1 year have been lowered to our prior "highs" of 72%. In addition, we have added a measure and target for "significant" recommendations implemented within a year to measure progress on those recommendations whose implementation is especially important. Our FY 2003 target for programs reviewed has been raised from fifteen to twenty-one.

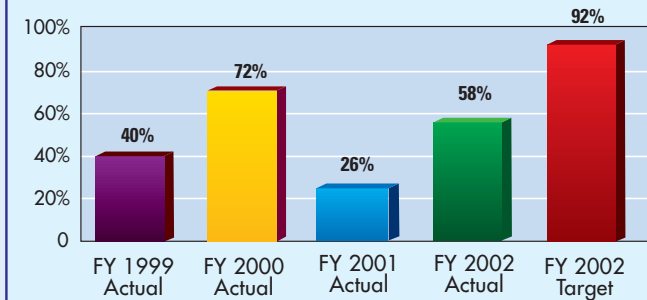
Financial and Administrative Support Programs and Activities Reviewed and Reports Issued



Financial Management and Administrative Support Recommendations Resolved Within 6 Months of Issuance



Financial Management and Administrative Support Recommendations Closed Within 1 Year of Issuance



PERFORMANCE GOAL 2

Evaluate Department and BBG progress in measuring performance and linking performance goals to budget, recommending improvements, as appropriate.

MEASURE: Number of reports issued.

FY 2002 RESULT: Successful

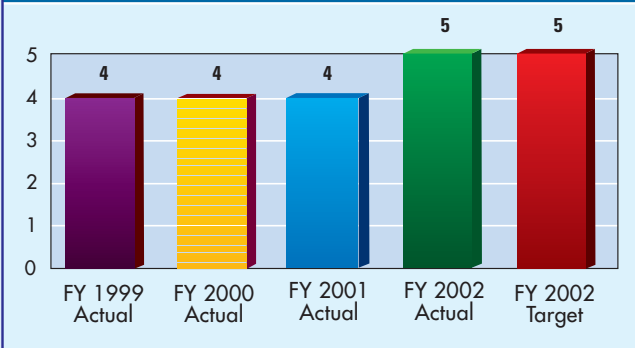
FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
4	4	4	5	5

Success in meeting our performance target: We met our target, which also showed improvement over prior years' results. In addition, every audit plan included steps to review and assess applicable goals and measures related to the program or mission being reviewed, and each post inspection looked at the mission and relevant bureau performance plans. Unless significant issues were discovered, these were not discussed in the reports that resulted and were not counted in our performance data.

Data quality and strategies to address data limitations: The data for this measure is based on reports issued that, in whole or in part, address performance measurement or linking performance goals to budget. We have verified the completeness and accuracy of the data.

Effects of results on FY 2003 performance plan: For FY 2003, we have revised the goal and the measure to reflect Department and BBG progress in meeting the President's Management Agenda, especially initiatives on integrating budget and performance and rightsizing overseas missions. To reflect our increased emphasis on these issues, we are raising our target from five reports issued in FY 2002 to twelve in FY 2003.

Reports Issued Evaluating Department Success in Measuring Performance or Linking Performance Goals to Budget



STRATEGIC GOAL: ACCOUNTABILITY

All government employees must conform to fundamental guiding principles governing professional and ethical conduct. The standards derived from these principles, as defined in law, executive order, regulation, policy, and procedure, encompass a broad range of professional and ethical behavior, as well as personal and management accountability. One of the ways in which OIG promotes accountability and integrity in Department programs and operations is through audits of federal assistance and contracts to nongovernmental organizations that conduct federal programs and other related activities. OIG conducts audits of selected grantees and contractors to determine whether the organizations expended federal funds for the intended purpose of the agreement and in accordance with applicable federal laws and regulations related to the agreement terms and conditions. OIG also is mandated to prevent and detect waste, fraud, and mismanagement. Specific allegations or other information indicating possible violations of law or regulation are investigated by OIG investigators, supported by experts from other OIG offices, as appropriate. In addition, OIG works proactively to educate and share best practices with targeted audiences—such as new ambassadors, deputy chiefs of mission, and Foreign and Civil Service employees—to improve adherence to standards of accountability by ensuring that employees of the foreign affairs agencies are informed of and understand the standards specific to their professional and ethical conduct.

Our FY 2002 performance goals under this strategic goal focused on identifying potential monetary benefits as a result of our audit and investigative work to improve operations and compliance with contract and grantee agreements; identifying fraud, waste, abuse and mismanagement; increasing awareness and adherence to standards of professional and ethical conduct and accountability; and conducting thorough and expeditious investigations. With respect to our success in meeting these goals, please see below:

- *Identify a minimum of \$3.75 million in potential monetary benefits as a result of audit and investigative recommendations to identify fraud, waste, abuse, and mismanagement and to improve the efficiency of Department and BBG operations and compliance with applicable contracts and grant agreements.* Our efforts to achieve this goal were successful as we exceeded our FY 2002 target by more than 1000 percent and our FY 2001 results by more than 300 percent.
- *Promote awareness and adherence to standards of professional and ethical conduct and accountability; where necessary, conduct thorough and expeditious investigations of fraud, waste, abuse, and mismanagement.* Our efforts to achieve this goal were only partially successful as we missed our target for investigations open at the end of the year, although we exceeded our FY 2001 performance. For our target on investigations closed during the year, we exceeded both our target and our FY 2001 and prior years' performance.

MAJOR ACCOMPLISHMENTS IN SUPPORT OF THIS STRATEGIC GOAL

OIG Activity or Finding	Result
<p>During FY 2002, OIG completed 16 audits of Department and BBG contractors and grantees, several of which were undertaken at the request of Congress.</p>	<p>The audits identified \$17,663,151 in potential questioned costs or funds put to better use, and contributed to the President’s Management Agenda initiative to improve financial performance.</p>
<p>Sentencing was completed in an OIG investigation of a Northern Virginia company involved in a large-scale scheme to use the EB-5 investor visa program fraudulently.</p>	<p>One defendant was sentenced to 124 months’ imprisonment, the other to 112 months’ imprisonment, and both were ordered to serve three years’ supervised release upon completion of their prison terms. The court ordered them jointly to make restitution of \$17.6 million to victims of the scheme.</p>
<p>A joint investigation with the Department of Labor, the Immigration and Naturalization Service, and the Internal Revenue Service found that a Department personal services contractor and a Virginia immigration attorney were engaged in employment-based immigration fraud.</p>	<p>The investigation led to the arrest of two individuals, one of whom was sentenced to 97 months’ imprisonment; the other awaits trial.</p>
<p>An investigation of excessive post assignment travel costs at Embassy Lusaka found that approximately \$2.5 million had been sent to bank accounts assigned to bogus vendors who had provided no services to the Department.</p>	<p>A Zambian national living in the United States pleaded guilty to conspiring to receive stolen government money. He was sentenced to 30 months’ imprisonment and ordered to pay more than \$2 million in restitution.</p>
<p>Sentencing was completed in the arrest of a Foreign Service officer convicted of conspiring to sell visas while employed as a consular officer at a U.S. embassy.</p>	<p>Approximately \$2.5 million in cash, gold bars, and other assets were forfeited as a result of the guilty plea. The officer was sentenced to 262 months in prison.</p>
<p>Based on information received from the U.S. Border Patrol, an OIG investigation found that two FSNs employed at a U.S. consulate had conspired to issue approximately 60 laser visas to ineligible Mexican nationals.</p>	<p>Four Mexican nationals were terminated from employment at the consulate.</p>
<p>Although no longer one of our measures, OIG has continued to provide presentations to seminars and courses for ambassadors, deputy chiefs of mission, and incoming Foreign Service officers and Civil Service employees.</p>	<p>Embassy leaders and incoming employees are more aware and better understand the role of the OIG and the ways in which it can contribute to the efficiency, effectiveness, and integrity of their operations, as well as having a better understanding of the standards of accountability and ethical conduct governing federal service.</p>

PERFORMANCE GOAL 1

Identify a minimum of \$3.75 million in potential monetary benefits as a result of audit and investigative recommendations to identify fraud, waste, abuse, and mismanagement and to improve the efficiency of Department and BBG operations and compliance with applicable contracts and grant agreements.

MEASURE: The potential value of efficiencies identified in OIG recommendations.

FY 2002 RESULT: Successful

FY 1999 ACTUAL

\$9.36 million

FY 2000 ACTUAL

\$3.23 million

FY 2001 ACTUAL

\$12.49 million

FY 2002 ACTUAL

\$40.04 million

FY 2002 TARGET

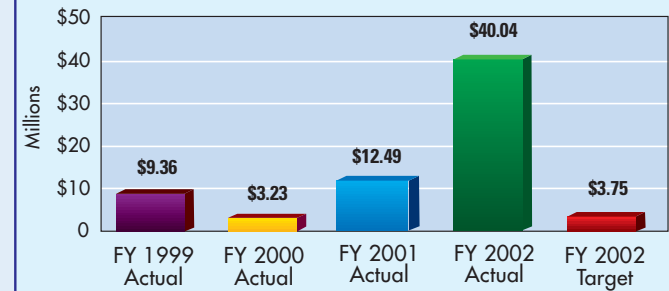
\$3.75 million

Success in meeting our performance target: We significantly exceeded our FY 2002 target by more than 1000 percent and our FY 2001 performance by 300 percent. This was largely the result of one investigation (resulting in \$17.6 million in court-ordered restitution to the victims of the fraud scheme) and two audits that accounted for approximately \$17 million. Investigations and audits leading to such large amounts cannot reasonably be expected to recur in FY 2003 or beyond.

Data quality and strategies to address data limitations: The data for these measures come directly from our reports, and we have verified their accuracy and completeness. However, it should be noted that these monetary benefits are only "potential," and the actual recoveries and funds eventually returned or put to better use may be substantially lower.

Effects of results on FY 2003 performance plan: Although our results for the last two years were due largely to a few audits and investigations that identified exceptionally high dollar amounts that cannot expect to be repeated in the future, the results of three of the last four years and an increased emphasis on trying to identify opportunities for monetary benefits have led us to increase our prior FY 2003 target by more than 90 percent, to \$7.8 million.

Potential \$ Value of Efficiencies Identified in OIG Recommendations



PERFORMANCE GOAL 2

Promote awareness and adherence to standards of professional and ethical conduct and accountability; where necessary, conduct thorough and expeditious investigations of fraud, waste, abuse, and mismanagement.

MEASURE: Of routine employee investigations open at the end of FY 2002, at least 45% will be open for less than 100 days and no more than: (1) 30% for 100-200 days; (2) 5% for 201-300 days; and (3) 20% for more than 300 days.

FY 2002 RESULT: Partially Successful

FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
9% < 100	45% <100	26% <100	45% <100	45% <100
25% @100-200	30% @100-200	21% @100-200	5% @100-200	30% @100-200
16% @201-300	0% @201-300	16% @201-300	20% @201-300	5% @201-300
50% > 300	25% > 300	37% > 300	30% > 300	20% > 300

MEASURE: Of the routine employee investigations closed during FY 2002, at least 45% will be open for less than 100 days and no more than: (1) 15% for 100-200 days; (2) 5% for 201-300 days; and (3) 35% for more than 300 days.

FY 2002 RESULT: Partially Successful

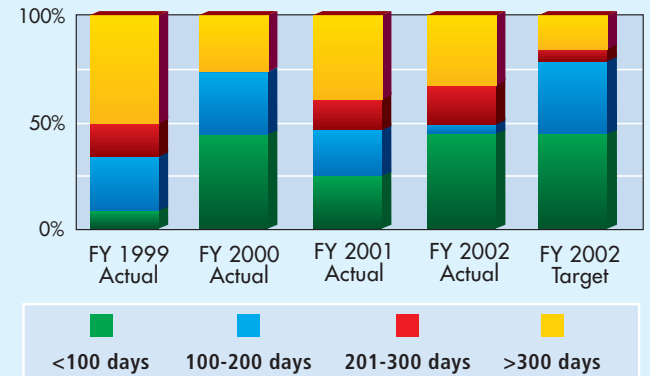
FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
20% <100	27% <100	53% <100	58% <100	45% <100
19% @100-200	20% @100-200	20% @100-200	17% @100-200	15% @100-200
15% @201-300	10% @201-300	7% @201-300	8% @201-300	5% @201-300
46% > 300	43% > 300	20% > 300	17% > 300	35% > 300

Success in meeting performance targets: We missed our targets for open cases, although we showed improvement from FY 2001, and we exceeded our targets for closed cases. Our efforts under this goal were hindered by a second straight year of significant turnover and vacancies in investigative positions. We began a major hiring program at the end of FY 2002 to address this problem. Absent undue delays in clearing and training new agents, we expect to achieve our slightly higher targets in FY 2003 as planned.

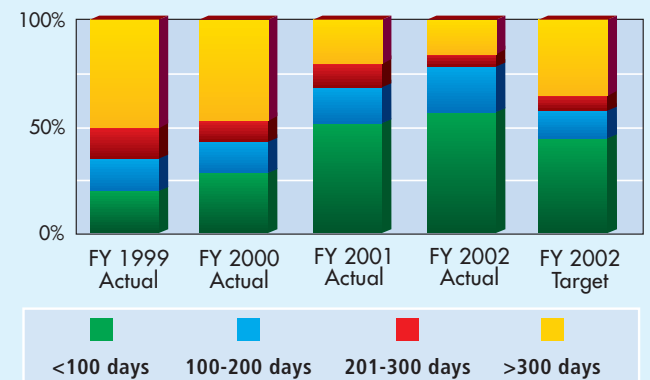
Data quality and strategies to address data limitations: We verified the accuracy and completeness of the data as found in the INV case management system.

Effect of results on the FY 2003 performance plan: Our targets for FY 2003 have been revised to focus on improving the timeliness of cases open for more than 200 days.

Days Ongoing Employee Investigations Were Open at the End of the FY



Days to Close Employee Investigations Completed in the FY



INTERNAL ENABLING GOALS

In addition to the performance goals supporting our four strategic goals, OIG has established two internal “enabling” goals that support our remaining strategic goals by ensuring that we have the people we need and that our work results in timely products. These and several other initiatives related to internal management improvements, discussed below, are directed toward ensuring that OIG operations are efficient, effective, and well-structured to achieve OIG’s core statutory mission.

Our FY 2002 performance goals under our internal enabling goals focused on attracting and retaining employees with needed professional skills and experience, and issuing a final report or other product within seven and a half months (225 days) of starting a project. With respect to our success in meeting these goals, please see below:

- *Attract and retain employees with the requisite professional skills and experience in the areas of foreign policy, financial auditing, investigations, information technology, security, and other areas of need.* Our efforts to achieve this goal were unsuccessful. Not only did we not achieve our target of having 225 staff on hand at the end of FY 2002, but we had fewer staff on hand than at the end of FY 2001. We successfully met our target of ensuring that the attrition rate did not exceed 15%, but were unable to fill every position that became vacant during the year, contributing to the shortfall on our target for staff on hand.
- *Issue a final report or other product within seven and a half months (225 days) of starting a project.* Our efforts to achieve this goal were only partially successful, falling significantly short of achieving our FY 2002 target, although we did show some improvement over our FY 2001 results. In addition, although the average length for projects started in prior fiscal years and completed in FY 2002 was 353 days, the average for projects started and completed in FY 2002 was 210 days. Overall, half of our projects were completed within our target.

MAJOR ACCOMPLISHMENTS IN SUPPORT OF THIS INTERNAL ENABLING GOAL	
OIG Activity or Finding	Result
OIG reorganized its operations along functional lines, and reduced the number of Senior Executive Service positions	The reorganization enabled OIG to focus its resources more effectively on its core, statutory mission and resulted in a flatter, more streamlined organization.
OIG increased the emphasis on completing projects in a more timely fashion and using staff more efficiently and effectively.	OIG issued 49 more reports—a 50% increase—over FY 2001.
OIG implemented two new information management systems—the Project Tracking System, which was piloted in FY 2001 and implemented during FY 2002, and the OIG Timesheet System, which was pilot tested during FY 2002 and implemented for all OIG employees effective October 1, 2002.	The PTS allows OIG to track the status, timeliness, and resources devoted to all OIG projects. The OTS, which is linked to PTS, tracks employee time expended on projects and various indirect and administrative activities. Together the two systems allow OIG to manage its resources more efficiently and effectively, and to monitor the timeliness and costs of its projects and support activities.
OIG established a new Workforce Planning and Development Unit to increase the emphasis on employee development, leadership and management training, and targeted recruiting.	The new unit has issued a formal training policy, established a leadership and management training program to focus greater attention on developing leadership skills, established mandatory equal employment opportunity (EEO) training, and placed greater emphasis on individual development and training plans and acclimating new employees through a formal sponsorship and orientation program.

ACTIVITIES UNDERTAKEN IN SUPPORT OF THE PRESIDENT’S MANAGEMENT AGENDA

The table below identifies activities undertaken by OIG during FY 2002 that support initiatives of the President’s Management Agenda.

President’s Management Agenda Initiative	OIG Activities
Strategic Management of Human Capital	Department of State’s Foreign Service “Up-or-Out” System
Competitive Sourcing	Review of U.S. Support to International Police Task Force in Bosnia Review of Overseas Explosive Detection Program
Improved Financial Performance	Financial Statement audits required under the Chief Financial Officers Act of 1990 Audits of Department and BBG contractors and grantees Audits of Regional Procurement Support Offices, Freight Forwarding, Intragovernmental Receivables, Intragovernmental Activity and Balances, and Central Financial Management System Vulnerability Assessment
Expanded Electronic Government	Streamlined Processes and Better Automation Can Improve Munitions License Reviews Challenges to Successful OpenNet Plus Implementation
Budget and Performance Integration	Financial Statement audits
Rightsizing of U.S. Overseas Presence	Reviewed as an area of emphasis during more than 50 post management inspections conducted during FY 2002

INTERNAL PERFORMANCE GOAL 1

Attract and retain employees with the requisite professional skills and experience in the areas of foreign policy, financial auditing, investigations, information technology, security and other areas of need.

MEASURE: OIG will have 225 staff on hand at the end of FY 2002.

FY 2002 RESULT: Unsuccessful

FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
256	218	223	218	225

MEASURE: OIG's annual attrition rate will not exceed 15%.

FY 2002 RESULT: Successful

FY 1999 ACTUAL	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2002 TARGET
17%	17%	16%	13%	15%

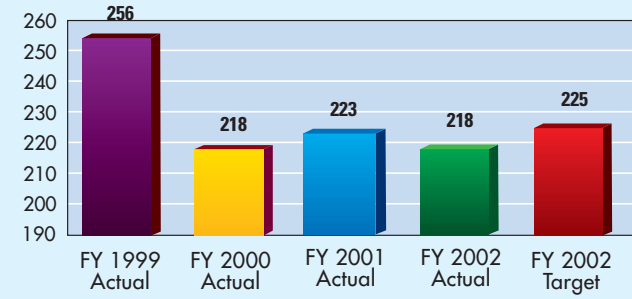
Success in meeting performance targets: We not only did not achieve our most important target under this goal—to have 225 staff on hand at the end of the FY—but had fewer staff on hand than we did at the end of the prior FY. While the attrition rate was less than both our target and prior years, we were unable to fill every position that became vacant.

Our ability to achieve this target was hindered by the lengthy clearance process that is required before new hires can come on board and the number of staff that left OIG toward the end of the FY, making it impossible to replace them before the end of the year. While we were able to supplement these shortages with WAEs (retired Foreign Service annuitants) and contract staff, these are only short-term solutions. Faced with an uncertain budget because of the continuing resolution still in effect at the time of this revision, we have lowered our FY 2003 target for staff on hand and do not expect to meet or exceed our FY 2002 target until FY 2004 or beyond, when our budget should allow us to fund the additional staff.

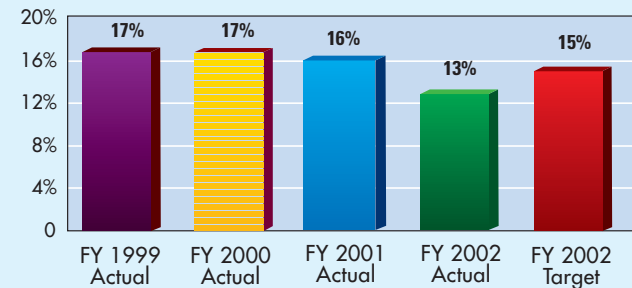
Data quality and strategies to address data limitations: We have verified the accuracy and completeness of the FY 2002 data, as reported in OIG's official personnel records and the Department's payroll system.

Effect of results on the FY 2003 performance plan: As a result of our FY 2002 results and the uncertainty over our final FY 2003 budget following months of operating under a continuing resolution, we have lowered our FY 2003 target for staff on hand to 218. Our FY 2003 targeted attrition rate of 11 percent remains unchanged.

Staff on Hand at End of FY



Annual Attrition Rate



INTERNAL PERFORMANCE GOAL 2

Issue a final report or other product within seven and a half months (225 days) of starting a project

MEASURE: The average number of days to complete a project.

FY 2002 RESULT: Partially Successful

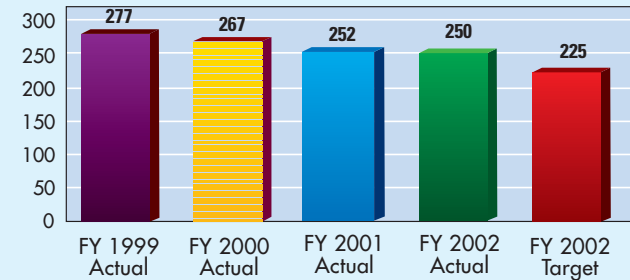
FY 1999 ACTUAL 277 days	FY 2000 ACTUAL 267 days	FY 2001 ACTUAL 252 days	FY 2002 ACTUAL 250 days	FY 2002 TARGET 225 days
-----------------------------------	-----------------------------------	-----------------------------------	-----------------------------------	-----------------------------------

Success in meeting our performance target: We fell significantly short of achieving this target and showed only minimal progress from our FY 2001 results. This was partly due to an increase of almost 50 percent in the number of projects started during the year—in expectation of being able to do more by doing them faster. Although, for the most part, the fieldwork related to the projects was completed in a relatively timely manner, the increased number of projects reaching the report writing, review, editing, clearance, printing, and distribution points at the same time led to unanticipated delays. However, OIG also issued 49 (50%) more reports in FY 2002 than in FY 2001. Furthermore, although the overall average was 250 days, the average for projects started in FY 2002 was 210 days (well below our target). The average for projects carried over from prior years was 353 days—but many of these were already well beyond 225 days at the start of the FY. Overall, half of our projects were completed within 225 days, and two-thirds of those started and completed in FY 2002 were under that target as well. We have revised our work flow and processes accordingly to eliminate or reduce those points at which the delays we experienced in FY 2002 can occur. We expect to achieve our target of 6 months (183 days) from project start to report issuance in FY 2003.

Data quality and strategies to address data limitations: The data for these measures comes from our project tracking system (PTS) and is based on projects completed during the fiscal year (even if they were started in prior years). We have verified their accuracy and completeness as far as representing the data found in PTS. However, we were unable to verify that the data entered into PTS accurately reflected all actual start and completion dates. We have tried to address this in FY 2003 by linking PTS with our OIG timesheet system so that the start and completion dates are linked to the dates when staff charge time to a project.

Effects of results on FY 2003 performance plan: This measure and target remain the same for FY 2003. However, we also have added another measure and target for the percentage of projects completed within 183 days to provide a more accurate assessment of our project length than an overall average can provide.

Average Number of Days to Complete Projects



DIRECTORY OF KEY OFFICIALS AND SENIOR MANAGEMENT

Colin L. Powell

Secretary of State

Richard L. Armitage

Deputy Secretary of State

John D. Negroponte

United States Permanent Representative
to the United Nations

Larry Wilkerson

Chief of Staff

William H. Taft, IV

Legal Adviser

Carl W. Ford, JR.

Bureau of Intelligence and Research

Karl W. Hofmann

Executive Secretariat

Clark Kent Ervin

Inspector General

Donald B. Ensenat

Office of Protocol

Richard Haass

Policy Planning Staff

Barbara S. Pope

Office of Civil Rights

J. Cofer Black

Coordinator for Counterterrorism

Christopher B. Burnham

Chief Financial Officer

Paul V. Kelly

Bureau of Legislative Affairs

Pierre R. Prosper

Office of War Crimes Issues

Counselor – Vacant

Arms Control and International Security

John R. Bolton

Under Secretary

- Bureau of Arms Control – *Stephen G. Rademaker*
- Bureau of Political Military Affairs – *Lincoln P. Bloomfield, JR.*
- Bureau of Non-Proliferation – *John Stern Wolf*
- Bureau of Verification and Compliance – *Paula A. DeSutter*

Economic, Business and Agricultural Affairs

Alan P. Larson

Under Secretary

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

Global Affairs

Paula J. Dobriansky

Under Secretary

- Bureau of Democracy, Human Rights and Labor – *Lorne W. Craner*
- Bureau for International Narcotics and Law Enforcement Affairs – *Paul Simons, Acting*
- Bureau of Oceans and Environmental and Scientific Affairs – *John F. Turner*
- Bureau of Population, Refugees and Migration – *Arthur E. Dewey*

Management

Grant S. Green

Under Secretary

- Director General of Foreign Service and Director of Personnel – *Ruth A. Davis*
- Bureau of Administration – *William A. Eaton*
- Bureau of Consular Affairs – *Maura Harty*
- Bureau of Diplomatic Security – *Francis X. Taylor*
- Overseas Building Operations – *Charles E. Williams*
- Bureau of Information Resource Management, Chief Information Officer – *Bruce Morrison, Acting*
- Foreign Service Institute – *Katherine H. Peterson*

Political Affairs

Marc Grossman

Under Secretary

- Bureau of African Affairs – *Walter H. Kansteiner, III*
- Bureau of East Asian and Pacific Affairs – *James A. Kelly*
- Bureau of European and Eurasian Affairs – *A. Elizabeth Jones*
- Bureau of Near Eastern Affairs – *William J. Burns*
- Bureau of South Asian Affairs – *Christina B. Rocca*
- Bureau of Western Hemisphere Affairs – *J. Curtis Struble, Acting*
- Bureau of International Organizational Affairs – *Kim R. Holmes*

Public Diplomacy and Public Affairs

Charlotte Beers

Under Secretary

- Bureau of Public Affairs – *Richard A. Boucher*
- Bureau of Educational and Cultural Affairs – *Patricia De Stacy Harrison*
- Office of International Information Programs – *Stuart Holliday*

DEPARTMENT OF STATE LOCATIONS

AMERICAN
EMBASSIES

Abidjan, Côte d'Ivoire (Formerly Ivory Coast)	Bishkek, Kyrgyzstan	Guatemala City, Guatemala
Abu Dhabi, United Arab Emirates	Bogota, Colombia	Hanoi, Vietnam
Abuja, Nigeria	Brasilia, Brazil	Harare, Zimbabwe
Accra, Ghana	Bratislava, Slovak Republic	Helsinki, Finland
Addis Ababa, Ethiopia	Brazzaville, Republic of the Congo	Islamabad, Pakistan
Algiers, Algeria	Bridgetown, Barbados	Jakarta, Indonesia
Almaty, Kazakhstan	Brussels, Belgium	Kabul, Afghanistan
Amman, Jordan	Bucharest, Romania	Kampala, Uganda
Ankara, Turkey	Budapest, Hungary	Kathmandu, Nepal
Antananarivo, Madagascar	Buenos Aires, Argentina	Khartoum, Sudan
Apia, Samoa	Bujumbura, Burundi	Kiev, Ukraine
Ashgabat, Turkmenistan	Cairo, Egypt	Kigali, Rwanda
Asmara, Eritrea	Canberra, Australia	Kingston, Jamaica
Asuncion, Paraguay	Caracas, Venezuela	Kinshasa, Democratic Republic of the Congo (formerly Zaire)
Athens, Greece	Chisinau, Moldova	Kolonia, Micronesia
Baku, Azerbaijan	Colombo, Sri Lanka	Koror, Palau
Bamako, Mali	Conakry, Guinea	Kuala Lumpur, Malaysia
Bandar Seri Begawan, Brunei	Copenhagen, Denmark	Kuwait, Kuwait
Bangkok, Thailand	Cotonou, Benin	La Paz, Bolivia
Bangui, Central African Republic	Dakar, Senegal	Libreville, Gabon
Banjul, The Gambia	Damascus, Syria	Lilongwe, Malawi
Beijing, China	Dar es Salaam, Tanzania	Lima, Peru
Beirut, Lebanon	Dhaka, Bangladesh	Lisbon, Portugal
Belgrade, Yugoslavia	Dili, East Timor	Ljubljana, Slovenia
Belize City, Belize	Djibouti, Djibouti	Lome, Togo
Berlin, Federal Republic of Germany	Doha, Qatar	London, England, United Kingdom
Bern, Switzerland	Dublin, Ireland	Luanda, Angola
	Dushanbe, Tajikistan	Lusaka, Zambia
	Freetown, Sierra Leone	Luxembourg, Luxembourg
	Gaborone, Botswana	Madrid, Spain
	Georgetown, Guyana	

Majuro, Marshall Islands	Port-of-Spain, Trinidad and Tobago	Ulaanbaatar, Mongolia
Managua, Nicaragua	Prague, Czech Republic	Valletta, Malta
Manama, Bahrain	Praia, Cape Verde	Vatican City, The Holy See
Manila, Philippines	Pretoria, South Africa	Vienna, Austria
Maputo, Mozambique	Quito, Ecuador	Vientiane, Laos
Maseru, Lesotho	Rabat, Morocco	Vilnius, Lithuania
Mbabane, Swaziland	Rangoon, Burma	Warsaw, Poland
Mexico City, Mexico	Reykjavik, Iceland	Wellington, New Zealand
Minsk, Belarus	Riga, Latvia	Windhoek, Namibia
Monrovia, Liberia	Riyadh, Saudi Arabia	Yaounde, Cameroon
Montevideo, Uruguay	Rome, Italy	Yerevan, Armenia
Moscow, Russia	San Jose, Costa Rica	Zagreb, Croatia
Muscat, Oman	San Salvador, El Salvador	
N'Djamena, Chad	Sanaa, Yemen	
Nairobi, Kenya	Santiago, Chile	
Nassau, The Bahamas	Santo Domingo, Dominican Republic	
N'Djamena, Chad	Sarajevo, Bosnia-Herzegovina	
New Delhi, India	Seoul, Korea	
Niamey, Niger	Singapore, Singapore	
Nicosia, Cyprus	Skopje, Macedonia (the former Republic of Yugoslav)	
Nouakchott, Mauritania	Sofia, Bulgaria	
Oslo, Norway	St. George's, Grenada	
Ottawa, Ontario, 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		

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
 Pristina, Yugoslavia

U.S. INTEREST SECTION

Havana, Cuba (USINT)

U.S. OFFICE

Pristina, Yugoslavia

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, Ecuador

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

Charleston Passport Center

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 on 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 foreign country, and 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 who assist American business representatives around the world.

Patterns of Global Terrorism

Annual report submitted to the Congress on detailed assessments of foreign 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 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. (Note: You will need to use Adobe Acrobat Reader to access this 980KB .pdf file.) This publication, No. 10411, also is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 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

AC/HDP	Department's Office of Humanitarian Demining Program	CTBT	Comprehensive Test Ban Treaty
AEP	Alternate Foreign Service Examination Program	CWC	Chemical Weapons Convention
AFV	Alternative Fuel Vehicles	CY	Calendar year
AG	Assistance Group	DC	Deputies Committee
APEC	Asia Pacific Economic Cooperation Forum	DEA	U.S. Drug Enforcement Agency
ASEAN	Association of Southeast Asian Nations	DHHS	Department of Health and Human Services
ATA	Antiterrorism Assistance Program	DOC	U.S. Department of Commerce
BFIF	Business Facilitation Incentive Fund	DOE	U.S. Department of Energy
BLM	Bureau of Land Management (Interior)	DOJ	U.S. Department of Justice
BWC	Biological Weapons Convention	DPRK	Democratic People's Republic of Korea (North Korea)
CAFTA	U.S.-Central America Free Trade Agreement	DS	Department's Bureau of Diplomatic Security
CBMs	Confidence-building measures	DTS	Diplomatic Telecommunications Service
CDC	U.S. Center for Disease Control	EBRD	European Bank of Reconstruction and Development
CEA	Council of Economic Advisors	ECOWAS	Economic Community of West African States
CEQ	Council on Environmental Quality	EO	Executive Order
CFC	Chloroflourocarbon gases	ESDI	European Security Defense Initiative
CIA	Central Intelligence Agency	FAO	UN Food and Agriculture Organization
CICP	UN Center for International Crime Prevention	FASI	Foreign Affairs Systems Integration
CITEL	Inter-American Telecommunication Commission	FCC	Federal Communications Commission
CNC	CIA Crime and Narcotics Center	FDA	Food and Drug Administration
CT	Counterterrorism	FDI	Foreign Direct Investment
		FMCT	Fissile Materials Cutoff Treaty

FOIA	Freedom of Information Act	JCS	Joint Chiefs of Staff (DOD)
FTO	Foreign Terrorist Organization	KEDO	Korean Peninsula Energy Development Organization
FTA	Free Trade Agreement	MDA	Missile Defense Agency
FY	Fiscal year	MSTCC	Migrant Smuggling and Trafficking in Persons Coordination Center
G-8	Group of Eight (major industrialized nations)	MTCR	Missile Technology Control Regime
GAO	U.S. General Accounting Office	NASA	National Aeronautics and Space Administration
GEF	Global Environment Facility	NEA	Department's Bureau of Near East Affairs
GIF	Generation IV International Forum	NIH	National Institute of Health
GMRA	Government Management Reform Act of 1994	NMFS	National Marine Fisheries Service (NOAA)
GSA	General Services Administration	NOAA	National Oceanic and Atmospheric Association
HIPC	Heavily Indebted Poor Countries	NPT	Nuclear Non-Proliferation Treaty
HRDF	Human Rights and Democracy Fund	NRC	Nuclear Regulatory Commission
HST	Harry S Truman Building (Main State Department Building)	NSF	National Science Foundation
IATTC	Inter-American Tropical Tuna Commission	NSG	Nuclear Suppliers Group
IASP	International Affairs Strategic Plan	OAS	Organization of American States
IC	Intelligence Community	OBO	Bureau of Overseas Buildings Operations
IBWC	International Boundary and Water Commission	OSD	Office of Secretary of Defense (DOD)
ICRC	International Committee for the Red Cross	OSTP	Office of Science and Technology Policy
IFRC	International Federation of Red Cross and Red Crescent Societies	OVP	Office of the Vice President of the United States
IIP	Bureau of International Information Programs	PART	Programming Assessment Rating Tool
IMF	International Monetary Fund	PC	Principals Committee
IPOA	International Plan of Action	PCC	Policy Coordination Committee
		PPRA	Plutonium Production Reactor Agreement

PREPCON	Preparatory Conference	WHO	World Health Organization
PRM	Bureau of Population, Refugees, and Migration	WSSD	World Summit on Sustainable Development
REC	Regional Environmental Center		
REVCON	Review Conference		
ROK	Republic of Korea (South Korea)		
SA	Bureau of South Asian Affairs		
SACU	South African Customs Union		
SADC	Southern Africa Development Community		
SATF	South Asia Task Force		
SBA	Small Business Administration		
TVA	Tennessee Valley Authority (Department of Interior)		
UK	United Kingdom		
UNAIDS	UN Program on HIV/AIDS		
UNCCD	UN Convention to Combat Desertification		
UNDP	UN Development Program		
UNICEF	UN Children's Fund		
UNEP	UN Environment Program		
UNSC	UN Security Council		
UNSCR	UN Security Council Resolution		
USFWS	U.S. Fish And Wildlife Service		
USGCRP	U.S. Global Change Research Program		
USGS	U.S. Geological Survey		
USNATO	U.S. Mission to NATO		
USTR	U.S. Trade Representative		
WB	World Bank		

PHOTO CREDITS

AFP Service (pages 8, 52, 59, 66, 77, 108, 114-bottom photo, 117, 120, 124, 130, 132, 149, 161-bottom photo, 162, 163, 164, 165, 166)

National Imagery and Mapping Agency (page 114-top photo)

U.S. Department of State (pages 9-left photo, 106, 161-top photo, 167, 224, 253)

Bureau of Resource Management, U.S. Department of State (pages 32, 153)

Bureau of International Narcotics and Law Enforcement, U.S. Department of State (page 100)

Bureau of Intelligence and Research, U.S. Department of State (page 10)

Bureau of Diplomatic Security and Foreign Missions, U. S. Department of State
(pages 9- lower right photo, 206)

Office of the Historian, U.S. Department of State (pages 159, 259)

Overseas Buildings Operations, U.S. Department of State
(pages 205,243)

Art Bank Program, U.S. Department of State (pages 204, 241)

Art in Embassies Program, U.S. Department of State (page 242)

The Diplomatic Reception Rooms, U.S. Department of State
(page 240, upper and left photo by Richard Cheek)

The Performance and Accountability Report for Fiscal Year 2002 is published by the

U.S. Department of State

Bureau of Resource Management
Office of Financial Policy, Reporting and Analysis
Office of Strategic and Performance Planning

An electronic version is available on the World Wide Web at

<http://www.state.gov/m/rm/rls/perfrpt/2002/>

For additional copies please call (202) 261-8620 or (202) 647-0300

U.S. Department of State Publication 11031
Bureau of Resource Management

February 2003