



UNITED STATES

DEPARTMENT OF STATE

PERFORMANCE AND ACCOUNTABILITY HIGHLIGHTS

FISCAL YEAR 2005

Transformational Diplomacy

SECURITY

DEMOCRACY

PROSPERITY



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

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

- *The PAR CD-ROM*: an interactive CD featuring a PDF version of the full PAR, links to Department publications and relevant reports, maps, a photo gallery, and more.

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

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ABOUT THIS REPORT

The *United States Department of State Performance and Accountability Highlights for Fiscal Year 2005* offers a high-level, comprehensive summary of financial information and performance results reported in the Department's *FY2005 Performance and Accountability Report (PAR)*. The *Highlights* is designed for use by a wide variety of audiences and stakeholders within and outside government. The *Highlights*, and the *FY 2005 PAR* enclosed on CD, help readers assess the Department's performance relative to our mission and stewardship of resources entrusted to us. The report also provides readers a sense of the Department's highest priorities in the conduct of U.S. foreign policy, and our strengths and challenges in implementing programs that pursue the President's foreign policy agenda.

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MESSAGE FROM THE SECRETARY

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

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



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

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

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

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

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

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

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

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

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

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



Condoleezza Rice
Secretary of State

MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER

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



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

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

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

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

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

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

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

MISSION AND ORGANIZATION

OUR MISSION

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

OUR VALUES

LOYALTY

Commitment to the United States and the American people.

CHARACTER

Maintenance of high ethical standards and integrity.

SERVICE

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

ACCOUNTABILITY

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

COMMUNITY

Dedication to teamwork, professionalism, and the customer perspective.

OUR ORGANIZATION

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

The Department of State is the lead institution for the conduct of American diplomacy, and the Secretary of State is the President's principal foreign policy advisor. All foreign affairs activities – U.S. representation abroad, foreign assistance programs, countering international crime, foreign military training programs, and services the Department provides to American citizens abroad – are paid for by the foreign affairs budget, which represents little more than 1% of the total federal budget, or about 12 cents a day for each American citizen.

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

The Department operates approximately 260 embassies, consulates, and other posts worldwide. In each Embassy, the Chief of Mission (usually an Ambassador) is responsible for executing U.S. foreign policy goals and coordinating and managing all U.S. Government functions in the host country. The Diplomatic Mission serves the needs of Americans traveling and working abroad. The Mission is the primary U.S. Government contact for foreign nationals of the host country.



State Department/Ann Thomas

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

OUR PEOPLE

In the business of diplomacy, people are critical. The Department's success in achieving its mission is directly tied to the creativity, knowledge, skills and integrity of our dedicated team of employees. The Foreign Service and the Civil Service in the Department of State and U.S. missions abroad represent the American people. They work together to achieve the goals and implement the initiatives of American foreign policy.

Foreign Service Officers are dedicated to representing America and responding to the needs of American citizens living and traveling around the world. A Foreign Service career is a way of life that requires uncommon commitment. Members of the Foreign Service can be sent to any diplomatic mission around the world, at any time, to serve the diplomatic needs of the United States. The Department's Civil Service corps provides continuity and expertise in accomplishing all aspects of the Department's mission. Civil Service officers, most of whom are headquartered in Washington, DC., are involved in virtually every policy area of the Department. They also are the domestic counterpart to consular officers abroad, issuing passports and assisting U.S. citizens overseas. Foreign Service National (host country) employees contribute to advancing the work of the Department overseas. These essential employees perform vital services for U.S. citizens and ensure the effective operation of our diplomatic posts.



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

PERFORMANCE SUMMARY AND HIGHLIGHTS

FY 2005 KEY FOREIGN POLICY ACHIEVEMENTS

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

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



AP/Wide World Photo

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

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

In South Asia, the United States continued military and diplomatic efforts to combat extremism and to eliminate remaining al Qaeda elements. With U.S. and international assistance, Afghanistan successfully conducted Provincial Council and National Assembly elections. More than 1.5 million new voters registered, and the new National Assembly should be seated before the end of the year. The United States continues to devote considerable resources to Afghanistan’s reconstruction and transition towards a democracy that is open to all of its citizens, regardless of religion, ethnicity, or gender. U.S. relations with India reached an historic high with Prime Minister Singh’s July visit to Washington and our

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

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

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

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

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

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

Significant Results for FY 2005

The U.S. and **Mexico** launch the Security and Prosperity Partnership to enhance continental security and promote economic growth.

Civil violence in **Colombia** drops dramatically as the government's security presence reaches throughout the country.

Israel withdraws from the Gaza Strip.

Libya continues to eliminate its nuclear, chemical, and biological weapons and long range missiles.

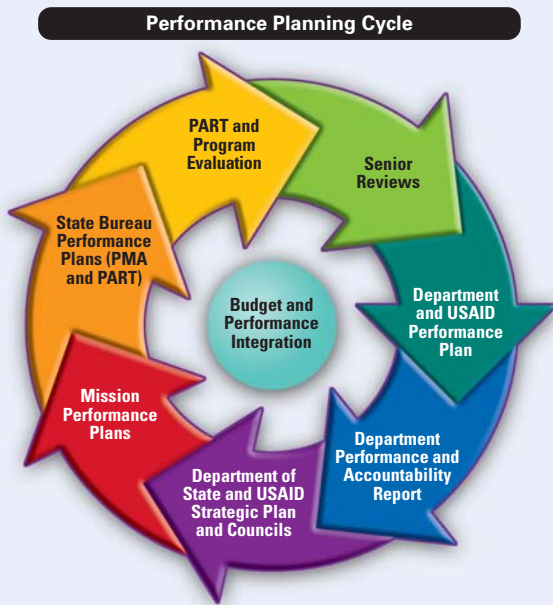
Egypt holds its first competitive presidential elections; opposition parties register and organize voters.

Liberia successfully holds presidential elections, becoming the first African country to elect a female head of state.

PERFORMANCE MANAGEMENT - A LEADERSHIP PRIORITY

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

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



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

Each year, the Department's diplomatic missions and Washington-based bureaus submit Mission Performance Plans (MPPs) and Bureau Performance Plans (BPPs) respectively that describe their policy and program goals, priorities and resource requirements, and evaluate performance. In FY 2005, the Department installed new application and database servers supporting the MPP and BPP applications, providing missions, bureaus, and senior officials the benefit of more reliable service and faster response times. The Department also launched the Global Affairs Dashboard, an executive reporting tool that allows the sharing of performance and budget data among the

Department's bureaus and missions. The Dashboard allows managers to efficiently review, extract and organize data found in the Department's thirty-eight bureau performance plans and one hundred eighty-four mission performance plans to assess trends and performance outcomes.

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

outcome or output. The Department delivers a comprehensive review of efficiency measures, including both those developed for the PART in consultation with OMB and those developed internally by non-PART program managers, to OMB via quarterly management reports.

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

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

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

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

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

HOW WE ASSESS PERFORMANCE

Six-Tiered Performance Measurement Methodology

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

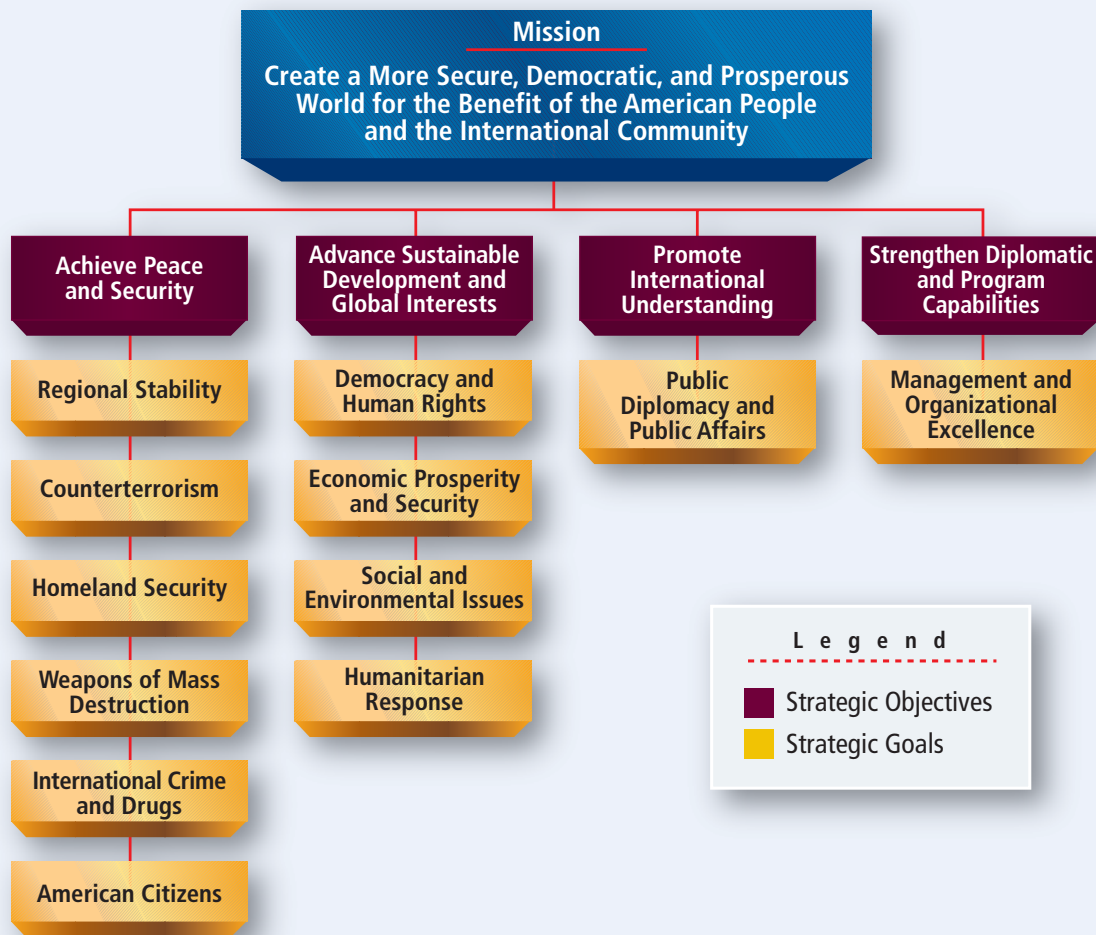
- Strategic Objectives** High-level, broad categories of action through which the Department carries out its strategic and performance goals.
- Strategic Goals** The Department's twelve long-term goals as detailed in the Strategic Plan.
- Performance Goals** The desired outcomes the Department is planning to achieve in order to attain its strategic goals. The Department has thirty-eight performance goals.
- Initiatives/Programs** Specific functional and/or policy areas, including programs as defined by the OMB Program Assessment Rating Tool (PART), which contribute to the achievement of performance and strategic goals, and to which the Department devotes significant attention. Initiatives/Programs (I/Ps) provide greater clarity and better linkage in terms of how specific performance indicators and targets relate to given policies or functions.
- Performance Indicators** Values or characteristics that the Department utilizes to measure progress achieved towards stated annual performance goals. The indicators are drawn from bureau and mission performance plans.
- Performance Targets** Expressions of desired performance levels or specific desired results targeted for a given fiscal year. Achievement of targets defines success. Where possible, targets are expressed in quantifiable terms. The FY 2005 Performance and Accountability Report reports on how well the Department achieved its FY 2005 targets.



STRATEGIC PLANNING FRAMEWORK

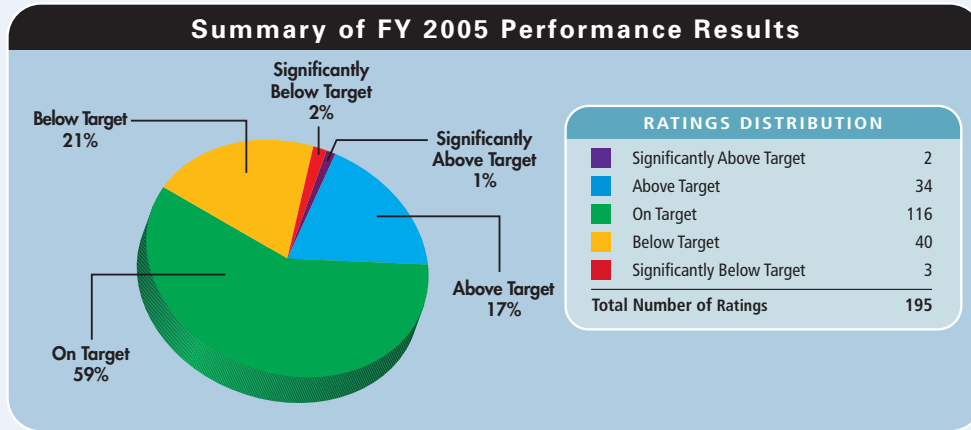
Strategic Objectives and Strategic Goals

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



SUMMARY OF FY 2005 PERFORMANCE

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



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

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

PART PROGRAMS CY 2002 – 2005: SCORES AND RATINGS















Strategic Goal	Bureau	Program Name	Scores and Rating as of October 19, 2005
Public Diplomacy	ECA	Educational and Cultural Exchange Programs – Near East and South Asia	98% – Effective
Public Diplomacy	ECA	Educational and Cultural Exchange Program – Global	97% – Effective
Management Excellence	OBO	Capital Security Construction	97% – Effective
Regional Stability	AF	Security Assistance in Sub-Saharan Africa	97% – Effective
Humanitarian Response	PRM	Migration and Refugee Assistance: Protection	96% – Effective
Humanitarian Response	PRM	United Nations High Commission for Refugees	96% – Effective
Regional Stability	SA	Security Assistance	93% – Effective
Humanitarian Response	PM	Humanitarian Demining	93% – Effective
Humanitarian Response	PRM	Migration and Refugee Assistance - Other PRM Programs	93% – Effective
Homeland Security	CA	Border Security Program – Visa and Consular Services	92% – Effective
Management Excellence	DS	Worldwide Security Upgrades	92% – Effective
Humanitarian Response	PRM	Humanitarian Migrants to Israel	91% – Effective
Regional Stability	IO	United Nations Development Program	91% – Effective
Regional Stability	WHA	Security Assistance	90% – Effective
Weapons of Mass Destruction	ISN	Export Controls	90% – Effective
Weapons of Mass Destruction	ISN	Non Proliferation and Disarmament Fund	89% – Effective
Democracy and Human Rights	EUR	Freedom Support Act/Support for East European Democracy	88% – Effective
Regional Stability	IO	Contributions to International Peacekeeping Activities	86% – Effective
Management Excellence	OBO	Regular Construction/Asset Management	86% – Effective
Humanitarian Response	PRM	Refugee Admissions to the U.S.	86% – Effective
Counterterrorism	S/CT	Terrorist Interdiction Program	85% – Effective
Counterterrorism	S/CT	Anti-Terrorism Assistance	85% – Effective
Regional Stability	EUR	North Atlantic Treaty Organization	83% – Moderately Effective
Regional Stability	EUR	New NATO Countries and Aspirant Countries	80% – Moderately Effective
Weapons of Mass Destruction	ISN	Nonproliferation of Weapons of Mass Destruction Expertise	79% – Moderately Effective
Management Excellence	DS	Protection of Foreign Missions and Officials	72% – Moderately Effective
Economic Prosperity	WHA	Economic Support Funds	71% – Moderately Effective
Democracy and Human Rights	DRL	Human Rights and Democracy Fund	67% – Adequate
Management Excellence	RM	International Cooperative Administrative Support Services	65% – Adequate
Social and Environmental	S/GAC	The President's Emergency Program for AIDS Relief - Focus Countries	65% – Adequate
Social and Environmental	S/GAC	The President's Emergency Program for AIDS Relief - Global Fund	60% – Adequate
Social and Environmental	OES	International Fisheries Commissions	59% – Adequate
Economic Prosperity	AF	Economic Support Funds	58% – Adequate
Public Diplomacy	R	Public Diplomacy	56% – Adequate
International Crime and Drugs	INL	Andean Counterdrug Initiative	53% – Adequate
International Crime and Drugs	INL	International Narcotics Control and Law Enforcement: Africa/Asia	53% – Adequate
International Crime and Drugs	INL	International Narcotics and Law Enforcement in the Western Hemisphere	52% – Adequate
Social and Environmental	S/GAC	The President's Emergency Program for AIDS Relief - Other Bilateral	58% – Adequate
Public Diplomacy	IIP	International Information Programs	50% – Adequate

Programs in bold type were assessed in 2005.

THE PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda (PMA) is the President's strategy for improving the management and performance of the federal government. Each quarter, the Office of Management and Budget (OMB) releases an executive scorecard that rates agencies' progress and overall status on initiatives under the PMA. OMB uses a color-coded grading scale of red, yellow, and green to rate agencies' progress and status based on OMB-established criteria. For more information on the PMA and the executive scorecard, please visit www.whitehouse.gov/results/.

The Department has made substantial progress on each of the five government-wide PMA initiatives, as well as on two additional initiatives for which State plays a key role. The following is a brief overview of the Department's overall PMA progress:

 Progress	STRATEGIC MANAGEMENT OF HUMAN CAPITAL	 Status
Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives and goals.		
 Progress	IMPROVED FINANCIAL PERFORMANCE	 Status
World-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people.		
 Progress	COMPETITIVE SOURCING	 Status
Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions.		
 Progress	BUDGET AND PERFORMANCE INTEGRATION	 Status
Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is better control of resources and greater accountability over results.		
 Progress	EXPANDED ELECTRONIC GOVERNMENT	 Status
Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulation), so that Americans can receive high-quality government service.		
 Progress	FEDERAL REAL PROPERTY ASSET MANAGEMENT INITIATIVE	 Status
Promote the efficient and economical use of America's real property assets.		
 Progress	RIGHT-SIZED OVERSEAS PRESENCE (OMB LEAD)	 Status
<ul style="list-style-type: none"> • Reconfigure U.S. Government overseas staff allocation to the minimum necessary to meet U.S. foreign policy goals. • Have a government-wide comprehensive accounting of total overseas personnel costs and accurate mission, budget, and staffing information. • Ensure that accurate projected staffing patterns determine embassy construction needs. 		

MILESTONES OF AMERICAN DIPLOMACY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1947: Marshall plan of aid to Europe set foundation for economic cooperation among industrial democracies.

1948: Ninth International Conference of American States created the Organization of American States (OAS) to intensify U.S. and Latin American collaboration in all fields.

1948: NATO, first U.S. alliance concluded in peacetime, provided integrated force for defense of Western Europe and North America.

1963: Limited Nuclear Test Ban Treaty, first major-power agreement regulating atomic weapons testing, banned explosions in the atmosphere, in outer space and under water.

1967: Nonproliferation Treaty, now signed by 110 governments, banned the spread of atomic weapons.

1972: Strategic Arms Limitation Talks (SALT) agreements with U.S.S.R. prescribed mutual limitations on defensive and offensive weapons and established SALT as a continuing process.

1972: President Nixon's February visit to China followed Secretary Kissinger's earlier negotiations in Peking, marking first important step in the process of normalizing relations with the People's Republic of China.

1979: U.S. established diplomatic relations with the People's Republic of China ending 30 years of nonrecognition.

1979: Israel-Egypt Peace Treaty (Camp David Accords) ended 30 years of conflict between the two countries and provided

possible framework for comprehensive peace in the Middle East.

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

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

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

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

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

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

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

2003: After Iraq's repeated refusals to comply with UN resolutions, the United States led a coalition to depose the regime of Saddam Hussein.

PERFORMANCE SECTION



Transformational Diplomacy

This section provides a high-level summary of the Department's FY 2005 results and performance on initiatives and programs under twelve strategic goal chapters. Each chapter provides: a concise narrative on the public benefit of Department programs; a summary of performance results and resources invested; an analysis of performance outcomes, key trends, and performance shortfalls; and a "Report Card" showing ratings and results for indicators that best reflect Department priorities and performance. Performance goals managed by USAID are not included in the PAR Highlights. For complete details, please see the FY 2005 Performance and Accountability Report, or contact the Office of Strategic and Performance Planning at PAR@state.gov or (202) 647-0300.

STRATEGIC GOAL 1: REGIONAL STABILITY

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

I. Public Benefit

The United States must provide for the safety of Americans at home and abroad, protect against threats to its interests worldwide, and honor commitments to its allies and friends. The Department works with international partners to enhance and ensure stability in all regions of the world so that Americans are less threatened by the ripple effects of regional volatility and global violence. Failed or failing states become voids that may be filled by terrorism, trade in narcotics, trafficking in people, and other illegal activities that threaten our national interests. Early action to address failing, failed, and recovering states, or “fragile states,” is central to promoting regional stability and addressing the source of one of our nation’s most pressing security threats. Department activities are designed to

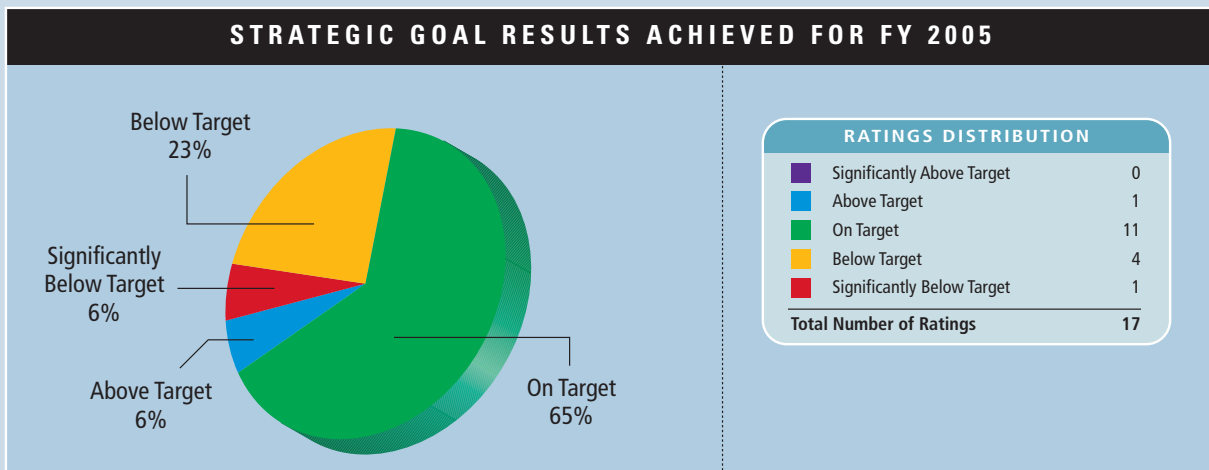


assess and respond early to the causes and consequences of violent conflict and fragile states. Through diplomacy and development assistance, the U.S. builds and strengthens relations with neighbors and allies worldwide to prevent, manage, and mitigate conflicts, and reduce state fragility. Building capacity of bilateral and coalition partners through military assistance to 120 countries is key to enhancing regional stability and reducing demand on U.S. forces. The engagement of foreign partners also substantially contributes and provides legitimacy to our stabilization and reconstruction efforts.

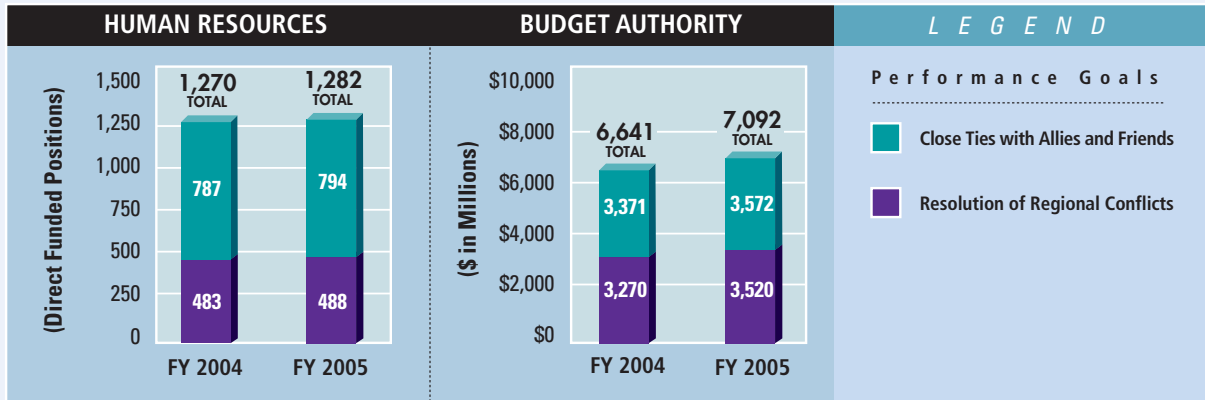
*Secretary Rice speaking at NATO headquarters in Brussels, February 2005.
AP/Wide World Photo*

II. Performance Summary

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



III. Resources Invested



IV. Performance Analysis

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

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

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

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


FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: CLOSE, STRONG, AND EFFECTIVE U.S. TIES WITH ALLIES, FRIENDS, PARTNERS, AND REGIONAL ORGANIZATIONS	
Number of Individuals Receiving Training Under IMET (PART Program)	
Above Target 	
Target	11,484 individuals
Results	Approximately 11,700 individuals.
Impact	The increase in IMET students has increased the likelihood that future leaders will be drawn from these students and will therefore possess an appreciation for the interests of the United States.
Status of Chinese Cooperation on Regional Stability	
On Target 	
Target	Full Chinese cooperation with U.S. and international community in reaching settlement of Korean peninsula, South China Sea and Burma issues.
Results	China's active diplomacy continues to result in forward progress in Six-Party talks. China-ASEAN enhanced confidence-building measures on trade and maritime ties; and China, Association of Southeast Asian Nations (ASEAN) and UN promoted Burma political opening.
Impact	China hosted several rounds of Six-Party talks and played a major positive role in facilitating negotiations that led to an agreement in September 2005. China increased visits of high-level officials to Pyongyang to urge North Korea to follow through on implementation of its commitments. China publicly supports and remains a host for the talks process, but needs to exert the full range of its influence in talks with North Korea. China has not been willing to join in isolating the regime in Burma.

PERFORMANCE GOAL TWO: EXISTING AND EMERGENT REGIONAL CONFLICTS ARE CONTAINED OR RESOLVED	
Free, Democratic, and Whole Iraq at Peace with Itself and Its Neighbors	
Below Target 	
Target	Elections for constitutional convention held; constitution drafted and ratified; elections for new, permanent government held; rule of law and civil society take root; free media serves as responsible watchdog on governmental power; Iraq assumes primary responsibility for its own security, able to defend itself without being a threat to its neighbors.
Results	Credible elections for Transitional National Assembly (TNA) and local governments were held on time; the change of government occurred in an orderly fashion and ahead of schedule; preparations are on track for constitutional referendum and December election; the rule of law and civil society are being established more firmly as time goes on; free media has been a responsible watchdog on governmental power; Iraq has progressively assumed increasing responsibility for own security.
Impact	Promoting democracy and enhancing security in Iraq has contributed to increased security, economic and social development, and political reform in the region.

Continued on next page

Reason for Shortfall	Two of the political targets (constitution drafting and ratification) have been met, and the third (elections for a government under the constitution) is clearly on target to happen by December 15, 2005. With regard to rule of law, civil society, and media development, progress is also being made. It is only in the security field that the USG could be considered to be below target and that is largely because the target established in 2003 was unrealistic since it did not take into account the persistence of the insurgency and foreign terrorists. Iraq is making progress toward assuming full responsibility for its security, but this will not happen in 2005, and indeed any assessment of transition must be based on conditions, not timetables.
Steps to Improve	Over the past two years, the USG has shifted resources toward addressing these fundamental security concerns, and has made significant strides in integrating its political, economic and security strategies to bring about the desired end state. Specific and recent progress includes a continued increase in the number of Iraqi units able to take the lead in combat operations against the insurgency. In addition, 88 Iraqi Army and special operations battalions are conducting operations against the enemy, with 36 of them assessed to be "in the lead" or fully independent. There are 28 Special Police Force battalions capable of combat operations and the Iraqis have the lead in roughly 87 square miles in Baghdad and over 450 square miles in other provinces.
Implementation of Sudan Peace Process	
On Target 	
Target	A sustained international aid and development program is established to support the implementation of the peace agreement leading up to elections. Refugees and IDPs returning home.
Results	The Comprehensive Peace Agreement was concluded in January 2005. The donors conference in April succeeded in obtaining pledges to support the Comprehensive Peace Agreement above request. The UN Mission in Sudan is deploying. Despite the untimely death of former Vice President John Garang in late July, the process continues to move forward under new leadership. Violence in Darfur and disruption of humanitarian assistance continue, despite some improvements. In spite of some difficulty, Darfur peace talks in Abuja continue.
Impact	Failure to implement the Comprehensive Peace Agreement and bring a political settlement to Darfur will likely result in a return to wholesale civil conflict, causing humanitarian suffering and providing an opportunity for harmful elements to once again operate with great strength in Sudan.

Security in Haiti

In response to the urgent need for security and stability in Haiti, a total of eleven countries in the Western Hemisphere have contributed troops, police, or both. The Hemispheric community has embraced this mission as an opportunity to provide security and stability in the region. Brazil, for example, is providing the military commander to the U.N. Stabilization Mission to

Haiti, while Canada leads the mission's police contingent. U.S. leadership has been essential to the international response to the Haiti Crisis. Our political engagement through multilateral organizations, our role as the leading international donor, and our strong support for the electoral process and democratic transition is a key element to returning Haiti to stability after the departure of ex-president Aristide. The on-going commitment to Haiti of the U.S. and our partners in the Hemisphere will provide the Haitian people with the opportunity to hold free and fair elections and pursue economic development.



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

STRATEGIC GOAL 2: COUNTERTERRORISM

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

I. Public Benefit

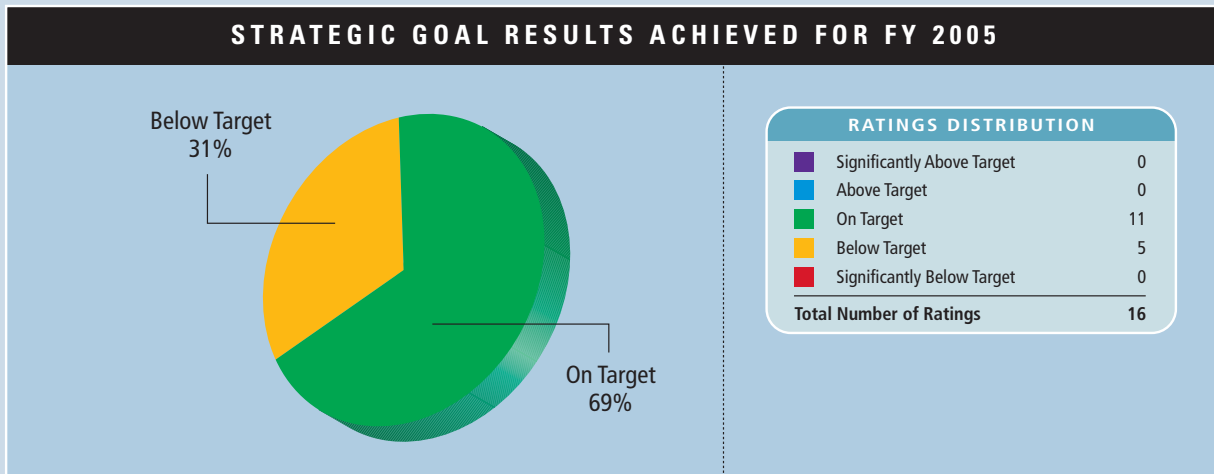


The tragic events of 9/11 demonstrated the gravity of the threat international terrorists pose to the United States and its citizens at home and abroad. The Department is the lead on foreign policies and programs to combat global terrorism. Across the globe, the Secretary, the USAID Administrator, other senior officials, Ambassadors, and USAID mission directors have pressed their counterparts for expanded cooperation and intensified efforts against terrorists. This has included support for protection of the homeland beyond America's borders; programs such as the Container Security Initiative, Immigration Security Initiative, and Customs-Trade Partnership Against Terrorism; inspections of foreign ports; sharing of terrorist watchlist information; and other counterterrorism efforts. To date, the Department has mobilized 180 countries and territories in the war on terrorism to identify, disrupt and destroy international terrorist organizations. Over 3,000 terrorist suspects have been arrested and over \$138 million in terrorists' assets have been blocked by forty foreign governments. Since 9/11, these programs, including antiterrorist assistance, terrorist interdiction, and anti-terrorist finance have significantly improved our partners' counterterrorism capabilities.

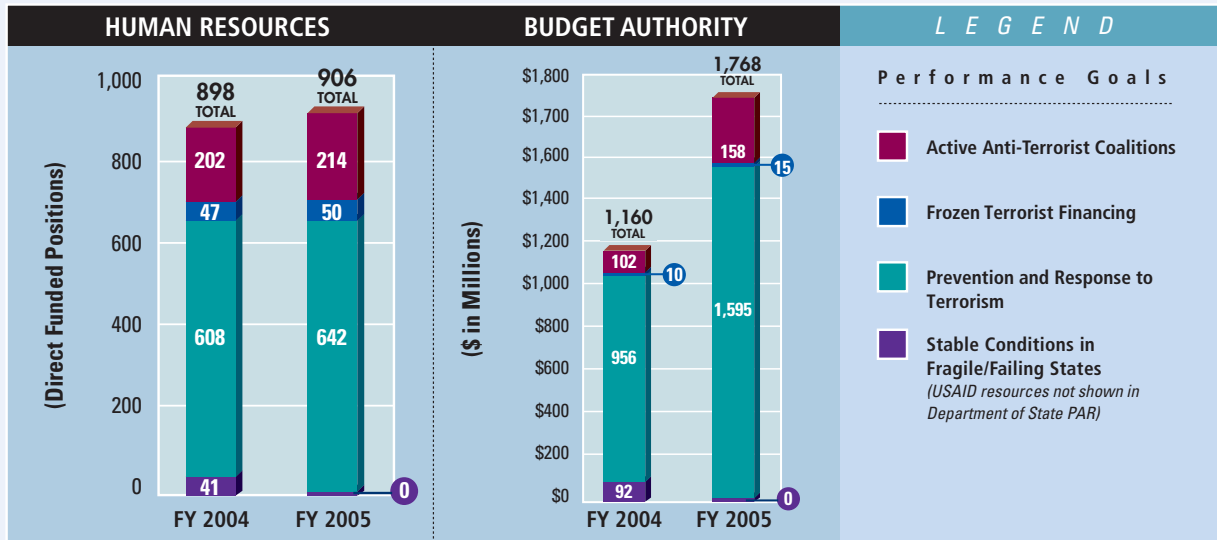
Friends and relatives of the victims of the September 11 attacks hold up signs before the September 11th Commemoration Ceremony at the World Trade Center in New York, September 2005. AP/Wide World Photo

II. Performance Summary

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



III. Resources Invested



IV. Performance Analysis

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

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


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

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




FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: COALITION PARTNERS IDENTIFY, DETER, APPREHEND, AND PROSECUTE TERRORISTS

Number of Countries with a System for Measuring Counterterrorism Capacity (PART Program)		On Target 
Target	1. Quantifiable needs assessment and program review rating system is applied to 12 countries. 2. Country Assistance Plans are developed with 12 countries.	
Results	Needs assessment programs and country assistance plans were completed in the twelve identified priority countries for the year.	
Impact	Initial FY 2005 findings determined that the anti-terrorism assistance training programs teaches effective ways to counter terrorist threats in the countries participating in the basic training program.	

PERFORMANCE GOAL TWO: U.S. AND FOREIGN GOVERNMENTS ACTIVELY COMBAT TERRORIST FINANCING

Number and Effectiveness of U.S. Training and Assistance Programs and Assessments Delivered to Priority States to Help Combat the Financing of Terrorists		1.  Below Target 2.  Above Target 3.  Significantly Below Target
Target	1. Six countries assessed by Financial Systems Assessment Teams (FSATs) and six training assistance plans developed. 2. Eight countries at least partially implement technical assistance and training plans. 3. Seven countries fully implement technical assistance and training plans (training received in at least all five of the functional areas).	
Results	1. One country assessed by an FSAT and 1 training and technical assistance plan developed. 2. Ten countries have at least partially implemented technical assistance and training plans. 3. One country has fully implemented technical assistance and training plans (training received in at least all 5 of the functional areas).	
Impact	1. This will not have a major affect on the Department's eventually achieving this goal. Training and technical assistance programs have been delivered or offered to some of the countries that were not assessed. 2. This has enhanced the Department's success and bodes well for the program overall. The success of the programs has resulted in more requests for assistance from priority and non-priority countries alike. 3. This will not have an adverse impact on the Department's eventual success. Training and technical assistance programs are adjusted to ensure maximum effect and to address immediate needs of recipient countries.	
Reason for Shortfall	1. Due to the dynamic nature of the threat and increased demand for training and technical assistance, we added additional countries to our list. However, it took longer to amend the priority country list than expected, and funding did not become available for assessments until September 2005. 3. Lack of funding and lack of participation by some countries to attend or schedule necessary training.	
Steps to Improve	1. Get funding earlier and obligate it quicker. 3. Continue working closely with post to coordinate host nation participation.	

PERFORMANCE GOAL THREE: COORDINATED INTERNATIONAL PREVENTION AND RESPONSE TO TERRORISM, INCLUDING BIOTERRORISM

Implementation of Counterterrorism Financing Regimes in the 19 Countries Most Involved in al Qaeda Financing		On Target ■
Target	Develop comprehensive anti-money laundering regimes (AML) in five terrorist financing priority countries designated in FY 2002.	
Results	The five countries will implement comprehensive anti-money laundering regimes by the end of the calendar year.	
Impact	Training to these five countries will help achieve the Department's progress towards its goal of combating terrorist financing abroad and receiving assistance from our allies overseas.	

PERFORMANCE GOAL FOUR: DIMINISHED POLITICAL AND ECONOMIC CONDITIONS THAT PERMIT TERRORISM TO FLOURISH

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

Terrorist Interdiction

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



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

AP/Wide World Photo

STRATEGIC GOAL 3: HOMELAND SECURITY

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

I. Public Benefit

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

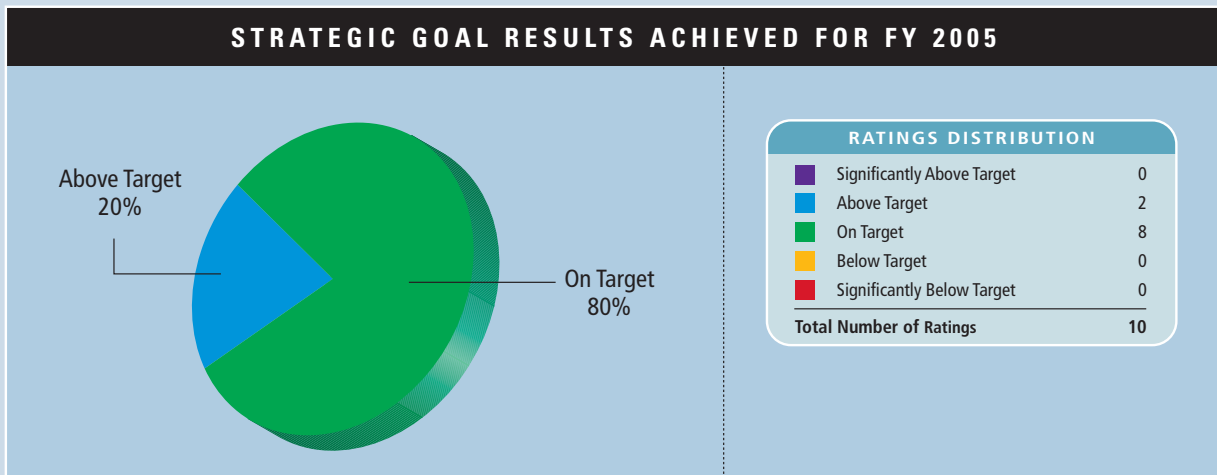


Children show their biometric, machine-readable visa cards in El Paso, Texas.

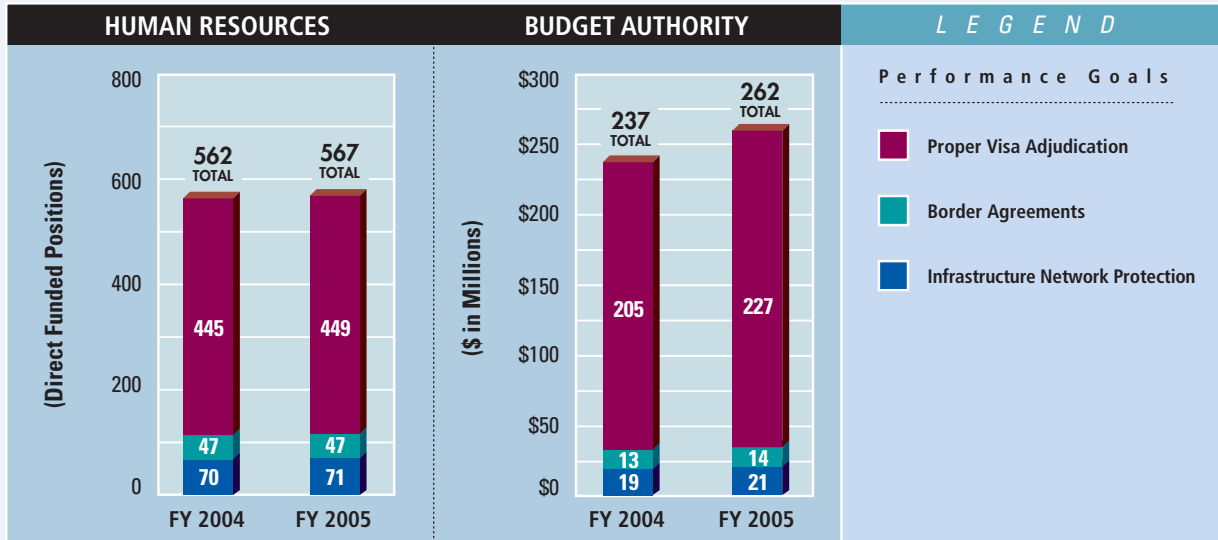
Credit: AP/Wide World Photo

II. Performance Summary

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



III. Resources Invested



IV. Performance Analysis

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

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

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

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


FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

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

Number of Agencies With Access to Consular Consolidated Database		On Target 
Target	Expand data sharing with other agencies and internationally.	
Results	As of September 2005, the Department continued to partner with DHS in discussions with Canada, Mexico, Visa Waiver Program (VWP) countries and others about sharing terrorist and visa lookout data. The Terrorist Threat Information Center (TTIC) is now the National Counter Terrorism Center (NCTC). Department initiated new discussions with Japan, Spain, Italy and Germany and concluded agreements with Canada and the U.K.	
Impact	The effort to share terrorist and visa lookout data internationally has strengthened border security.	

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

Status of the Border Security Initiatives		On Target 
Target	<ol style="list-style-type: none"> 1. Full implementation of Border Accord and successful implementation of any new initiatives developed in FY 2004. Continued U.S.-Canada cooperation on security efforts. No incidents of terrorist exploitation of Canadian territory to attack the U.S. or its interests. Launch and implementation of Security and Prosperity Partnership for North America (SPP) begins; 25% of goals reached. 2. SPP formally launched. Short-term SPP counterterrorism initiatives accomplished, including all tasks within a 22-point action plan. Government of Mexico (GOM) develops its own watchlist and shares information with the U.S. Government for inclusion in Consular CLASS lookout system. Leads on aliens of interest routinely passed by GOM to the U.S. Government. No incident of terrorist exploitation of Mexican territory to attack U.S. or its interests. 	
Results	<ol style="list-style-type: none"> 1. Border security program with Canada launched March 2005. Work plan approved at Ministerial in June 2005. 2. Remaining items of Action Plan with Mexico completed and institutionalized. Short-term objectives within SPP on track to be established by June 2005 and completed by December 2005. 	
Impact	The implementation of the SPP, which incorporates the aims of existing bilateral agreements, will further shared security and economic aims in Canada and Mexico. The 30-point U.S.-Canada Border Accord is designed to improve security in travel, communications, and infrastructure while enhancing the vital economic, cultural, and personal relationships. The U.S.-Mexico Border Partnership addresses 22 action items on border security, border safety, and infrastructure for cross-border travel and commerce.	

Full Implementation and Expansion of Container Security Initiative (CSI)		On Target ■
Target	Additional partner countries deploy teams to the U.S. under the reciprocity aspects of CSI. CSI best practices (as embodied in the World Customs Organization Framework) adopted at non-CSI ports.	
Results	<ol style="list-style-type: none"> 1. Discussions are underway with other countries who are interested in sending personnel to the National Targeting Center. World Customs Organization adopts the "Framework of Standards to Secure and Facilitate Global Trade" which is based on the principles underlying CSI. Four Customs Administrations agree to participate. Some agreements are still in the process of being finalized. As a result, projection will likely be reached/exceeded prior to the end of the calendar year. In addition, Customs and Border Protection and the Department of Energy are reviewing the probability of signing agreements with some countries that will include both CSI and the Megaports initiative. 2. CSI is now operational in 40 ports and screens more than two-thirds of U.S.-bound containerized cargo. 3. New Declarations of Principles: 4. 4. New Operational Ports: 14. 	
Impact	The result is that now over seventy percent of U.S. bound cargo is prescreened for terrorism prior to being laden for shipment to U.S.	

PERFORMANCE GOAL THREE: PROTECTION OF CRITICAL PHYSICAL AND CYBER INFRASTRUCTURE NETWORKS THROUGH AGREEMENTS AND ENHANCED COOPERATION

Critical Infrastructure Protection (CIP) Principles Implemented by Bilateral Partners		Above Target ■
Target	40.	
Results	45 countries, including 19 from the Sao Paulo conference, 13 from the Berlin conference, and 12 from the Asia-Pacific Economic Cooperation group.	
Impact	Adherence to international CIP principles puts governments in a better position to deter and respond to threats to globally connected critical infrastructures such as ports, telecommunications systems, energy grids and computer networks. Ensuring the viability of these systems will help reduce the impact of catastrophic events such as a terrorist attack or natural disaster, which may result in saved lives, speedy recovery, and political stability.	

Container Security Initiative



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

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

STRATEGIC GOAL 4: WEAPONS OF MASS DESTRUCTION

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

I. Public Benefit

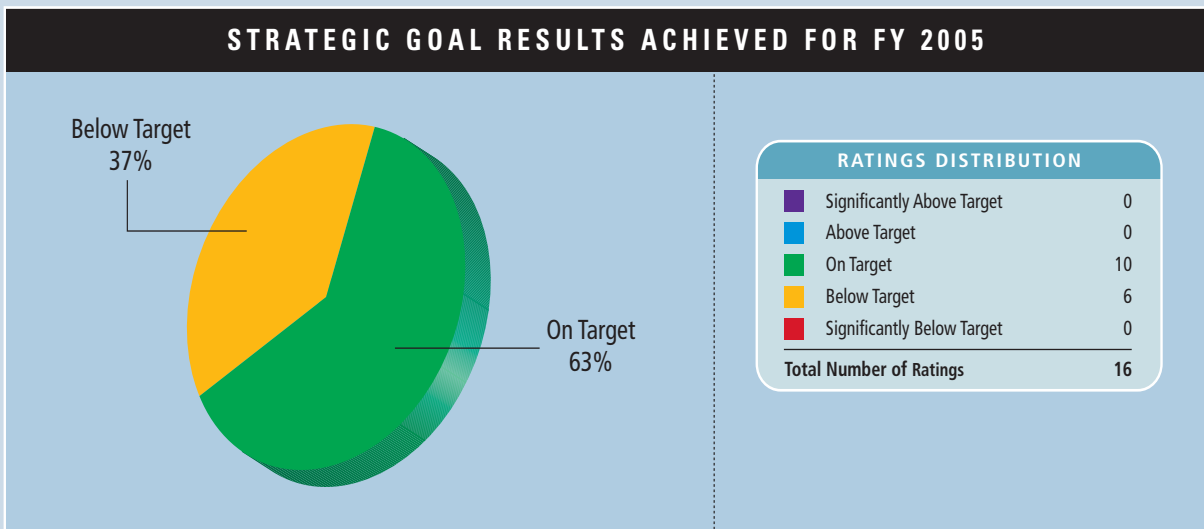
Weapons of mass destruction (WMD) including nuclear, chemical, biological and radiological weapons and their delivery systems threaten our territory and citizens, our armed forces, our national interests, and our allies and friends overseas – especially if such weapons ever find their way into the hands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

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

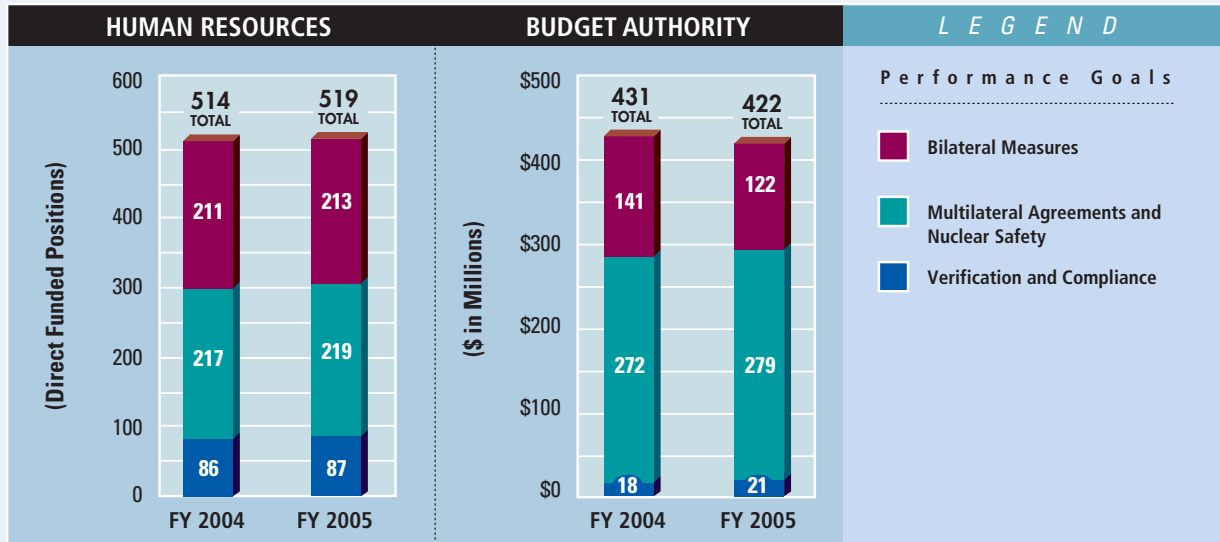


II. Performance Summary

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



III. Resources Invested



IV. Performance Analysis

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

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


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

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


FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

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

Number of Institutes and Scientists Graduated Into Commercially Sustainable Ventures		On Target 
Target	1. Gain access to at least two new previously inaccessible biological weapons and/or chemical weapons institutes in Russia/Eurasia via the Bio-Chem Redirect Program, and at least four new high-priority former WMD institute in member countries Azerbaijan and Tajikistan. 2. Graduate 2-3 institutes or groups of scientists from Nonproliferation/Science Center Program assistance. Identify candidates among chemical and biological institutes for graduation in FY 2006.	
Results	1. First-ever access obtained to formerly closed Pavlodar Chemical Plant in Kazakhstan in November 2004. First ever U.S. Government access to an additional eight bio-chem institutes in Azerbaijan. First ever Science and Technology Center in Ukraine project funding granted to an additional high-priority institute in Ukraine. Engagement of five high-priority institutes the Kyrgyz Republic. 2. Three bio institutes and one chemical institute graduated in 2005, one year ahead of schedule for the Bio-Chem Redirect program. That brings the cumulative total of WMD institutes graduated to commercially sustainable ventures to 22.	
Impact	This indicator measures the success in re-directing WMD expertise toward legitimate non-lethal enterprises. This is expertise that might otherwise be available for exploitation by terrorists and rogue nations.	

PERFORMANCE GOAL TWO: STRENGTHENED MULTILATERAL WMD AGREEMENTS AND NUCLEAR ENERGY COOPERATION UNDER APPROPRIATE CONDITIONS

Number of States-Parties That Incorporate U.S. Proposals in Their National Approaches to Controlling the Biological Weapons Threat		On Target 
Target	Forty to forty-five of the 150 total States-Parties incorporate U.S. alternative proposals in their national approaches to controlling the BW threat.	
Results	The 2003-2005 work program, derived from U.S. proposals, has been remarkably successful in raising awareness of States-Parties to the urgency of establishing and/or strengthening national measures to combat the growing biological weapons threat. 40 countries incorporated U.S. proposals into their national efforts.	
Impact	Traditional inspection regimes are not effective in determining compliance with bans on biological weapons. The U.S. therefore devised alternative ways to improve BWC implementation, focusing on coordinating and expanding national implementation efforts through a multi-year work program. In 2004, the focus changed to disease surveillance, suspicious outbreaks, and alleged use. In 2005 the focus was on codes of conduct. The fact that all States-Parties are acknowledging the need for improvement in national implementation holds promise that the BWC will be strengthened.	

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

Status of Implementation of a Global Norm of Adherence to and Compliance with Arms Control and Nonproliferation Agreements and Commitments		On Target ■
Target	Continue coordination of U.S. efforts to assist Libya in ensuring and verifying the elimination of its weapons of mass destruction and Missile Technology Control Regime (MTCR)-class missile programs.	
Results	Libya — Destruction of its chemical stockpile continues. Chemical Weapons Destruction Facility construction completed. Conversion of production facilities to non-WMD use continues. Adherence to its December 19, 2003 commitment, limiting its missile programs to missile systems below Category 1 specifications is monitored according to the long-term monitoring plan. The complete, verifiable, and irreversible dismantlement of its declared weapons-related nuclear program concluded.	
Impact	The Department's efforts to focus on the process of making compliance determinations and the collection of objective information, together with the responsibility by all States Parties to enforce compliance, present a significant opportunity to enhance the global norm of adherence to and compliance with arms control and nonproliferation agreements and commitments.	

Libya Eliminates Weapons of Mass Destruction

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



Destroyed Libyan Missiles AP/Wide World photo

STRATEGIC GOAL 5: INTERNATIONAL CRIME AND DRUGS

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

I. Public Benefit

Americans face growing security threats, both at home and abroad, from international terrorist networks and their allies in the illegal drug trade and international criminal enterprises. The events of 9/11 and their aftermath highlighted the close connections and overlap among international terrorists, drug traffickers, and transnational criminals. All three groups jeopardize peace and freedom, undermine the rule of law, menace local and regional stability, and threaten the U.S. and its friends and allies. To meet these challenges, the Department supports a robust and comprehensive range of public-private, bilateral, regional, and global initiatives and assistance programs to build up the law enforcement capabilities of foreign governments to help stop these threats before they reach U.S. soil. The Department works with other U.S. Government agencies and foreign governments to break up drug trafficking and other international crime groups, disrupt their operations, arrest and imprison their leaders, and seize their assets. It also provides small farmers in drug producing areas



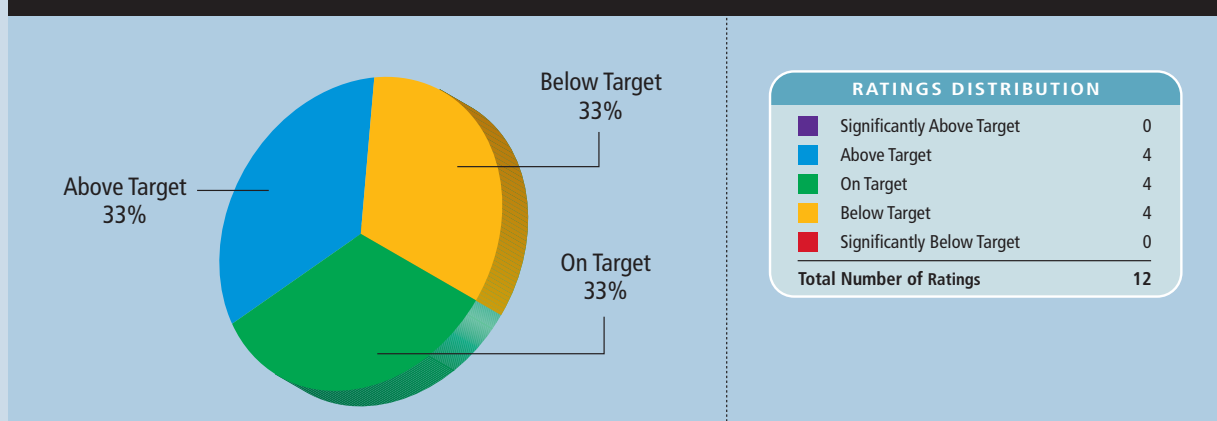
the means to abandon illicit crop production permanently by developing viable economic alternatives and improving social conditions of farm families. The Department works with foreign governments to set international anti-crime standards, close off safe-havens to criminal groups, pool skills and resources,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

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

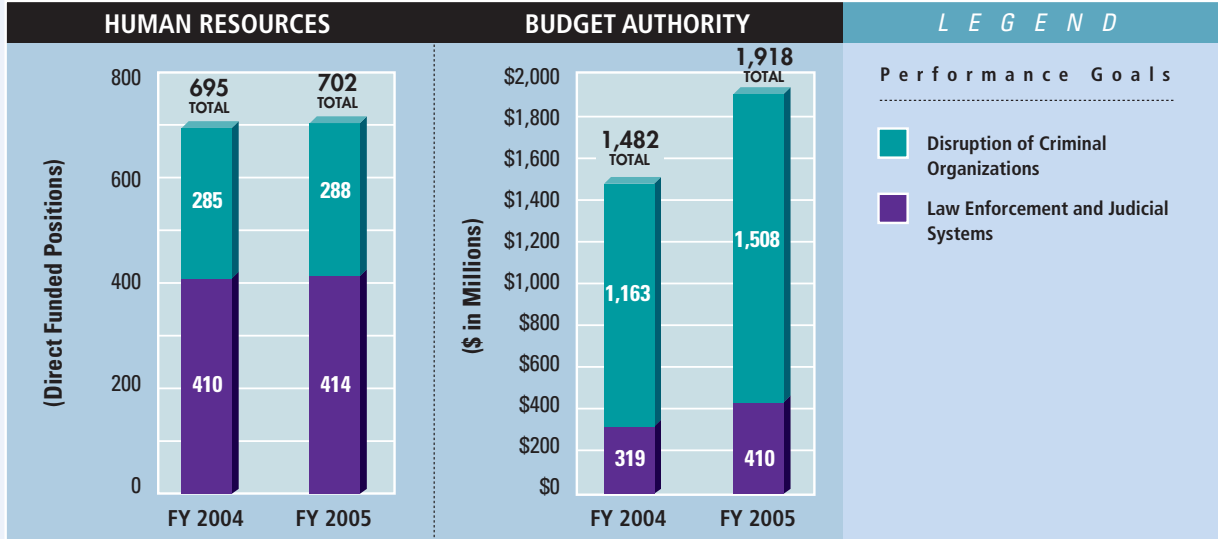
II. Performance Summary

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

STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



III. Resources Invested



V. Performance Analysis

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

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




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

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


FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: INTERNATIONAL TRAFFICKING IN DRUGS, PERSONS, AND OTHER ILLICIT GOODS DISRUPTED AND CRIMINAL ORGANIZATIONS DISMANTLED

Foreign Cultivation of Coca in Hectares (PART Program)		Below Target 
Target	Total Coca: 132,000. Colombia: 75,000. Peru 32,500. Bolivia: 25,000.	
Results	Aerial herbicidal spray operations have been stepped up and are well above the 2004 rate; 122,000 hectares had been sprayed for the first half of calendar year 2005 versus 130,000 for the entire (calendar) year of 2004. At this point, data is pending; however, based on the limited amount of reporting received at this time, it is unlikely that the targets for lower coca cultivation will be met.	
Impact	If final results indicate lessened effectiveness of coca eradication, the impact could be a greater supply of cocaine production.	
Reason for Shortfall	Recent successes may be driving coca cultivation into places where it is more difficult to detect, such as deeper into the jungle. Higher-yielding and herbicide-resistant varieties of coca may also be emerging.	
Steps to Improve	Eradication efforts may focus on manual removal of coca plants. Pacification efforts are crucial to this process, since elimination teams would need access to farms, most of which are in guerilla or paramilitary-occupied territories.	
Seizures of Cocaine, Measured in Metric Tons, from Bolivia, Colombia, Ecuador, and Peru (PART Program)		Above Target 
Target	125 metric tons.	
Results	Based on preliminary reporting, seizures are running ahead of the 2004 record year and are up significantly in some countries, such as Ecuador. Final data will be available in February 2006.	
Impact	The increased number of seizures in some ways compensates for higher cultivation and production rates of cocaine. The net effect is to restrict supply of cocaine available for trafficking to the U.S.	
Cultivation of Illicit Opium Poppy in Hectares in Afghanistan		Above Target 
Target	190,000	
Results	UN figures, which were released in September, indicated a 21% drop in opium poppy cultivation over the UN estimates for 2004. This suggests a cultivation level below the FY 2005 target, possibly 160,000 hectares. Final figures will be available December 2005.	
Impact	Lower cultivation of illicit opium will result in less indigenous opium poppy available for heroin production inside Afghanistan.	

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

Status of Financial Action Task Force on Money Laundering (FATF) List of Non-Cooperative Countries and Territories (NCCT)		On Target 
Target	FATF removes all but three countries designated as NCCTs prior to 2003.	
Results	FATF removed three countries from list in February 2005; three countries remain on list.	
Impact	Three countries improved their anti-money laundering rules, regulations, and practices sufficiently to be removed from the FATF list. Myanmar, Nauru and Nigeria improved their anti-money laundering regimes, but not enough to meet FATF standards. A strengthened global anti-money laundering regime helps the Department disrupt the activities of criminal organizations and improve the capabilities of host country law enforcement and judicial systems.	

Andean Counterdrug Initiative

The U.S. investment in the Andean Counterdrug Initiative to combat narco-terrorism in South America is paying important political, security and economic dividends. This is particularly apparent in Colombia, which faced a frontal assault by major narco-terrorist organizations in the 1990s. Today, the World Bank lists Colombia as one of the world's ten most attractive investment climates. For the first time ever, the Colombian Government has established a security presence in all of the country's municipalities (equivalent to county seats), including many previously dominated by narco-terrorist

groups. Civil violence—terrorist attacks, kidnapping, and homicides—has dropped dramatically over the past two years. Our most steadfast ally in the fight against illicit drugs, the Colombian Government extradited more than 250 drug traffickers to the U.S. over the past two years, including the leader of the infamous Cali Cartel.



Undersecretary of State Nicholas Burns, left, talks with Colombia's President Alvaro Uribe during a meeting at the presidential palace in Bogotá, Colombia, July 2005. AP/Wide World Photo

STRATEGIC GOAL 6: AMERICAN CITIZENS

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

I. Public Benefit

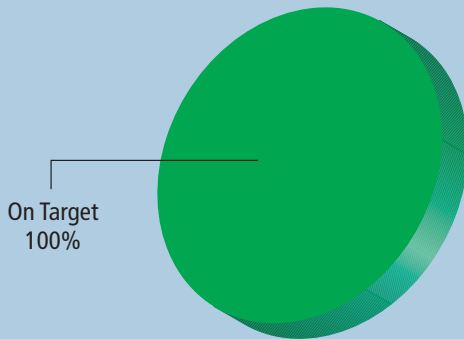
Approximately four million Americans reside abroad, and Americans make about sixty million trips outside the United States each year. The Department issues passports that identify individuals as U.S. citizens and enables them to travel internationally. U.S. embassies and consulates offer a broad range of services that protect U.S. citizens. Such services include the provision of assistance to U.S. citizens who die, fall ill, become destitute, or who are arrested. To alert Americans to conditions that may affect safety and travel abroad, the Department disseminates threat assessments to posts abroad and announcements to the public as quickly as possible using a wide range of available means—its websites, its Consular Information Program, a global Internet-based registration system, and its overseas American citizen warden program. The Overseas Security Advisory Council, a government-private sector partnership, fosters creative solutions to security related issues affecting U.S. private sector interests. The Department uses threat information and security expertise overseas to protect its personnel, property, proprietary information, and other assets, thereby better ensuring continuity of services to the public. The Department is making its websites increasingly accessible and interactive and encourages the traveling American public to register with posts abroad.



II. Performance Summary

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

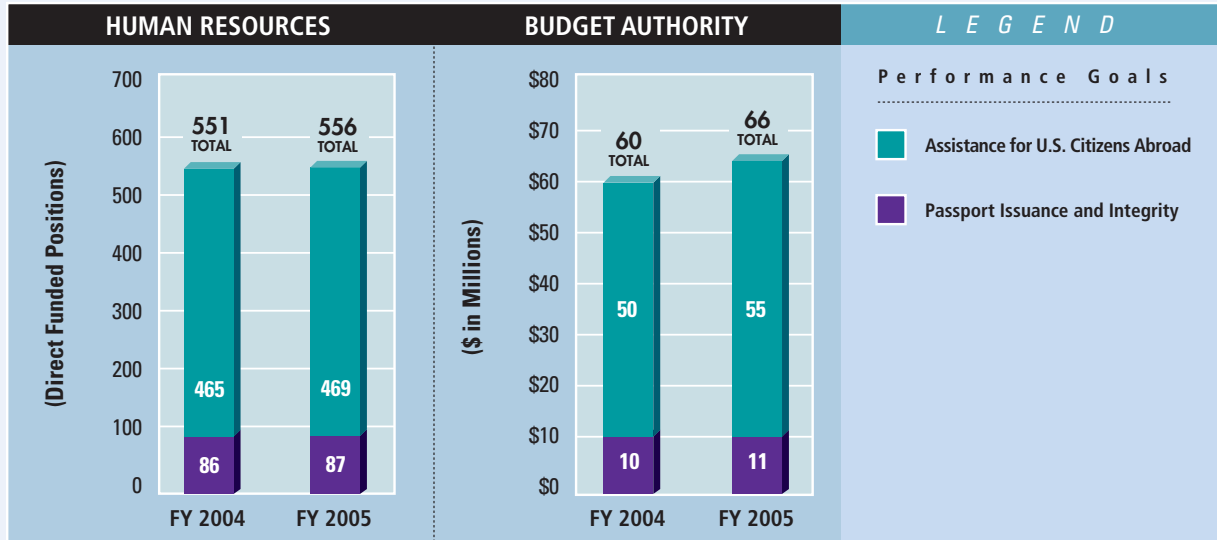
STRATEGIC GOAL RESULTS ACHIEVED FOR FY 2005



RATINGS DISTRIBUTION

Significantly Above Target	0
Above Target	0
On Target	6
Below Target	0
Significantly Below Target	0
Total Number of Ratings	6

III. Resources Invested



IV. Performance Analysis

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

OUTCOME-LEVEL RESULTS. The Department made progress toward the high-level outcome of protecting American citizens overseas, particularly through online registration. All results in this area were on target.




RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. There were no results significantly above or below target. However, the Department will undoubtedly face some challenges producing passports with biometric information, which is to be expected with such a new technology. This program could also encounter delays due to non-technological factors, such as litigation.

RESOURCES INVESTED. The Department has increased its investment in passport and American citizen services from FY 2004 levels. Support for passport operations has risen overall in response to rising demand for passports; applications have increased from 8.8 million in FY 2004 to 10.1 million in FY 2005.

FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: U.S. CITIZENS HAVE THE CONSULAR INFORMATION, SERVICES, AND PROTECTION THEY NEED WHEN THEY RESIDE, CONDUCT BUSINESS, OR TRAVEL ABROAD

Percentage of Consular Information Sheets Revised on an Annual Basis (PART Program)		On Target 
Target	100%.	
Results	100%.	
Impact	Americans have access to comprehensive, complete, and up-to-date information on conditions affecting their travel overseas.	
Status of Online Registration System (PART Program)		On Target 
Target	Online registration system begins to deliver Consular Information Program documents to citizens when they register.	
Results	By the end of FY 2005, more than 300,000 U.S. citizen travelers have registered in response to global events such as natural disasters and security concerns. Travel information, such as Consular Information Program documents, is automatically delivered to all registrants. With continuing deployment of the new ACS+ software to overseas consular posts, long-term travel information entered automatically interfaces with the appropriate posts' systems.	
Impact	As the number of registrants continues to rise and more posts receive the ACS+ application, the Bureau of Consular Affairs' ability to locate, contact and assist American citizen travelers during an emergency increases.	
Status of Hague Convention on Intercountry Adoption		On Target 
Target	Adoption accreditation regulations finalized for interagency review and should be published in final by the end of 2005; Adoption visa processing regulations drafted; Adoption case registry and tracking software developed and testing underway; Begin negotiations with potential Accrediting Entities; U.S. instrument of accession deposited in 2007. <i>(Revised. See Appendix for explanation.)</i>	
Results	Adoption accreditation regulations finalized; Adoption visa processing regulations drafted; Adoption case registry and tracking software developed and in test phase; Negotiations with potential accrediting entities toward signing agreements begun.	
Impact	Performance directly supports and advances the Department's ability to ratify the Hague Convention on Intercountry Adoption.	

PERFORMANCE GOAL TWO: EFFECTIVE AND TIMELY PASSPORT ISSUANCE, WITH DOCUMENT INTEGRITY ASSURED	
Development of a Biometrics Collection Program for U.S. Passports (PART Program) On Target ■	
Target	Issue first full validity electronic passports by end of calendar year 2005 in Special Issuance Agency Pilot.
Results	Pilot testing of biometric passport issuance process and operational field testing of prototype e-passports begun in mid-2005, with successful completion of the operational field test. Progress in conducting the pilot at the Special Issuance Agency (SIA) may be delayed due to a vendor protest. The Department will work with Department of Justice attorneys to conclude litigation issues as soon as possible, so that the Bureau of Consular Affairs can proceed to initial production of biometric passports at SIA by January 1, 2006.
Impact	Incorporating biometrics strengthens U.S. security by ensuring that the person carrying a U.S. passport is the person to whom the passport was issued. These measures make the U.S. passport, one of the most valuable identity and citizenship documents in the world, less susceptible to manipulation and more difficult to counterfeit.
Number of Days Between Receipt of Routine Passport Application by Passport Services and Issuance of a Passport (PART Program Efficiency Measure) On Target ■	
Target	90% of passport applications within 19 business days of receipt.
Results	In FY 2005, the Department issued 87.1% of passports within 19 business days of receipt. As a result of Hurricane Katrina in August 2005 and the subsequent closure of the New Orleans Passport Agency - our most productive passport processing facility, we lost 17% of our productive capacity and experienced system-wide disruptions. In the wake of Hurricane Katrina and increased demand, we missed our more aggressive target for this fiscal year by only 2.9 percentage points.
Impact	Our efforts to reach this target in FY 2005 demonstrate the Department's commitment to serving the American public effectively and efficiently in routine and extraordinary circumstances.

Serving Citizens, Managing Crises

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

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



STRATEGIC GOAL 7: DEMOCRACY AND HUMAN RIGHTS

Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom

I. Public Benefit

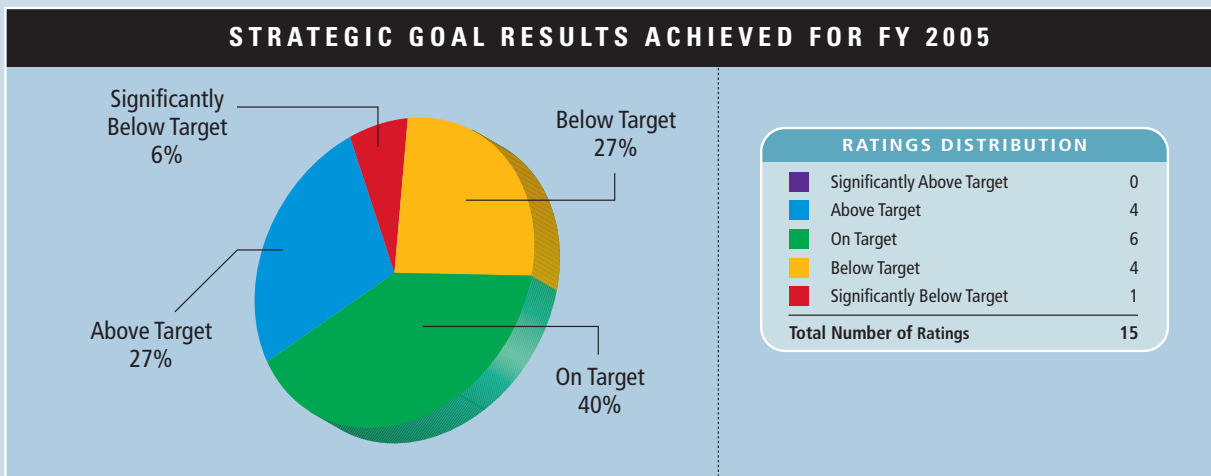
America's experience affirms our conviction that all people can live and prosper in peace when guided by a commitment to freedom and democracy. Protecting human rights and promoting democracy is a cornerstone of a U.S. foreign policy that seeks to end oppression, combat terrorism, and advocate democratic ideals and freedoms worldwide. Together with our allies, like-minded governments, and partners in the public and private sectors, we employ a range of diplomatic and program tools to promote democracy and human rights worldwide. Our partners include the United Nations, where the U.S. led the effort to establish a UN Democracy Fund in 2005. We seek opportunities to encourage and support human rights advocates and policy makers to facilitate positive change in countries that routinely ignore international human rights. This principle guides our decisions about international cooperation, the character of our foreign assistance, the allocation of resources, and our actions in international fora. The Department's annual report, *Supporting Human Rights and Democracy: The U.S. Record*, catalogues these combined efforts, strategies, policies and programs to promote democracy and human rights. While the U.S. plays a leading role to promote democracy and human rights, the Department recognizes that these values are not uniquely American. Democratization must ultimately be a process driven by a society's citizens. Toward that end, the Department works to ensure that democratic reforms reflect a representative political process.



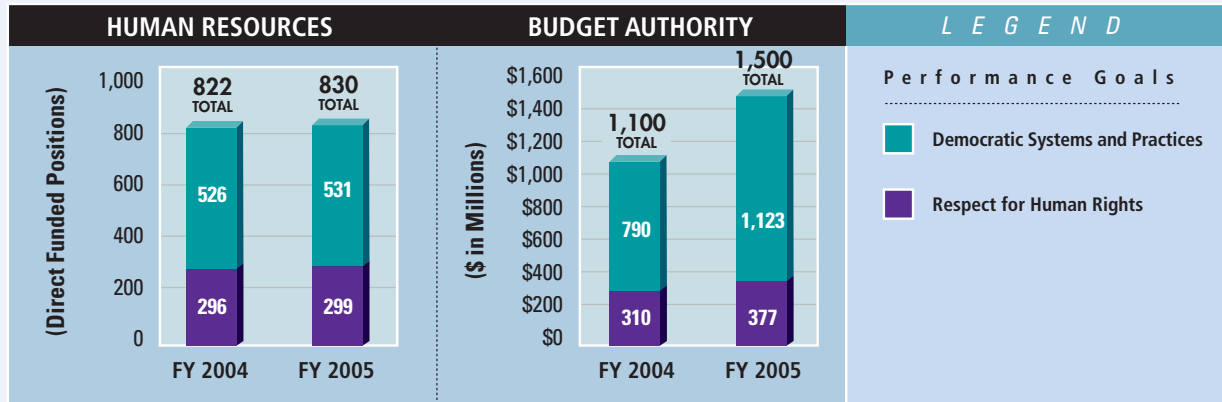
Ukrainians demonstrate outside the Parliament in Kiev, November, 2004. AP/Wide World Photo

II. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Democracy and Human Rights strategic goal.



III. Resources Invested



IV. Performance Analysis

PERFORMANCE TRENDS. The most notable trend in democracy and human rights is the increase in democratic activity around the globe. Freedom House’s freedom index scores and the increasing number of elections held or planned in countries with scores “not free” or “partly free” under that index are examples of this activity. However, the Department must ensure that such elections are free and fair, and that these activities create institutions that reflect and respond to the will of those governed. An encouraging sign is the steady increase in political participation by women (particularly in Iraq and Afghanistan), which is the first step toward broader political discourse.

OUTCOME-LEVEL RESULTS. The Department made progress supporting democratization and women’s rights in Afghanistan and the Middle East. High-level outcomes include the appointment of several women to new cabinet positions in Afghanistan and Iraq and peaceful elections in Iraq, Afghanistan, Saudi Arabia, Lebanon, and Egypt. All of the programs in these areas performed at or above target in FY 2005.



RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. No results scored significantly above target. The Department’s pressure and support for political freedom yielded a marked increase in elections—many of them the first of their kind—in the Middle East in FY 2005. The Department scored significantly below target in its ability to use Economic Support Funds in a timely manner. The Department must continue to press for political liberty, religious freedom, and human rights in bilateral and multilateral discussions and to continue its support for civil society groups and independent media.

RESOURCES INVESTED. The Department continues to support important democracy and human rights activities. In FY 2005, the Department allocated \$1.5 billion, or an estimated 6% of its budget to this strategic goal. This represents a significant increase of 36% from FY 2004.

FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: MEASURES ADOPTED TO DEVELOP TRANSPARENT AND ACCOUNTABLE DEMOCRATIC INSTITUTIONS, LAWS, AND POLITICAL PROCESSES AND PRACTICES

Progress Toward Constitutional Democracy in Afghanistan		On Target 
Target	1. New National Government takes office with a clear popular mandate. Preparations for local/regional elections move forward in accordance with relationship defined in Constitution. 2. A select number of women occupy positions of local authority (i.e. at the city level or within the central government at the judicial, legislative, or executive level) inside Kabul.	
Results	1. Presidential elections held in October 2004. More than 10 million Afghans registered and 8 million participated in the election, 40 percent of whom were women. Provincial Council and National Assembly elections scheduled for September 18, 2005. 1.69 million new voters registered for upcoming parliamentary elections. 2. Two women are Cabinet Ministers (Minister of Women's Affairs and Minister of Martyrs and Disabled); first female governor appointed (Bamiyan).	
Impact	With a democratically elected president and new government in place, successful National Assembly elections were held on September 18th, which further solidified Afghanistan's progress toward democracy.	
Status of Democracy in the Middle East		Above Target 
Target	Municipal elections in Tunisia are held as scheduled and are free and fair. Presidential elections in Yemen are held as scheduled and are free and fair.	
Results	Elections that were scheduled to date have occurred and were free, fair and competitive. Unanticipated free and fair elections also occurred in Saudi Arabia. Saudi Arabia held its first municipal elections and elections are now scheduled in additional municipalities. Many other countries have scheduled elections and through Middle East Partnership Initiative (MEPI), the Department will work to ensure they are free, fair and competitive, including: <ul style="list-style-type: none"> ● Senate elections in Tunisia, ● Parliamentary elections in Egypt, ● Parliamentary elections in Lebanon, ● Municipal and parliamentary elections in West Bank/Gaza. 	
Impact	Holding free, fair, competitive elections is the first step in achieving participatory democracy and opens opportunity for increased democracy programming including political party and civil society strengthening.	

STRATEGIC GOAL 8: ECONOMIC PROSPERITY AND SECURITY

Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation

I. Public Benefit

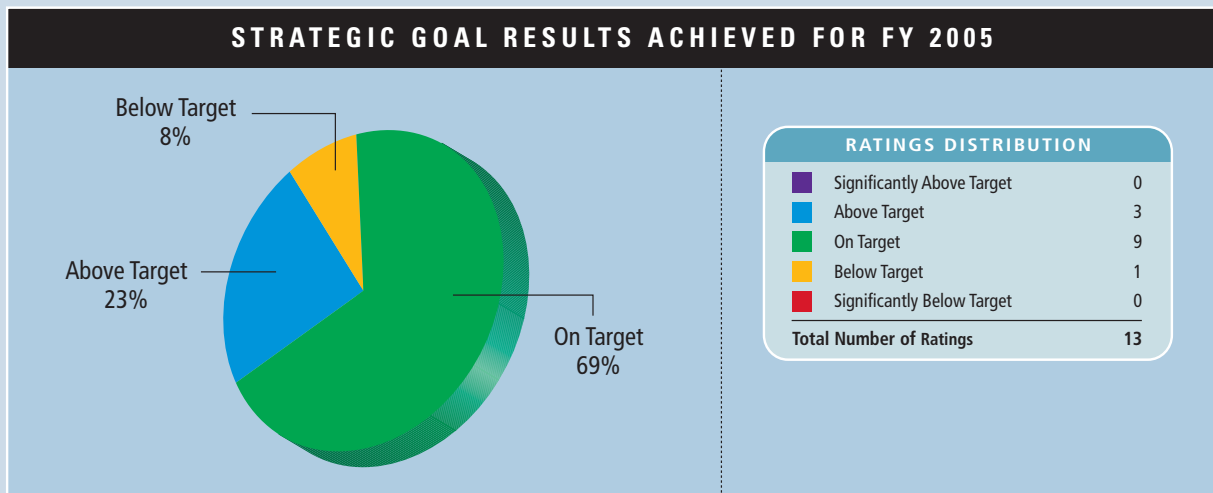
Continued economic prosperity for the United States cannot be assured in the absence of prosperity, freedom, and economic opportunity worldwide. As the war against terrorism has become central for U.S. foreign policy, we have focused on increasing U.S. economic security by supporting front-line states, tightening the noose around terrorist financing, increasing energy security, and improving the security of our transportation and information networks. We promote prosperity through market-expanding agreements, through international cooperation to promote sound financial markets, by fighting bribery and corruption, and through assisting developing countries to govern wisely and create favorable climates for trade and investment. Official development assistance can play an important role in helping countries on the road to economic prosperity and political stability. The Department works on reconstruction in post-conflict or post-disaster situations, serving the vital role of coordinating relevant agencies and donors. Our deep and comprehensive economic engagement with developing countries – through trade, investment, assistance, and debt relief – enhances the prosperity and security of those countries, and therefore our own.



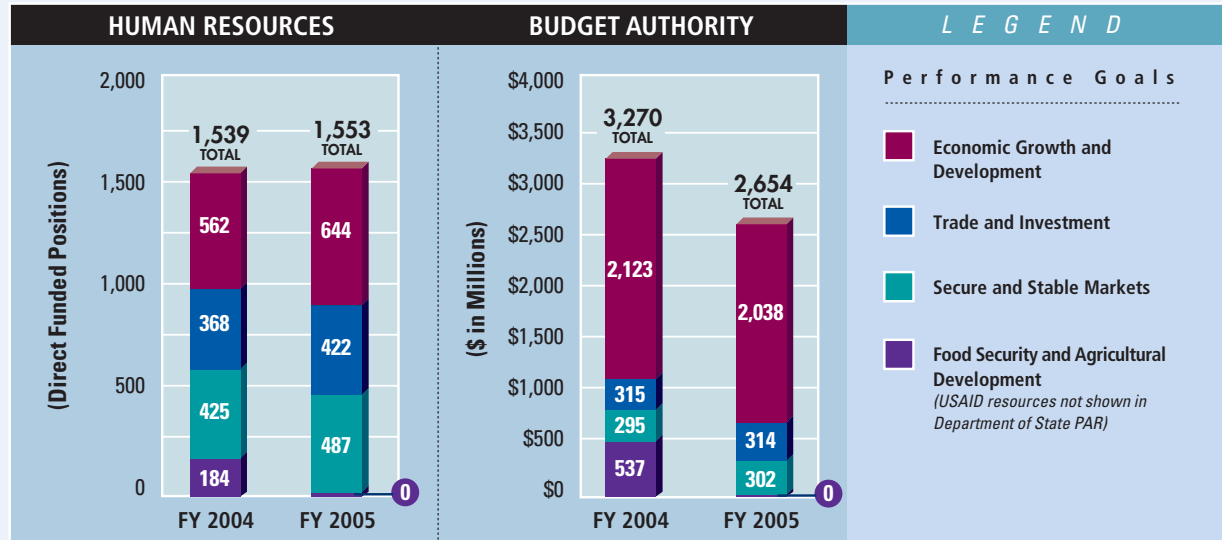
*Under Secretary for Economic, Business, and Agricultural Affairs Josette Shiner and Japanese Deputy Foreign Minister Yabunaka answer questions at the State Department.
State Department Photo/Ann Thomas*

IV. Performance Summary

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



VI. Resources Invested



V. Performance Analysis

PERFORMANCE TRENDS. Much of the Department’s performance in promoting economic prosperity depends on the success of its negotiations, whether in multilateral settings, in bilateral discussions with other countries, or on behalf of individual U.S. companies. Particularly noteworthy is the Department’s success leading the United Nations to affirm that the promotion of economic freedom through anti-corruption efforts and improved investment climates is central to economic growth. However, in FY 2005, the Department’s negotiations achieved mixed results overall. The Doha round of multilateral trade negotiations remained behind schedule due to the breakdown in talks in September 2003; in FY 2005, negotiations accelerated but remained short of an agreement.

OUTCOME-LEVEL RESULTS. The Department remained actively engaged with other countries to press for fewer restrictions on private enterprise and more open markets as necessities for greater prosperity. Debt crisis countries and Millennium Challenge Account-eligible and threshold countries have continued to reform and remove barriers to entrepreneurship and economic freedom.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. Two results were significantly above target, although below-target results within the same indicators somewhat offset the gains in both cases. The Department successfully negotiated more open-skies agreements, but it did not meet its target for other types of transport liberalization. The Department also increased its advocacy on behalf of U.S. businesses by approximately 81%, although the success rate fell from 31.5% in FY 2004 to 22.5% in FY 2005.

RESOURCES INVESTED. Much of the Department’s activity on behalf of economic freedom and prosperity takes place within the context of international organizations. Overall, U.S. contributions to these organizations remained steady in FY 2005, although the situations vary from organization to organization. U.S. funding for the Asia-Pacific Economic Cooperation forum increased by six percent, while the World Trade Organization received a larger increase of 19.5% (for a projected FY 2005 total of \$22.2 million.)

FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: INSTITUTIONS, LAWS, AND POLICIES FOSTER PRIVATE SECTOR GROWTH, MACROECONOMIC STABILITY, AND POVERTY REDUCTION.

Reduce the Number of Days to Start a Business in Millenium Challenge Account (MCA) Eligible and Threshold Countries		On Target 
Target	Lower the median number of days to start a business by 5% to 43 days.	
Results	42 days.	
Impact	A reduction in the number of days to start a business directly reflects the government's commitment to increase economic prosperity by removing obstacles to economic growth.	

PERFORMANCE GOAL TWO: INCREASED TRADE AND INVESTMENT ACHIEVED THROUGH MARKET-OPENING INTERNATIONAL AGREEMENTS AND FURTHER INTEGRATION OF DEVELOPING COUNTRIES INTO THE TRADING SYSTEM

Number of Companies for whom Advocacy Services were Provided. Number of Commercial Advocacy Successes in Helping U.S. Companies Win Foreign Tenders; Enforce Contract Agreements; Gain Fair Treatment; and/or Enter New Foreign Markets		1.  Significantly Above Target 2.  Below Target
Target	1. Advocacy services provided for 185 company-specific cases; 2. 80 advocacy success stories.	
Results	1. Advocacy services provided for 275 company-specific cases; 2. 62 advocacy success stories.	
Impact	Advocacy support ensures transparency and fair play so that U.S. companies can compete on a level playing field.	
Reason for Shortfall	Advocacy success stories is below target because the Department's Economic and Business Bureau (EB) Advocacy Database is not fully operational to provide count of final success stories.	
Steps to Improve	The Department will incorporate effective "success story" count mechanism in EB Advocacy Database during FY 2006.	

PERFORMANCE GOAL THREE: SECURE AND STABLE FINANCIAL AND ENERGY MARKETS

World Emergency Oil Stocks		On Target ■
Target	International Energy Agency and non-International Energy Agency emergency oil stocks are at or above FY 2004 levels.	
Results	International Energy Agency members held stocks of 114 days of imports, prior to September 2nd emergency release of stocks to counter supply disruptions of Hurricane Katrina.	
Impact	Healthy oil stock allowed for a robust response to oil supply disruptions caused by Hurricane Katrina, calming markets ensuring continued supplies of oil.	

PERFORMANCE GOAL FOUR: ENHANCED FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

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

Iraq Reconstruction and Development

The Department led an international group of major donors for Iraq's reconstruction, which organized donors meetings in Tokyo in October 2004 and the Dead Sea in July 2005. At these meetings, over 60 countries and international organizations coordinated their reconstruction assistance and agreed to align and accelerate their assistance along Iraqi priorities. By the end of FY 2005, donors other than the United States had disbursed about \$3 billion in reconstruction assistance to Iraq. The meetings also set in place a central role for Iraq in coordinating donor assistance. The Department's joint efforts with the Department of Treasury to secure an historic Paris Club debt-reduction agreement in November 2004 was a vital step in relieving Iraq of its overwhelming debt burden.

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

AP/Wide World Photo



STRATEGIC GOAL 9: SOCIAL AND ENVIRONMENTAL ISSUES

Improve health, education, environment, and other conditions for the global population

I. Public Benefit

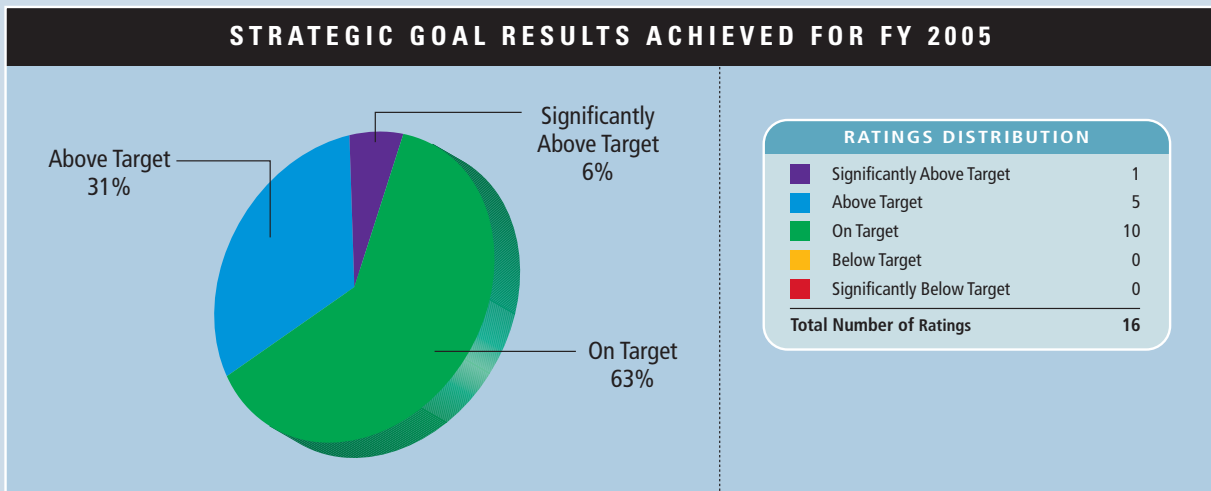
Strengthening international cooperation to ensure stable, prosperous societies is critical to U.S. national security. Disease, poverty, displacement, lack of education, and environmental degradation destroy lives, ravage societies, destabilize regions, and cheat future generations of prosperity. By integrating economic growth with social development and environmental stewardship worldwide, we are extending to the international community the basic values American citizens hold dear: prosperity in balance with sustainable management of our land-based and marine natural resources, healthy lifestyles, an informed society, and cooperation to advance research frontiers and stimulate innovation.



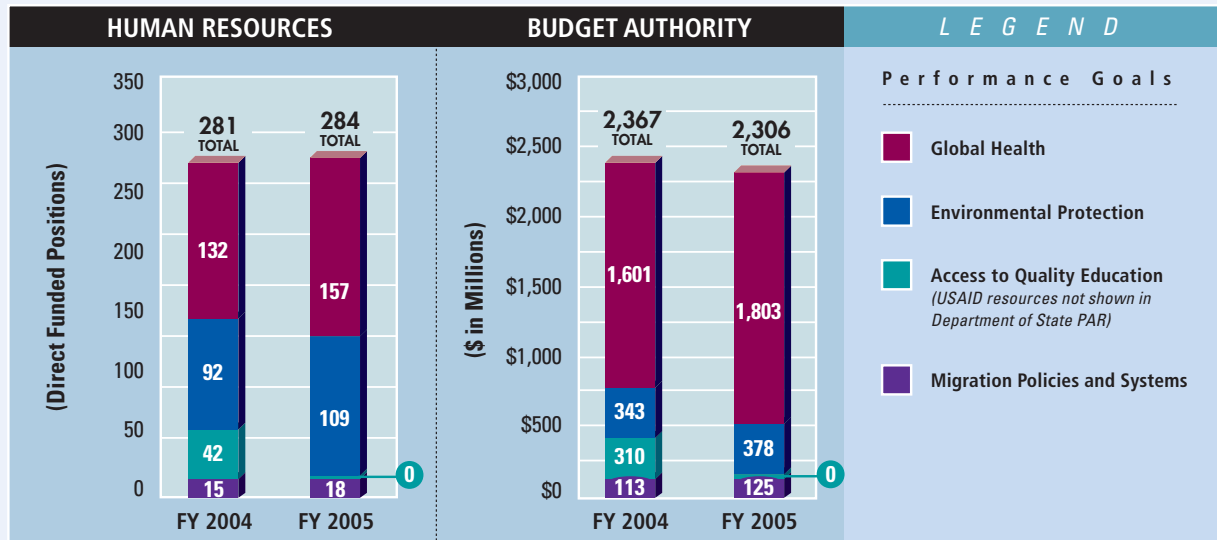
Children participate in a rally in New Delhi, India for debt relief and resources for education, July, 2005. AP/Wide World Photo

II. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Social and Environmental Issues strategic goal.



III. Resources Invested



IV. Performance Analysis

PERFORMANCE TRENDS. Performance under the President’s Emergency Program for AIDS Relief (PEPFAR) has exceeded expectations for treatment (235,000 were treated during the first half of 2005, versus the June 2005 target of 200,000). In addition, more than 120 million people have been reached with HIV/AIDS prevention messages/programs, exceeding the year one goal of reaching 47.8 million people with prevention messages/programs by 250 percent. The percentage of the world’s population with access to tuberculosis care and treatment continued its steady three-year increase from 63% to 75%. There has also been an unmistakable trend toward more effective implementation of treaties and agreements on natural resources management (marine, forest, climate, etc), as demonstrated by an increase in partners, cooperation, transparency, standards, and assessments.

OUTCOME-LEVEL RESULTS. The Department has made significant progress toward PEPFAR’s five-year goals of supporting treatment for 2 million people infected with HIV, prevention of 7 million new HIV infections, and care for 10 million people infected and affected by HIV/AIDS, including orphans and vulnerable children. As a result of the U.S. Water for the Poor Initiative (launched at the 2002 World Summit on Sustainable Development), over 12 million people have received improved access to water and more than 12 million people have received improved access to adequate sanitation. Other outcome-level results were achieved in FY 2005 in sustainable development and climate change.


RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. The Department significantly exceeded its performance target for international cooperation to reduce persistent organic pollutants, an important global health issue. We expected twenty additional countries to ratify the Stockholm Convention in 2005 and 31 actually did so, bringing the number of States-Parties to 110 countries, a remarkably fast pace for a global environmental agreement. There were no results significantly below target in this strategic goal area in 2005.

RESOURCES INVESTED. The U.S. Government continued to invest significant resources in social and environmental programs in 2005. In FY 2005, the Department allocated an estimated 9.1% of its budget to this strategic goal, or \$2.3 billion. This represents a slight decrease of 3% from FY 2004.


FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: IMPROVED GLOBAL HEALTH, INCLUDING CHILD, MATERNAL, AND REPRODUCTIVE HEALTH, AND THE REDUCTION OF ABORTION AND DISEASE, ESPECIALLY HIV/AIDS, MALARIA, AND TUBERCULOSIS

The Number of People Receiving HIV/AIDS Treatment in the 15 Focus Countries (PART Program)		On Target 
Target	470,000	
Results	Data collected for the first half of FY 2005 shows that the Emergency Plan is supporting treatment to 235,000 individuals. The Emergency Plan is on target to achieving its FY 2005 treatment goal. Updated end of FY 2005 result data will be available no later than November 30, 2005.	
Impact	With its severe social, economic, and political consequences, HIV/AIDS presents a security threat and violates a basic principle of development that each generation do better than the one before. HIV/AIDS treatment mitigates the consequences of HIV/AIDS by dramatically improving health and therefore productivity. With every person receiving treatment, life is extended, families are held intact, and nations move forward with development.	

PERFORMANCE GOAL TWO: PARTNERSHIPS, INITIATIVES, AND IMPLEMENTED INTERNATIONAL TREATIES AND AGREEMENTS THAT PROTECT THE ENVIRONMENT AND PROMOTE EFFICIENT ENERGY USE AND RESOURCE MANAGEMENT

Status of Bilateral Regional, and Global Climate Change Partnerships and Initiatives ¹		Above Target 
Target	<ol style="list-style-type: none"> 1. Establish partnerships with additional targeted countries as necessary and strengthen existing partnerships, with particular emphasis on activities and deliverables related to international initiatives on adaptation, science, and energy technologies. 2. Continued implementation of U.S. initiatives on earth observation, carbon capture and storage, and the hydrogen economy. 	
Results	<ol style="list-style-type: none"> 1. Each of the existing bilateral partnerships involves multiple discrete initiatives, and we are meeting timelines and deliverables established in previous years in order to continue advancing them. Cooperative activities under the bilateral partnerships now total over 400, and within each partnership the number of activities has tended to grow at a gradual and manageable pace. Reviews of partnerships are ongoing, and activities are being adjusted to enhance effectiveness. The U.S. initiated its 15th bilateral working group on climate change with the implementation of the "U.S.-Germany Working Group on Energy, Development, and Climate Change." 2. The U.S. announced the launch of a new Asia-Pacific Partnership on Clean Development and Climate Change that currently encompasses countries that in addition to the U.S. represent approximately 50% of global economic activity and greenhouse gas emissions (China, India, Japan, Australia, South Korea). 3. Work on multilateral partnerships focused on observation, carbon capture and storage, and the hydrogen economy continues to develop with international meetings and workshops. 4. Second Asian regional workshop on climate and energy convened, working in collaboration with a number of bilateral partners as well as with APEC. 	
Impact	Our climate change partnerships assist key developing countries to build capacity on a full range of technical aspects that are essential to permit them to undertake meaningful commitments to address global climate change, while advancing the development of new technologies to mitigate greenhouse gas emissions and address global climate change in a manner consistent with economic growth.	

¹ Climate change partnerships defined as officially established bilateral relationships on climate change.

PERFORMANCE GOAL THREE: BROADER ACCESS TO QUALITY EDUCATION WITH EMPHASIS ON PRIMARY SCHOOL COMPLETION

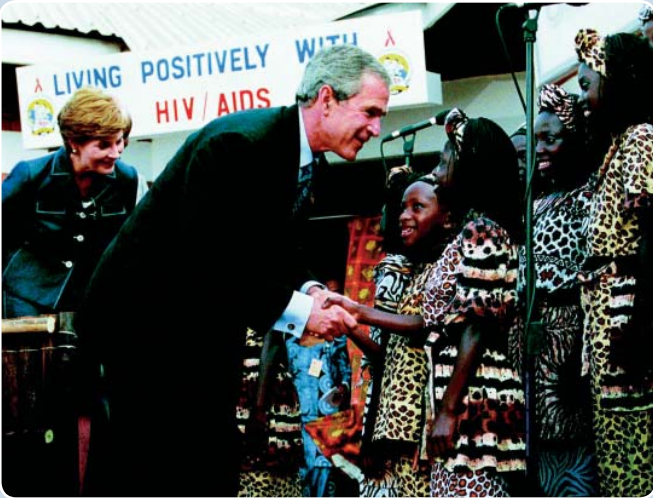
The U.S. Agency for International Development is reporting results for this goal.

PERFORMANCE GOAL FOUR: EFFECTIVE AND HUMANE MIGRATION POLICIES AND SYSTEMS

Percentage of Initiatives Agreed Upon at Regional Migration Dialogues that are Implemented		On Target ■
Target	Seventy percent of activities agreed to in the Regional Conference on Migration in North and Central America (RCM) are implemented.	
Results	Approximately 80% (17 of 21) activities agreed to by RCM member states have been implemented or are in the process of implementation in FY 2005. Nearly 100% of the activities agreed upon by members of the Intergovernmental Consultations on Asylum, Refugee and Migration Policies in Europe, North America and Australia have been implemented or are in the process of implementation.	
Impact	An increased number of governments committed to pursuing regional migration dialogues helps pave the way for humane and effective migration regimes for the 150 million migrants in the world today.	

HIV/AIDS

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



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

STRATEGIC GOAL 10: HUMANITARIAN RESPONSE

Minimize the human costs of displacement, conflicts, and natural disasters

I. Public Benefit

The United States commitment to humanitarian response demonstrates America's compassion for victims of armed conflict, landmines, forced migration, human rights violations, widespread health and food insecurity, and other threats. The strength of this commitment derives from both our compassion and our responsibility as a global leader. The Department actively participates in the multilateral response to humanitarian crises and regularly monitors and evaluates humanitarian programs to ensure that the needs of refugees, internally displaced persons, and other victims of conflict or natural disasters are met. The Department's management and support of overseas refugee admissions programs provide an important durable solution for refugees, and serve as a leading model for other resettlement countries. The United States' leadership and humanitarian response provides a positive standard for the donor community and hope for a better future for the people suffering as a result of natural or human-made disasters.

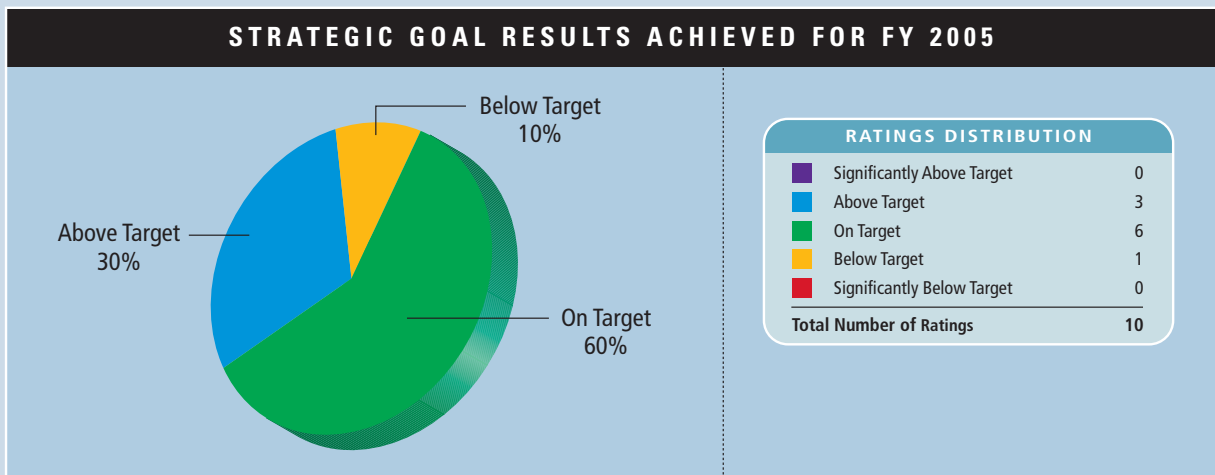


Trucks carry U.S. humanitarian aid through the Libyan desert on a 2,800 kilometer journey to refugee camps in Chad.

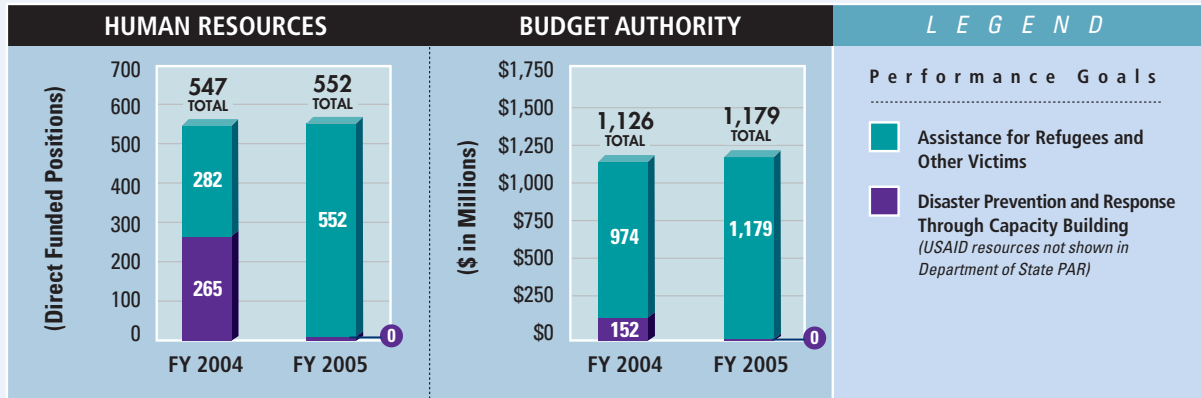
State Department Photo

II. Performance Summary

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



III. Resources Invested



V. Performance Analysis

PERFORMANCE TRENDS. Three significant performance trends in the area of Humanitarian Response are worthy of note: (1) administrative and program management costs have declined over a four-year period; (2) the range and impact of the Department’s response to crises and disasters has increased – for example, in FY 2005, the Department assisted refugees, asylum seekers, and displaced persons in dozens of countries worldwide; and (3) inter-agency and international cooperation have increased, as evidenced by the unprecedented scale and complexity of the Indian Ocean Tsunami relief and reconstruction program.

OUTCOME-LEVEL RESULTS. The Department made demonstrable progress toward high-level outcomes such as assisting and protecting refugees, carrying out humanitarian demining operations, and responding to humanitarian crises. All of the programs in these areas performed at or above target in FY 2005, with the exception of our efforts to prevent global acute malnutrition, which was rated below target.



RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. There were no results significantly above or below target, although the Department continues to face challenges in reducing crude mortality rates and improving the nutritional status of children in complex humanitarian emergencies. The Department alone cannot affect these outcomes and works in close partnership with host governments, other U.S. Government agencies, international organizations and non-governmental organizations to achieve the desired outcomes.


RESOURCES INVESTED. Although performance has improved in Humanitarian Response, funding levels for some activities have declined. For example, funding for migration and refugee assistance, which is provided to international organizations such as the UN High Commissioner for Refugees (UNHCR) and the International Committee of the Red Cross (ICRC), declined by 2% from \$780 million to \$763 million.

FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: EFFECTIVE PROTECTION, ASSISTANCE, AND DURABLE SOLUTIONS FOR REFUGEES, INTERNALLY DISPLACED PERSONS, AND CONFLICT VICTIMS

Crude Mortality Rates (CMR)		On Target 
Target	Complex humanitarian emergencies do not exceed a CMR of 1/10,000 people/day. Support efforts to improve data collection, e.g., expand pilot data collection effort to other countries and partner organizations, and to take other measures to address any problems of excess mortality.	
Results	<ol style="list-style-type: none"> Where data are available, CMR does not exceed regional emergency thresholds in over 98% of targeted refugee sites. In FY 2005, CMR was reported above the regional emergency threshold in four sites (three in Chad and one in Kenya) out of over 225 refugee camps and settlements worldwide. There has been a decline in CMR among Sudanese refugees from Darfur, although it remains an issue of concern in selected sites in Chad. The Complex Emergencies Database (CE-DAT) is operational and contains data on mortality, nutritional status, morbidity and vaccination coverage for sixteen pilot countries. It is expanding data coverage and improving its online interface. 	
Impact	The Department's contributions to international humanitarian efforts saved refugee lives, as indicated by CMR below emergency thresholds. In a few cases, CMR exceeded emergency thresholds. In complex humanitarian crises, this is typically due to high rates of malnutrition, outbreaks of disease, and in some cases, insecurity in refugee camps and settlements. In some Sudanese refugee camps in Chad, for example, severe acute malnutrition (including Kwashiorkor) and outbreaks of Hepatitis E caused deaths at a rate that exceeded acceptable levels. In these cases, the Department will target funding and programming to address these major causes of death and bolster health and nutrition services.	
Nutritional Status of Children Under 5 Years of Age		Below Target 
Target	In complex humanitarian emergencies, less than 10 percent of children under five suffer from Global Acute Malnutrition (GAM).	
Results	In 7% of targeted sites (16 sites out of over 225 refugee camps and settlements worldwide), more than 10% of children under age five suffered from global acute malnutrition.	
Impact	Elevated rates of GAM directly contribute to increased rates of morbidity and mortality in children under five years of age. Malnutrition may also threaten refugee protection in terms of camp security, vulnerability to exploitation, and in extreme cases, involuntary return.	
Reason for Shortfall	<ol style="list-style-type: none"> Inadequate resources for the World Food Program's (WFP) refugee feeding operations frequently result in reduced food rations or pipeline breaks. Malnutrition may be endemic in refugee hosting communities, where food security, water, sanitation and health conditions are poor; an influx of refugees may strain existing coping mechanisms and resources. 	
Steps to Improve	<ol style="list-style-type: none"> Work with WFP, UNHCR, and non-governmental partners to develop an urgent and coordinated emergency response to reduce GAM to below 10 percent in all refugee sites. Prioritize funding therapeutic and supplementary feeding, as well as other health and nutrition programs in refugee sites where GAM exceeds acceptable levels. 	

Refugees Resettled in the U.S. (PART Program)¹		Above Target 
Target	100% of the regionally allocated ceiling of 50,000 refugees. This number is set by the President for each fiscal year.	
Results	107% of the regionally allocated ceiling of 50,000 refugees (53,813) have been resettled to the U.S. as of September 30, 2005.	
Impact	Refugees and their families achieved a durable solution and started new lives in communities across the United States.	
<small>¹ The annual ceiling is established by Presidential determination each year through consultations with voluntary agencies, Congress, the Department of Homeland Security, and the Department of Health and Human Services.</small>		

PERFORMANCE GOAL TWO: DISASTER PREVENTION AND RESPONSE THROUGH CAPACITY BUILDING

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

Protecting Women from Violence in Sudan

The United States remains gravely concerned about sexual violence against women in the Darfur region of Sudan and the Government of Sudan's refusal to address the problem and protect the lives of its people. Secretary Rice and Deputy Secretary Zoellick have both urged the government to bolster its efforts to stop the violence, to hold perpetrators accountable, and to provide help for victims.



In FY 2005, the United States initiated a two-year project to fund eight centers for displaced women living in camps in the Darfur region. The centers provide a safe haven for women and a range of services, including literacy classes, health education, income-generating activities, and treatment for sexual violence. Victims of rape and other forms of sexual violence also receive medical, psychosocial and case management services that protect their privacy.

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

STRATEGIC GOAL 11: PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

Increase understanding for American values, policies, and initiatives to create a receptive international environment

I. Public Benefit

The four pillars of our public diplomacy are engagement, exchange, education, and empowerment. We vigorously engage, listening as well as advocating, responding rapidly and aggressively to inaccuracies and hate messaging. The power of exchanges to change lives makes people-to-people exchanges our most important public diplomacy program. We will expand our two-way exchanges so that more Americans and American organizations can find common values and common interests with foreign counterparts around the world. Through education programs we will offer both hope and opportunity for a better life, while increasing mutual understanding. We will also educate ourselves to be better citizens of the world. We will empower the individuals whose lives our programs touch to pursue

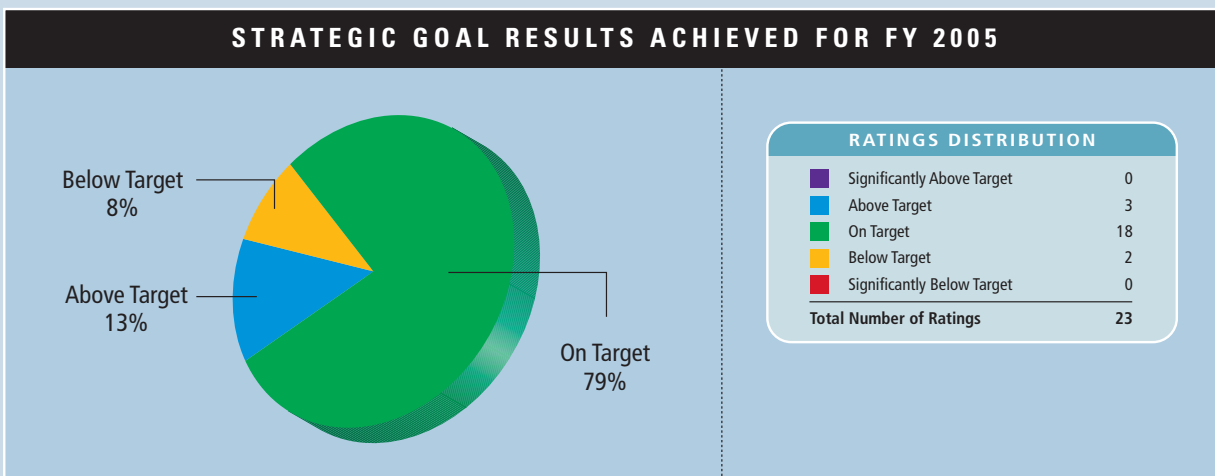


their goals as citizens of the world and we will work closely with the private sector to foster greater communication and dialogue by empowering our most important national asset—the individual American citizen. Through public affairs programs, the Department also informs the American people of U.S. foreign policy and initiatives that have a direct impact on their lives and provides opportunities for Americans to participate in programs that build individual capacity and deeper resources for the nation.

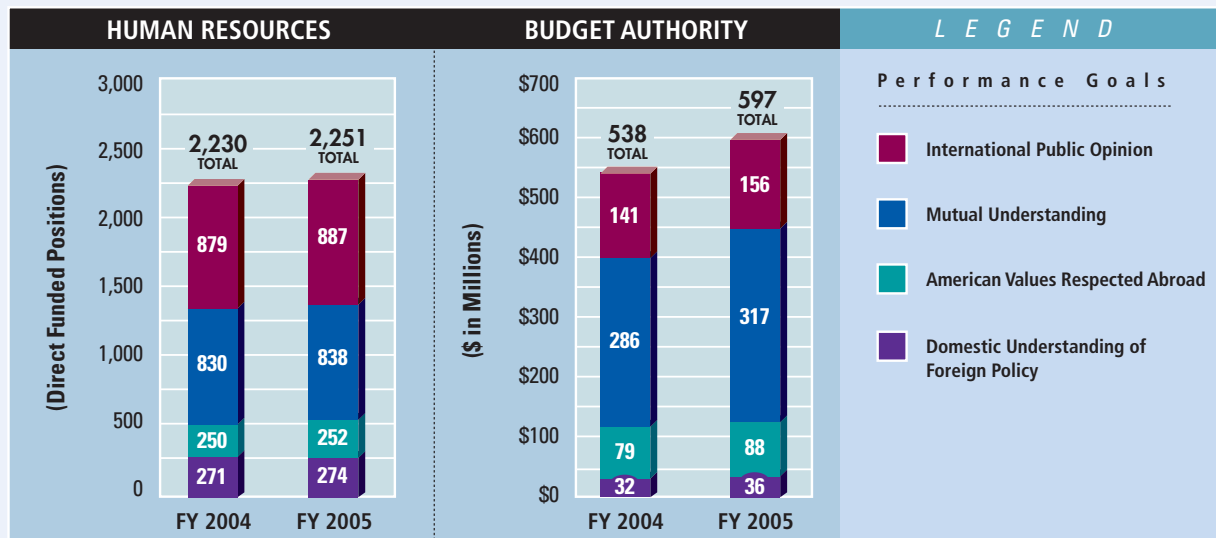
Under Secretary of State for Public Diplomacy and Public Affairs Karen Hughes chats with Turkish children as she gives them books during her visit to Istanbul, Turkey, September, 2005. AP/Wide World Photo

II. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Public Diplomacy and Public Affairs strategic goal.



III. Resources Invested



IV. Performance Analysis

PERFORMANCE TRENDS. The Department’s academic and professional exchange programs continue to increase in popularity worldwide. In particular, there was a significant increase in the number of exchange students from the Middle East in FY 2005. Furthermore, the Department continues to assess the impact of exchange programs; in addition to counting the number of participants, for example, the Department tracks the percentage of participants who gain a better understanding of the United States, those who remain in contact with host country colleagues over time, and the number of those who initiate change in their home countries after completing an exchange program. The two-year performance trend has been positive.

OUTCOME-LEVEL RESULTS. Due to the long term and complexity of results, it can be difficult to measure the impact of U.S. public diplomacy and public affairs programs, but many Department programs have achieved their desired result. For example, public opinion polls and surveys taken in Indonesia in the aftermath of the tsunami showed that for the first time ever in a major Muslim nation, more people favored U.S.-led efforts to fight terrorism than opposed them. The fact that more than 85% of exchange program participants remain in contact with their American hosts as long as 15 years or more after the completion of their program also indicates that the Department is having some success improving understanding and appreciation of U.S. values and policies.

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. There were no results rated significantly below target in the strategic goal of Public Diplomacy and Public Affairs, although the percentage of readers of *Hi Magazine* with an interest in learning more about U.S. society and values was less than expected in FY 2005 (76% versus a target of 90%). Results above target included:


- A 30% increase in International Information Programs listserv subscribers;
- 98.63% of exchange participants initiated positive change in their community within five years of their program experience; and
- 78.74% of program participants demonstrated an affinity for democratic values three or more years after their program experience.

RESOURCES INVESTED. The Department continued to increase its investment in public diplomacy and public affairs, targeting audiences in the Middle East in particular. For example, resources invested in academic, professional and cultural exchanges increased 12.4% from FY 2004 to FY 2005 (from \$316 million to \$356 million).


FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: PUBLIC DIPLOMACY INFLUENCES GLOBAL PUBLIC OPINION AND DECISION-MAKING CONSISTENT WITH U.S. NATIONAL INTERESTS

Degree of Independent Media in Afghanistan		On Target 
Target	1. Reporters without Borders notes no incidences of government harassment of journalists in annual report on media freedom. 2. Seventy-five percent of electronic media are privately controlled and no incidences of government harassment.	
Results	1. According to Reporters without Borders, the Afghan media continued to develop but independent journalists ran afoul of old enemies in 2003: warlords, conservative judges and the Taliban. The draft constitution guaranteed press freedom but provided for prison sentences for press offences. The blasphemy law continues to be the biggest menace for journalists. Two were sentenced to death for what they had written and had to flee the country. According to Reporters without Borders, the government also intervened to halt "Islamically incorrect" television broadcasts. 2. At least 75% of electronic media are privately controlled. The U.S. Government is supporting an emerging independent media, with 45 independent radio stations established and broadcasting programs to 52% of the Afghan population. 40,000 radios have been distributed to hard-to-reach populations including rural women. Our programs provided training to almost 2,000 media professionals. 4,500 women have graduated from a community literacy program.	
Impact	1. There is marked and continued progress in the emergence of an independent media. Radio is the most important medium in Afghanistan, with 79 percent of respondents listening "yesterday"; 54 percent watched television. 2. Newspapers and the Internet are not comparatively important information sources. In addition, Internet access in Afghanistan is scarce. Users can log on in Internet cafes in provincial capitals. Various NGOs and international organizations are opening public access points as well. However, computer literacy and ownership rates are miniscule, and internet infrastructure is in the first days of its development. Internet use by demographic group conforms to user profiles in most developing countries, with users tending to be younger and better-educated. However, unlike in most developing countries, women in Afghanistan are more likely to use the internet than are men.	

PERFORMANCE GOAL TWO: INTERNATIONAL EXCHANGES INCREASE MUTUAL UNDERSTANDING AND BUILD TRUST BETWEEN AMERICANS AND PEOPLE AND INSTITUTIONS AROUND THE WORLD

Number of Foreign Youth Participants in Regions With Significant Muslim and Arab Populations in Youth Exchange and Study Program (PART Program)		Above Target 
Target	30% increase in new participants in youth exchange programs from 2004. NEA: 245 EAP: 150 SA: 130 AF: 50 EUR: 25 Total: 600	
Results	660	
Impact	By providing opportunities for foreign youth to participate in exchange programs, doors are opening in new sectors of foreign societies and exposing them to U.S. values, culture and society.	

PERFORMANCE GOAL THREE: BASIC HUMAN VALUES EMBRACED BY AMERICANS ARE RESPECTED AND UNDERSTOOD BY GLOBAL PUBLICS AND INSTITUTIONS

Percentage of Participants Who Improve Their Understanding of U.S. Society and Values		Below Target ■
Target	90%	
Results	1. A survey of <i>Hi Magazine's</i> online readers shows increased interest in learning more about the United States (76%). 2. 736 speakers, 449 digital video conferences and 650,000 publications reached their intended target audiences with information about U.S. policy, society and values.	
Impact	By reaching out to the successor generation and opinion leaders, the Department will improve perceptions and acceptance of U.S. policy, society and values.	
Reason for Shortfall:	90% target was a worldwide goal under which regional variations were expected. Currently the Department only has data for an audience largely located in the Near East region, a region that presents major challenges for U.S. public diplomacy.	
Steps to Improve:	Data must be gathered from worldwide audiences to more accurately assess the performance of these programs.	

PERFORMANCE GOAL FOUR: AMERICAN UNDERSTANDING AND SUPPORT FOR U.S. FOREIGN POLICY, DEVELOPMENT PROGRAMS, THE DEPARTMENT OF STATE, AND THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Number of Interviews and Contacts With U.S. Media		On Target ■
Target	16,000 interviews/contacts per year with the media.	
Results	Daily and special press briefings; 15,200 inquiries from the press; and 1,151 print, radio and TV interviews.	
Impact	Daily press briefings and responses to journalists' policy questions give the press accurate, authoritative statements of U.S. policy. Transcripts of press briefings and the Secretary's remarks are available to an enormous number of readers via the Department's website. Press events with Department officials explain U.S. foreign policy to the broadest possible audience.	

Former Exchange Participants Form New Government in Kyrgyz Republic

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



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

STRATEGIC GOAL 12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

Ensure a high quality workforce supported by modern and secure infrastructure and operational capacities

I. Public Benefit

The 30,000 Foreign Service, Civil Service, and Foreign Service National employees posted in over 260 locations around the world are our most significant resource. The Department is committed to building, deploying, and sustaining a knowledgeable, diverse, and high-performing workforce. The Department also continues to maintain and develop skills in foreign languages, public diplomacy, leadership and management. To fulfill our mission effectively, the Department of State invests in systems that facilitate the collection, analysis, communication, and presentation of information to the public, businesses, other U.S. Government agencies, foreign governments, and our employees. In addition, the Department ensures security in the workplace through a broad scope of global activities, including the protection of the Secretary of State and other senior officials; foreign missions in the U.S.; American embassies/consulates overseas; and special events. The provision of secure, safe, and functional domestic and overseas facilities enables U.S. Government employees to

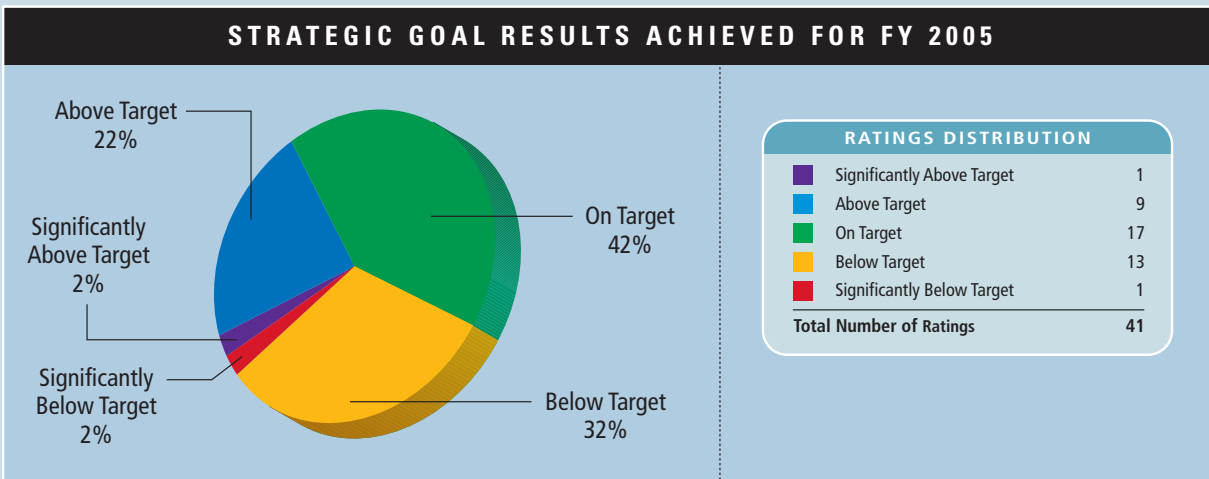


pursue the vital interests of the American public more effectively. Finally, integrated budgeting, planning and performance measurement, together with effective financial management and financial accountability, enhance the Department’s management practices and performance. Together, this investment in management and organizational excellence helps ensure that resources entrusted to the Department are well managed and judiciously used.

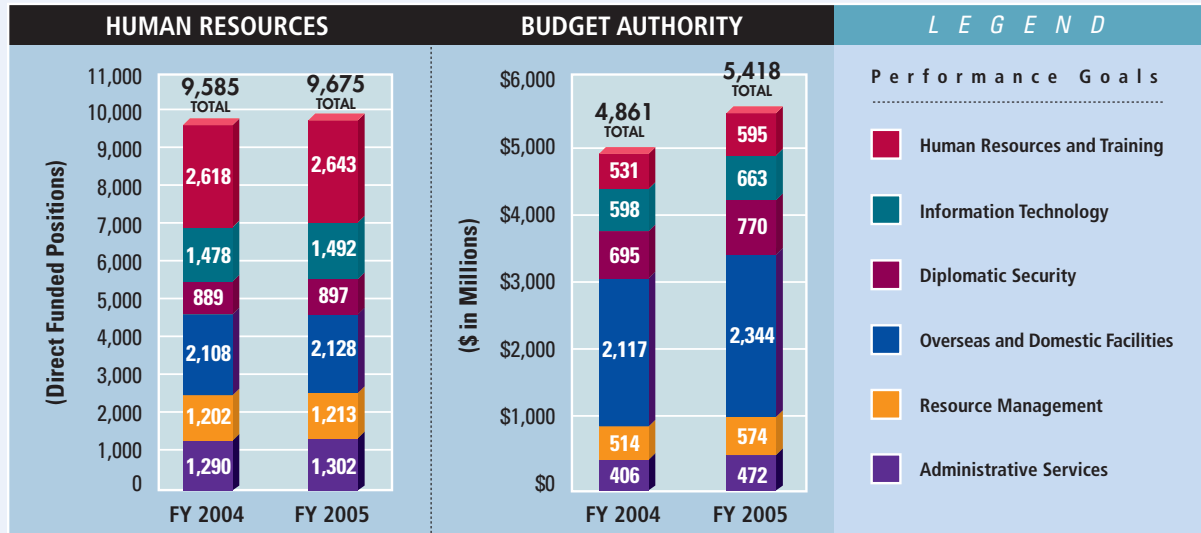
Under Secretary for Management Henrietta Fore gestures during an interview in Washington. AP/Wide World Photo

II. Performance Summary

The chart below shows the performance rating distribution of the FY 2005 results for the Management and Organizational Excellence strategic goal.



III. Resources Invested



IV. Performance Analysis

PERFORMANCE TRENDS. Among the key trends in the strategic goal area of Management and Organizational Excellence is a steady, four-year increase in leadership, language, and public diplomacy training. In FY 2005, the Foreign Service Institute and the Human Resources bureau placed greater emphasis on identifying and developing appropriate skill sets and both have become better at measuring the impact of training rather than the training event itself. The Department saw a slight decline in the number of individuals taking the Foreign Service Written Exam – particularly minority candidates – and a decline in the number of Americans employed by international organizations. Positive trends continued in overseas building operations, as administrative efficiency and embassy construction increased. There was also a notable increase in security awareness and effectiveness for networks, individuals, and facilities.

OUTCOME-LEVEL RESULTS. The Department achieved significant results in the following areas:

- People: increased skills and abilities
- Technology: continuous upgrades
- Security: increased awareness
- Facilities: efficient management, increased construction and renovation
- Management: enhanced budget and performance integration, increased competitive sourcing

RESULTS SIGNIFICANTLY ABOVE OR BELOW TARGET. The Department’s program to develop and deploy a new electronic worldwide messaging system was rated significantly below target and the Department continues to face challenges recruiting and placing talented minority candidates in the Foreign Service. Results significantly above target include a higher-than-expected increase in the number of applicants to Foreign Service specialist positions.

RESOURCES INVESTED. Investment in worldwide security upgrades increased by 1.5% in FY 2005, from approximately \$640 million to \$650 million, while funding for security construction increased 2.8%, from \$753 million to \$774 million. Funding for the IT Central Fund declined approximately 3.5%, from \$251 million in FY 2004 to \$242 million in FY 2005.

FY 2005 PERFORMANCE REPORT CARD

The indicators below are representative of the Department's priorities and overall performance for this Strategic Goal. The CD-ROM contains all indicators with detailed performance information.

PERFORMANCE GOAL ONE: A HIGH PERFORMING, WELL-TRAINED, AND DIVERSE WORKFORCE ALIGNED WITH MISSION REQUIREMENTS

Number of Applicants to Foreign Service Specialist Positions		Significantly Above Target ■
Target	4,200	
Results	5,966	
Impact	The increase indicates more interest in the Department of State as an employer of choice and, possibly, provides a greater pool of qualified applicants from which to hire.	

Foreign Language and Leadership Training

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

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




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


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

State Department Photo

PERFORMANCE GOAL TWO: MODERNIZED, SECURE, AND HIGH QUALITY INFORMATION TECHNOLOGY MANAGEMENT AND INFRASTRUCTURE THAT MEET CRITICAL BUSINESS REQUIREMENTS

System Authorization (Certification and Accreditation)		Below Target 
Target	Adopt a three-year recurring centrally-monitored process.	
Results	The Department reported 97% of General Support Systems (GSS) and Major Applications (MA) certified and authorized. OMB mandated a 100% requirement for the E-Government Scorecard in the President's Management Agenda by the Fourth Quarter FY 2005. The Department was lowered from Green to Yellow after not meeting this requirement. The Department is re-categorizing IT assets in conformance with Federal standards and anticipates this effort will verify our initial categorization of systems in 2003. This effort will assist the Department in determining and ultimately utilizing common security controls in conformance with Federal standards. Currently the Department is re-categorizing IT assets in conformance with national standards and anticipates this effort will verify our initial categorization of systems in 2003. This effort will assist the Department in determining and ultimately utilizing Common Security Controls.	
Impact	A robust certification and accreditation process ensures the confidentiality, integrity, and availability of the Department's information technology systems.	
Reason for Shortfall	The Department certified and authorized 97% of General Support Systems and Major Applications, falling short of the OMB mandated 100% mark.	
Steps to Improve	The Department will redouble efforts to identify, categorize, certify and authorize 100% of General Support and Major Applications as required by OMB.	


PERFORMANCE GOAL THREE: PERSONNEL ARE SAFE FROM PHYSICAL HARM AND NATIONAL SECURITY INFORMATION IS SAFE FROM COMPROMISE

Installation of Technical Security Upgrade Equipment		On Target 
Target	TSUs completed for 47% (i.e., 60/127 identified as requiring upgrades) of facilities that house foreign affairs personnel (i.e., facilities other than embassies or consulates).	
Results	Of the more than 260 U.S. facilities overseas, 180 are designated as highly vulnerable. Of these facilities, 48 have a Critical (highest level) Security Rating and 52 have a High (second highest level) Security Rating. More than 50 facilities have had security upgrades either finished, under construction, or have new construction contracts in place.	
Impact	Improving the technical security of 50 posts overseas has contributed directly to the increased safety and security of personnel at post and has indirectly contributed to the effectiveness of U.S. foreign policy.	


PERFORMANCE GOAL FOUR: SECURE, SAFE, AND FUNCTIONAL FACILITIES SERVING DOMESTIC AND OVERSEAS STAFF

Number of New Sites Acquired for Capital Security Construction Projects (PART Program)		Above Target 
Target	9.	
Results	Ten NEC sites have been acquired (closed) as of September 30, 2005.	
Impact	Sufficient NEC sites were acquired to maintain momentum of NEC construction	

PERFORMANCE GOAL FIVE: INTEGRATED BUDGETING, PLANNING, AND PERFORMANCE MANAGEMENT; EFFECTIVE FINANCIAL MANAGEMENT; AND DEMONSTRATED FINANCIAL ACCOUNTABILITY

Implementation of Central Financial Planning System (CFPS) Modules		Below Target 
Target	Complete development and deployment of the following modules: <ul style="list-style-type: none"> ● Financial Performance and Reporting System (Dashboard), Version 1 and 2 ● Bureau Resource Management System (BRMS), Version 2 	
Results	<ul style="list-style-type: none"> ● Versions 1 and 2 of the Financial Performance and Reporting System (Dashboard) were developed and initial deployment begun. ● Version 1 and Version 2 of BRMS were combined. This single version was near completion with some trial deployments completed. 	
Impact	CFPS primary objectives are to enable performance and budget integration, improve resource management, and facilitate interagency coordination of programs and resources. The Dashboard and BRMS modules are key components of this system. (Note: The CFPS is now called the Joint Performance and Planning System to reflect the increasing efforts of both State and USAID to develop the system.)	
Reason for Shortfall	<ul style="list-style-type: none"> ● The Dashboard module was behind its deployment schedule due to a procurement delay. ● BRMS was behind schedule due to the loss of key contractor personnel, reprioritization of resources, and changes in scope to better align the project with other State systems. 	
Steps to Improve	<ul style="list-style-type: none"> ● Moving forward from the initial delay, Dashboard was able to meet its costs, schedule, and performance requirements. Deployment of the application remains on schedule. ● The combining of modules and a longer development time have enabled refined requirements for BRMS. With the refined requirements, BRMS will better address the needs of its users. (Changes to the BRMS initial project baseline have been reflected in the business case for the project). 	

PERFORMANCE GOAL SIX: CUSTOMER-ORIENTED, INNOVATIVE DELIVERY OF ADMINISTRATIVE AND INFORMATION SERVICES, ACQUISITIONS, AND ASSISTANCE

Competitive Sourcing		On Target 
Target	Complete agreed-upon competitions; complete 85% of full A-76 cost comparisons within 18 months of official announcement; all commercial activities exempt from competition have OMB-approved justifications.	
Results	100% (four) of agreed upon streamlined competitions have been completed within OMB approved timeframe of 90 days. Three standard competitions were announced. 100% of commercial activities exempt from competition have OMB approved justifications.	
Impact	Competitive Sourcing provides the accountability needed to ensure that operational cost efficiencies and performance improvements are achieved.	

FINANCIAL SECTION

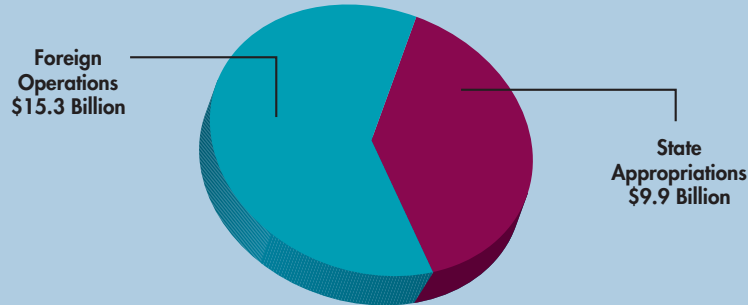


Transformational Diplomacy

T*his section contains an overview of the Department's financial operations, a summary of the FY 2005 Independent Auditor's Report, and other information pertaining to the Department's financial management. For more information on this section, please see the FY 2005 Performance and Accountability Report or contact the Office of Financial Policy, Reporting, and Analysis at (202) 261-8620.*

RESOURCE HIGHLIGHTS

FY 2005 Funding Total Allocated to Strategic Goals: \$25.2 Billion



FY 2005 State Appropriations: \$9.9 billion

Appropriations for the Department of State fund the key components of the Department’s operations and infrastructure, as well as U.S. engagement abroad through public diplomacy and international organizations.

FY 2005 Foreign Operations: \$15.3 billion

Foreign Operations programs promote U.S. foreign policy interests that advance the global fight against terrorism; provide economic, military, and democracy assistance to key foreign partners and allies; promote international peace and prosperity; curb the spread of weapons of mass destruction; interdict drugs; and provide health and humanitarian assistance. Some Foreign Operations resources are administered by the Department and others by other agencies. In addition, the Department provides foreign policy guidance to certain other agencies whose resources are part of international affairs resources (Function 150).

FISCAL YEAR 2005 (\$ IN THOUSANDS)		
STRATEGIC GOAL	STATE APPROPRIATIONS	FOREIGN OPERATIONS
Regional Stability	\$ 1,896,939	\$ 5,195,211
Counterterrorism	\$ 232,715	\$ 1,535,087
Homeland Security	\$ 259,473	\$ 2,231
Weapons of Mass Destruction	\$ 202,091	\$ 219,561
International Crime and Drugs	\$ 109,183	\$ 1,809,093
American Citizens	\$ 66,326	\$ —
Democracy & Human Rights	\$ 352,238	\$ 1,147,267
Economic Prosperity and Security	\$ 457,576	\$ 2,196,707
Social & Environmental Issues	\$ 333,435	\$ 1,972,596
Humanitarian Response	\$ 47,738	\$ 1,131,557
Public Diplomacy and Public Affairs	\$ 569,898	\$ 26,878
Management and Organizational Excellence	\$ 5,380,235	\$ 37,812
Strategic Goal Sub Total	\$ 9,907,849	\$ 15,274,000

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

FEDERAL MANAGERS’ FINANCIAL INTEGRITY ACT

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

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

Management Control Program

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

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

Status of Management Controls and Financial Management Systems

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

NUMBER OF MATERIAL WEAKNESSES BY FISCAL YEAR

Fiscal Year	Number at Beginning of Fiscal Year	Number Corrected	Number Added	Number Remaining at End of Fiscal Year
2001	3	0	0	3
2002	3	3	0	0
2003	0	0	0	0
2004	0	0	0	0
2005	0	0	0	0

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

Future Plans

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

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

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

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

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

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

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The Department's Federal Information Security Management Act (FISMA) and Privacy Management Report for FY2005 shows considerable improvement over previous reports. The Department remains acutely aware of the value and sensitivity of its information and information systems and is dedicated to the vigilance required to ensure their adequate protection. A wide range of measures is used to assess the Department's performance in information security. The 2005 FISMA report presents major accomplishments, as well as the specific metrics upon which performance is assessed. There is commitment at all levels to continually maintain and enhance the Department of State information security posture.

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

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

GOVERNMENT MANAGEMENT REFORM ACT - AUDITED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS

Reportable Condition	Corrective Actions	Target Correction Date	Strategic Goal
<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>Strengthening the management of unliquidated obligations (UDOs) is an important financial management initiative, and the Independent Auditor's Report notes that there have been improvements in this area. In 2004, new capabilities were installed in the Department's Central Financial Management System that allow for the automatic deobligation of UDOs based on a wide range of criteria (e.g., age, object class, dollar amount). In 2005, the UDO database was analyzed by a variety of criteria to identify potentially invalid items. In some instances, meetings were held with bureaus to assist with identifying questionable obligations, understand unique bureau issues for their aged obligations, raise their awareness of their older obligations, and stress the requirement for the bureau to review and deobligate invalid UDOs. Based on these reviews, the new capabilities were used to deobligate 37,000 UDOs for over \$220 million.</p> <p>As part of the President's Management Agenda Initiative for Improved Financial Performance, the Department prepares quarterly reports for OMB and senior management. The March 2005 report, and all subsequent reports, includes a chart that identifies by bureau the percentage of UDOs with no activity for the past 12 months. This analysis is used to focus improvement efforts on those bureaus with the higher percentages of no activity.</p> <p>Overall, the Independent Auditor's FY 2005 tests identified over \$340 million that should have been deobligated. However, this amount is \$184 million (35%) lower than the \$524 million reported for FY 2004, and takes on added significance when considering the \$1 billion increase in UDO balances in FY 2005. The Department will continue to develop reports and processes to improve the management of UDOs.</p>	<p>2006</p>	<p>Management and Organizational Excellence</p>
<p>Compliance with Managerial Cost Accounting Standards</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>To address MCAS requirements, the Department developed an automated Statement of Net Cost that enables reporting of cost information by strategic objects and goals, along with responsibility center. It also allows for the allocation of support costs. In FY 2005, the Department established a project team, which includes consultants with experience implementing Cost Accounting Systems. A project plan (Plan) has been developed that includes developing survey instruments to identify outputs and assess each bureaus' need for managerial cost information, preparing a detailed Concept Paper and implementing managerial cost data for pilot bureau(s) by the end of FY 2006. Implementation will be expanded during FY 2007. The Plan includes reviewing the current Statement of Net Cost to improve the gathering and reporting of cost data by strategic goal and responsibility center, including the allocation of indirect or support costs.</p>	<p>2007</p>	<p>Management and Organizational Excellence</p>

(continued)

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS

Nonconformance with Laws and Regulations	Corrective Actions	Target Correction Date	Strategic Goal
<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. The Department has reduced the number of financial systems from six to two; decreased the number of post-level financial systems from nine to two; and re-centralized disbursing offices from 22 to two. In FY 2003, the Department's Management Control Steering Committee voted to close the material nonconformance for financial and accounting systems. In 2004, the two existing overseas accounting databases were merged into one database residing at the Charleston Financial Service Center — all overseas accounting transactions for both the Department of State and our serviced agencies are now recorded in a single database, and many operational/system activities (e.g., software upgrades, annual close outs) are performed only in one place.</p> <p>In 2005, the overseas Regional Financial Management System was upgraded to the most current version of commercial off-the-shelf (COTS) software used by this system. The Department also expanded the number of on-line overseas users, added and/or enhanced a number of interfaces, and deployed improved reporting capabilities.</p>	<p>2007</p>	<p>Management and Organizational Excellence</p>

IMPROPER PAYMENTS INFORMATION ACT

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

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

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

Summary IPIA accomplishments

In FY 2004, the Department focused on reviewing programs with a high risk of being susceptible to significant improper payments. Federal Financial Assistance and Vendor Pay were the two categories of payments considered to be susceptible to significant

improper payments. The results of the three program reviews completed in FY 2004 are reflected in the table on the following pages. Only the U.S. Speaker and Specialist program actual error rate was high at 81.18%, although the estimated amount of improper payments was low. This high actual error rate reflects misuse of invitational travel rather than grants for participant transportation. With implementation of a revised "Grants Policy Directive" on October 1, 2005, the error rate is expected to be lower in FY 2006.

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

Future plans

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

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

(continued)

SUMMARY STATUS OF IMPROPER PAYMENTS REVIEWS (continued)

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

FINANCIAL HIGHLIGHTS

The Department's financial statements, which appear in the Financial Section of the *FY 2005 Performance and Accountability Report (PAR)*, are audited by an independent accounting firm. 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 the *FY 2005 PAR* have been prepared from the accounting records of the Department of State in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

AUDIT RESULTS

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

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

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

OVERVIEW OF FINANCIAL POSITION

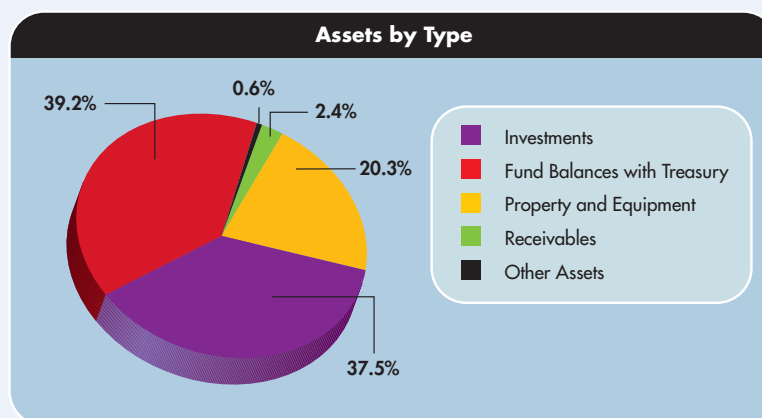
Assets. The Consolidated Balance Sheet shows the Department had total assets of \$35.7 billion at the end of 2005. This represents an increase of \$3.8 billion (11.9%) over the previous year's total assets of \$31.9 billion. The increase is primarily the result of increases of \$2.1 billion in Fund Balances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

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

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

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

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

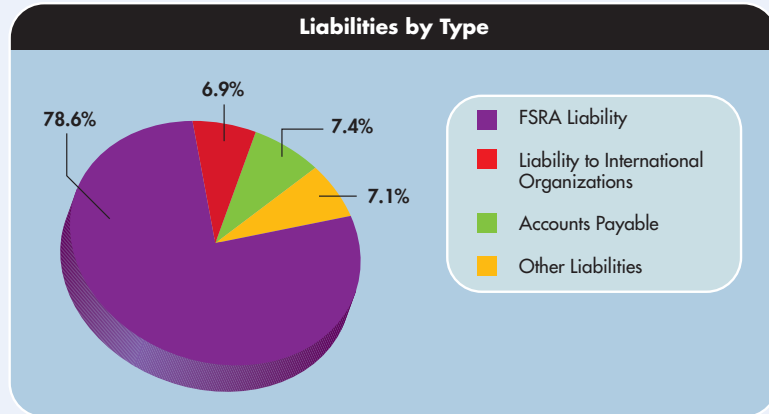


Liabilities. The Department had total liabilities of \$17.1 billion at the end of 2005, which is reported on the Consolidated Balance Sheet and summarized in the following table (dollars in thousands):

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

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

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



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

As of September 30, 2005, a total of \$926 million had been appropriated by Congress for payment of U.S. arrears. 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 arrears was made in FY 2000; a payment of \$475 million and a credit of \$107 million were made in FY 2002; and payments totaling \$242 million were made in FY 2003.

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

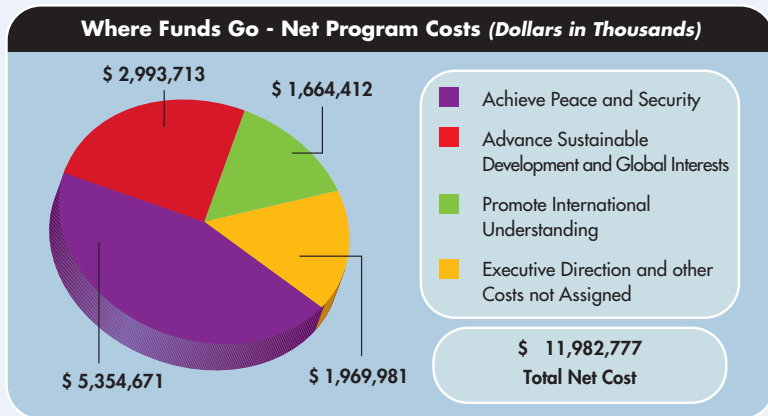
The growth in Unexpended Appropriations is due principally to the continued increase in budget authority received to provide funding for Iraq, embassy security, international narcotics control, and the Global HIV/AIDS initiative. The increase in Cumulative Results of Operations resulted mainly from the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

RESULTS OF OPERATIONS

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

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

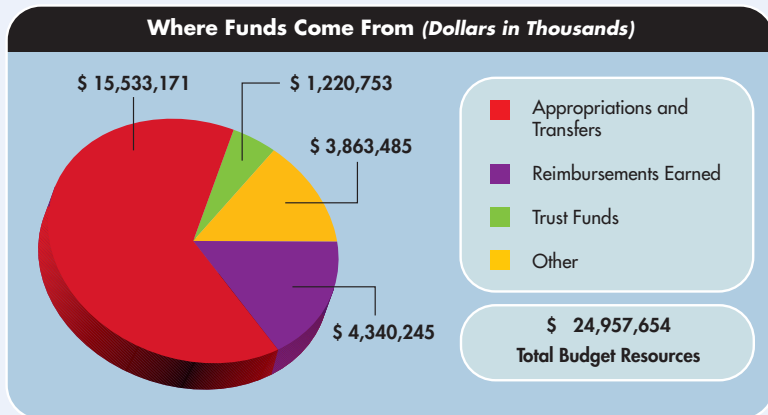
been summarized and reported at the Under Secretary level (e.g., Under Secretary for Political Affairs). Information on the Bureaus (or equivalent) that report to each Under Secretary can be found on the Organization Chart for the Department provided earlier in this Report. The presentation of program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



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

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

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



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

BUDGETARY POSITION

The FY 2005 budget for the Department of State totaled \$10.134 billion. It included appropriations for the Administration of Foreign Affairs (\$7.691 billion), contributions to international organizations and peacekeeping activities (\$2.280 billion), international commissions (\$63 million), and related programs (\$99 million).

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

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

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

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

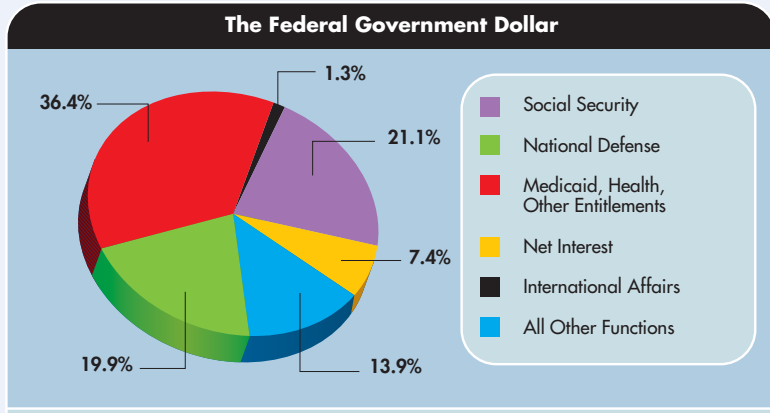
The Department's appropriations for information technology initiatives totaled \$128 million – \$51 million in the Capital Investment Fund (CIF) and \$77 million in the Centralized Information Technology Modernization Program. FY 2005 investments helped modernize the Department's global IT infrastructure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

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

The Educational and Cultural Exchange Programs appropriation was funded at \$356 million. These strategic activities engaged foreign audiences to develop mutual understanding and build foundations for international cooperation. Aligned with public diplomacy

efforts, they reached out to wider and younger audiences, especially in the Muslim world. This funding provided \$204 million for academic exchanges with foreign participants and U.S. citizens, notably through the Fulbright program. Funding also provided \$121 million for professional and cultural exchanges, including the International Visitor Leadership Program and Citizen Exchanges.

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



Source: Mid-Session Review, Budget of the United States Government, Fiscal Year 2006.

Public Estimates on Foreign Policy Issues		
Topic	U.S. Perception	Reality
Percentage of U.S. Budget going to foreign aid	20 percent	Less than 1 percent

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LIMITATION OF FINANCIAL STATEMENTS

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

FINANCIAL AND PERSONNEL HIGHLIGHTS

(Dollars in Thousands)	% Change 2005 over 2004	2005	2004	2003
At End of Year:				
Condensed Balance Sheet Data:				
Investments, Net	+4%	\$ 13,389,090	\$ 12,846,060	\$ 12,301,173
Fund Balances With Treasury	+18%	14,023,542	11,926,434	9,953,197
Property and Equipment, Net	+15%	7,244,965	6,323,916	5,996,493
Other	+30%	1,079,749	833,465	643,783
Total Assets	+12%	\$ 35,737,346	\$ 31,929,875	\$ 28,894,646
Foreign Service Retirement Actuarial ¹	+1%	\$ 13,429,300	\$ 13,317,900	\$ 13,093,800
Liability to International Organizations	+31%	1,178,130	897,381	919,428
Other	+15%	2,472,568	2,142,779	1,767,908
Total Liabilities	+4%	17,079,998	16,358,060	15,781,136
Unexpended Appropriations	+23%	11,430,639	9,279,214	7,608,996
Cumulative Results of Operations	+13%	7,226,709	6,292,601	5,504,514
Total Net Position	+25%	18,657,348	15,571,815	13,113,510
Total Liabilities and Net Position	+12%	\$ 35,737,346	\$ 31,929,875	\$ 28,894,646
Full-time Personnel:				
Civil Service	+3%	8,092	7,831	7,731
Foreign Service	+2%	11,238	10,988	10,579
Foreign Service National	+6%	8,964	8,419	9,897
Total Full-time Personnel	+4%	28,294	27,238	28,207
Foreign Service Annuitants¹	+2%	14,842	14,668	14,581
For the Year:				
Total Cost	+17%	\$ 16,114,593	\$ 13,761,645	\$ 12,222,640
Total Earned Revenue	+32%	(4,131,816)	(3,121,078)	(3,163,023)
Total Net Cost of Operations	+13%	\$ 11,982,777	\$ 10,640,567	\$ 9,059,617
On-Time Payments (%)	+2%	+96%	+94%	+92%
Electronic Funds Transfer Payments (%)	+5%	+85%	+80%	+79%

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 offer our sincerest thanks and acknowledgment.

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We gratefully acknowledge permission to publish the following maps:

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- Growth in GDP and GNI Per Capita, World Bank.
- Adults and Children Estimated to be Living with AIDS, The Joint United Nations Programme on HIV/AIDS.
- Documented Avian Influenza Infections in Humans, European Union Centre for Disease Prevention and Control.
- USG Humanitarian Assistance: Indian Ocean Earthquake and Tsunamis, U.S. Agency for International Development.

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