



**UNITED STATES
DEPARTMENT OF STATE**

**PERFORMANCE AND ACCOUNTABILITY REPORT
FISCAL YEAR 2006**



Transforming the World through Diplomacy and Development



The U.S. Department of State offers *The Performance and Accountability Report for Fiscal Year 2006* in four products:

- *The Performance and Accountability Report (PAR)*: the full report of the Department's annual performance results and financial statements, available on the internet and the PAR CD;
- *The PAR Highlights*: a summary version of the PAR, available on the internet and printed for worldwide distribution;
- *The PAR Brochure*: an eight-page, high-level overview of the PAR, printed for worldwide distribution;
- *The PAR CD*: an interactive CD featuring the full PAR, Department publications and relevant reports, maps, a photo gallery and more.

For copies or to comment on the PAR, please visit www.state.gov or contact the U.S. Department of State's Bureau of Resource Management at PAR@state.gov or 202-647-0300. The mailing address is: 2201 C Street NW Room 3800, Washington, D.C. 20520.



UNITED STATES DEPARTMENT OF STATE

OUR MISSION

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

OUR VALUES

L O Y A L T Y

Commitment to the United States and the American people.

C H A R A C T E R

Maintenance of high ethical standards and integrity.

S E R V I C E

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

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

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

C O M M U N I T Y

Dedication to teamwork, professionalism, and the customer perspective.

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MESSAGE FROM THE SECRETARY

I am pleased to present the U.S. Department of State's Performance and Accountability Report (PAR) for Fiscal Year 2006. American taxpayers are right to expect maximum performance and maximum return on every dollar spent to support U.S. foreign policy and development programs. The PAR provides the financial and performance information Americans deserve as investors in U.S. diplomacy and overseas development.



The Department of State's mission is to create a more secure, democratic, and prosperous world for the benefit of the American people and the international community. President Bush and I have called on America's diplomats to pursue this mission with a bold approach, one that answers the President's charge to support the growth of democratic movements and institutions in every nation and culture with the ultimate goal of ending tyranny in the world. Early on in my tenure as Secretary of State, I called this approach "transformational diplomacy." I am proud to share through this report the innovative, skillful and courageous ways the men and women of the Department of State are bringing this practice to life.

Transformational diplomacy is about working with our partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system. It is about using America's diplomatic power and resources to help people across the globe better their own futures, build their own nations, and thrive under an umbrella of security and peace.

As detailed in this report, the Department's work in FY 2006 involved increasingly difficult and dangerous missions, rebuilding operations in Iraq and Afghanistan, expanded reconstruction and stabilization roles, and managing a global presence of more than 260 embassies, consulates and other posts worldwide. We remain engaged in a long conflict against terrorists and violent extremists, but our diplomatic actions over the past year played a vital role in protecting the nation and our allies against this threat. We strengthened relationships with traditional allies and built new partnerships to combat threats to our common security, including the spread of weapons of mass destruction. Most importantly, we continued to work directly with citizens around the world who wish to build free societies based on democratic principles and hope.

The successes we achieved in FY 2006 are strides toward a future of expanded freedom, greater security, sustainable development, and increased diplomatic strength. To realize the President's vision of freedom across the world, the Department is transforming itself and its practices through a series of transformational diplomacy initiatives. For example, we are forward-deploying our people to the cities, countries, and regions where they are needed most. Through the first two phases of Global Diplomatic Repositioning, we have successfully redirected 200 positions to work directly on transformational priorities in strategic countries like China, India,

Nigeria, and Indonesia to name a few. We are giving our diplomats more comprehensive training, including in critical language skills, to engage more effectively with local populations and better communicate America's message overseas.

With the creation of the Office of the Director of U.S. Foreign Assistance, we have fundamentally reorganized the way we plan, budget and manage foreign assistance to increase transparency, accountability, integration, and focus. Our new process establishes clear strategic direction and priorities for foreign assistance. This reform will transform our capability to use foreign assistance more efficiently and more effectively to further our foreign policy goals, bolster our national security, reduce poverty, and improve people's lives around the world. Our effort to improve how foreign assistance dollars are managed and spent reflects the Department's long-standing commitment to being effective and accountable stewards of taxpayer dollars. The high-quality performance data we share with the public and Congress through the PAR, are made possible by a dedicated team of officers working domestically and overseas to support the Department's financial operations, policy and program implementation, and performance and accountability reporting.

My leadership team and I, including Chiefs of Mission overseas, value performance planning as a key component of transformational diplomacy. Performance plans help us maximize the return on resources entrusted to us and show Americans how investing in transformational diplomacy pays dividends, at home and abroad. As our foundation, the Department and the U.S. Agency for International Development (USAID) operate under a joint Strategic Plan that captures and articulates U.S. foreign policy objectives shared by both agencies. Close collaboration between State and USAID on setting a long-term strategic vision ensures that foreign policy priorities and assistance programs are fully aligned. By doing so, the Strategic Plan promotes an organizational culture within the Department of State and USAID that values effectiveness and accountability.

The Department of State and USAID work together to meet the global diplomatic and development challenges of the twenty-first century. In this spirit, this report provides a complete and reliable account of the Department's FY 2006 performance results and financial statements, as well as for the first time ever, performance information on select initiatives and programs managed by USAID. In this critical moment in history, the men and women of the Department and USAID are engaged in an extraordinary partnership to transform our world for the better through diplomacy and development. Americans have every reason to be proud, as I am, of their service to secure a future of freedom for all people.



Condoleezza Rice

Secretary of State

November 15, 2006

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Performance and Accountability Report for Fiscal Year 2006 (Report) provides meaningful stewardship, program and financial information about the Department of State. Publication of the Report is an integral part of our efforts to improve our accountability to our customers, constituents, and the public. It is our opportunity to review in a comprehensive manner, the many challenges we face today around the globe and what the Department is doing to address them. As you read the Report, you will learn of the exceptional accomplishments of the Department's highly dedicated staff as they seek to meet to the Department's mission to "create a more secure, democratic and prosperous world for the benefit of the American people and the international community".



For the past six years, the President has challenged us to meet rigorous performance standards through the President's Management Agenda (PMA). The Department of State is committed to achieving the goals of the PMA, as evidenced by "green" status scores on the scorecard for all five USG-wide Presidential initiatives at the end of FY 2006. This is a significant accomplishment considering the challenging nature of conducting business in our global, foreign affairs environment. In addition, the Department has demonstrated innovation and leadership in performance management by streamlining performance systems, sharing lessons learned, and working together with other foreign affairs agencies to manage for results.

Very few agencies or corporations have the level of complexity and variety of challenges that the men and women of the Department face daily. The Department operates in over 260 locations in 188 countries, frequently in hostile environments, while conducting business in 150 currencies and an even larger number of languages. Thousands of financial professionals around the globe plan, budget, allocate, obligate, disburse, and account for billions of dollars in annual resources. Despite our worldwide geographic dispersion, the Department operates as one team distinguished by its dedication to strong ethics and corporate governance.

Our strong commitment to corporate governance is evidenced by the priority we place on improving our internal controls. To that end, we made considerable progress in 2006, working closely with the Independent Auditor to address the material weaknesses in accounting for personal property and information systems security reported in their FY 2005 *Independent Auditor's Report*. As a result, the Independent Auditor downgraded these items to a reportable condition, and reported no material weaknesses in internal controls in their FY 2006 *Independent Auditor's Report*. In addition, the Department committed to, and fully implemented, the requirements of Appendix A, Internal Control over Financial Reporting, of OMB Circular A-123. During the implementation of Appendix A, we identified a material weakness related to accounting for real property, and took actions to resolve the deficiencies by September 30, 2006.

Unfortunately, due to the complexity of the matters involved in addressing the real property deficiencies, the accelerated financial reporting requirements, and our commitment and focus to successfully resolve the material weaknesses noted above, we were unable to provide timely financial statements or documentation on the appropriateness of the associated restatement to satisfy the Independent Auditor with regard to the presentation of real property in time to meet the November 15, 2006 deadline required by OMB. As a result and as more fully explained in the *Independent Auditor's Report*, the Independent Auditor issued a disclaimer of opinion on our FY 2006 and restated FY 2005 financial statements. Since then, with the cooperation of the Independent Auditor and OIG, our efforts continued, and the Department satisfied the Independent Auditor about the amounts presented and have therefore received an unqualified ("clean") opinion thereon, dated December 12, 2006.

The scale and complexity of the Department's missions that demand effective financial management and control have grown exponentially since 9/11, making the need for more effective financial management even more pronounced. Operating in this environment of expanding mission requirements and significant Federal budget deficits, the pressure to operate more efficiently and reduce costs has never been greater. The hallmark of top financial operations is their ability to not only provide accurate and timely financial data but also to use that data and expertise to provide high-value financial advice to the key decision-makers. The Bureau of Resource Management has built the foundation of solid budgeting and reporting; our mission going forward will be to combine this strong financial information base with a high level of financial advisory expertise as a strategic partner to the Secretary and the Bureaus, to ensure that the Department obtains maximum results from its funding. Congress and the American people should expect nothing less.

A handwritten signature in black ink, appearing to read "Bradford R. Higgins".

Bradford R. Higgins
Assistant Secretary for Resource Management and Chief Financial Officer
December 19, 2006



ABOUT THIS REPORT

The U.S. Department of State's *Performance and Accountability Report for Fiscal Year 2006* (PAR) provides program results and financial information to help Congress, the President, and the public assess the Department's performance relative to its mission and stewardship of financial resources. The PAR also provides readers a sense of the U.S. Government's highest priorities in the conduct of U.S. foreign policy, and the Department's strengths and challenges in implementing programs that pursue the President's foreign policy agenda.

As part of the Department's annual planning cycle, the Department sets specific, outcome-oriented, measurable criteria for self-evaluating its performance under a strategic framework established in the Department's Joint Strategic Plan with USAID. The FY 2006 PAR reports on the Department's successes, performance shortfalls and management challenges as measured against the FY 2006 Performance Plan, which the Department developed jointly with the U.S. Agency for International Development (USAID.) The PAR also provides the Department's FY 2006 financial statements and other information pertaining to the Department's financial management.



The PAR satisfies reporting requirements under the following legislation:

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

The Joint Performance Section

The PAR's Performance Section, developed jointly with USAID, is organized to provide easily accessible, results-oriented performance information on select measures published in the Department and USAID's FY 2006 Joint Performance Plan. Performance measures reported in the PAR are owned and managed separately by the Department of State and USAID. Information on resources invested to achieve the joint strategic goals of the Department of State and USAID was derived from the FY 2007 International Affairs Budget Request (www.state.gov/s/d/rm/rls/iab/2007/html/60199.htm) and the FY 2006 Department of State and Foreign Operations appropriations acts (<http://thomas.loc.gov/home/approp/app06.html>). See the Introduction to the Joint Performance Section for more details.

DEPARTMENT OF STATE HISTORY

WHY IS IT CALLED THE DEPARTMENT OF STATE?

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

These included:

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

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

WHO WAS THE FIRST U.S. DIPLOMAT?

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

WHEN WAS THE FIRST U.S. TREATY SIGNED?

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

WHAT IS THE OLDEST DIPLOMATIC PROPERTY OWNED BY THE UNITED STATES?

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

Management's Discussion and Analysis



T*his section provides: a summary of FY 2006 performance results for Department of State and USAID performance measures; a brief analysis of the Department's financial performance, systems, controls, and legal compliance; and information on the Department's progress in implementing the President's Management Agenda. The MD&A also addresses the management challenges identified by the Inspector General. The MD&A is supported by detailed information contained in the joint Performance Section, Financial Section, and Appendices.*

MISSION AND ORGANIZATION

MISSION

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

OUR ORGANIZATION

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



State Department/Ann Thomas

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

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

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

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

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

OUR PEOPLE

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

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

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

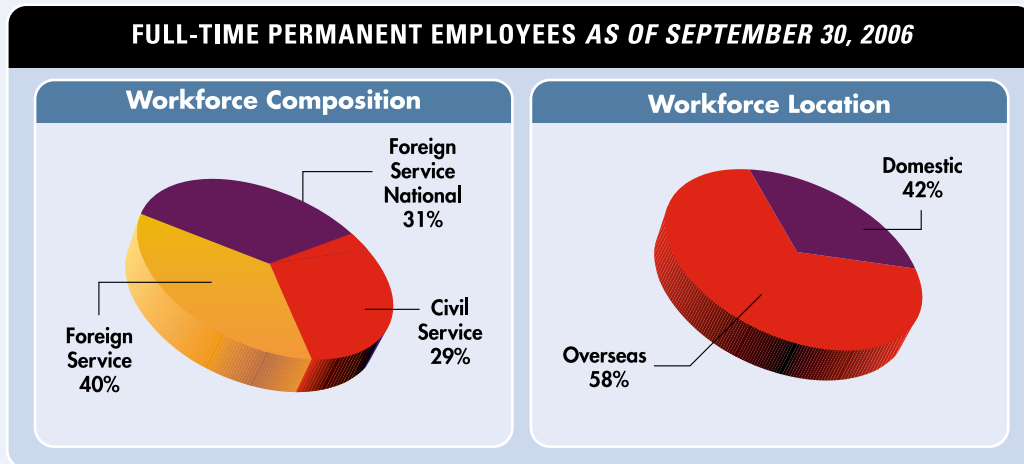
Foreign Service National (host country) employees contribute to advancing the work of the Department overseas. These essential employees contribute local expertise and provide continuity as they work with their American colleagues to perform vital services for U.S. citizens and ensure the effective operation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



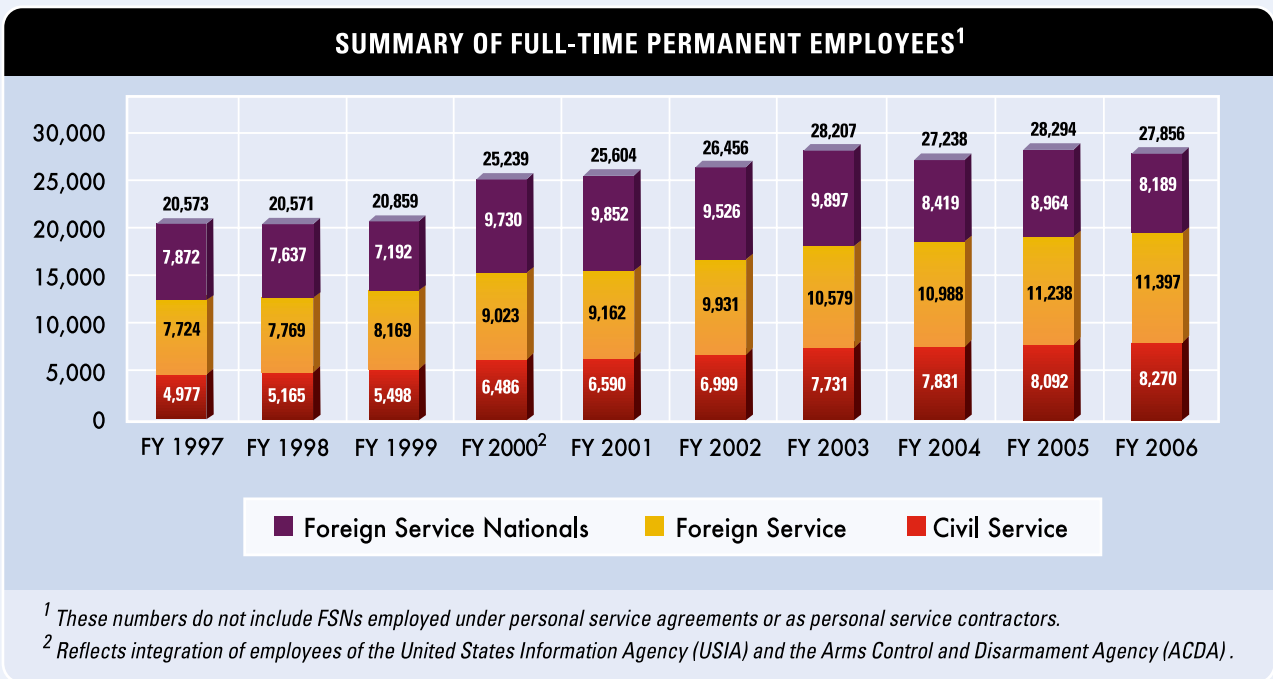
Secretary Rice announces a new direction for U.S. Foreign Assistance, January 2006 State Department photo

EMPLOYEE COMPOSITION AND NUMBERS

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



Since FY 1997, the total number of employees at the Department has increased by 39%, with the greatest increase shown in the Department's Civil Service staff (66%). The Foreign Service staff has increased by 48% over the past decade and the Foreign Service National staff has grown by 4%. This expansion reflects the Department's increased emphasis on security, public diplomacy, counterterrorism, and management reforms.



DIRECTORY OF KEY OFFICIALS AND SENIOR MANAGEMENT

Condoleezza Rice – Secretary of State

Vacant – Deputy Secretary of State

Randall Tobias – Director of U.S. Foreign Assistance and USAID Administrator

John Bolton – United States Permanent Representative to the United Nations

Arms Control and International Security Affairs

Robert Joseph – *Under Secretary*

- Bureau of International Security and Nonproliferation – *John Rood*
- Bureau of Political-Military Affairs – *John Hillen*
- Bureau of Verification, Compliance, and Implementation – *Paula DeSutter*

Economic, Energy and Agricultural Affairs

Josette Sheeran – *Under Secretary*

- Bureau of Economic, Energy and Business Affairs – *Daniel Sullivan*

Democracy and Global Affairs

Paula J. Dobriansky – *Under Secretary*

- Bureau of Democracy, Human Rights and Labor – *Barry Lowenkron*
- Bureau of Oceans and International Environmental and Scientific Affairs – *Claudia McMurray*
- Bureau of Population, Refugees, and Migration – *Ellen Sauerbrey*

Management

Henrietta H. Fore – *Under Secretary*

- Director General of the Foreign Service and Director of Human Resources – *George Staples*
- Bureau of Administration – *Rajkumar Chellaraj*
- Bureau of Consular Affairs – *Maura Harty*
- Bureau of Diplomatic Security – *Richard Griffin*
- Overseas Buildings Operations – *Charles Williams*
- Foreign Service Institute – *Ruth Whiteside*
- Bureau of Information Resource Management and Chief Information Officer – *James VanDerhoff*
- Bureau of Medical Services – *Laurence Brown, MD*

Political Affairs

R. Nicholas Burns – *Under Secretary*

- Bureau of African Affairs – *Jendayi Frazer*
- Bureau of East Asian and Pacific Affairs – *Christopher R. Hill*
- Bureau of European and Eurasian Affairs – *Daniel Fried*
- Bureau of International Organizational Affairs – *Kristen Silverberg*
- Bureau of Near Eastern Affairs – *C. David Welch*
- Bureau of South and Central Asian Affairs – *Richard Boucher*
- Bureau of Western Hemisphere Affairs – *Thomas Shannon, Jr.*

Public Diplomacy and Public Affairs

Karen P. Hughes – *Under Secretary*

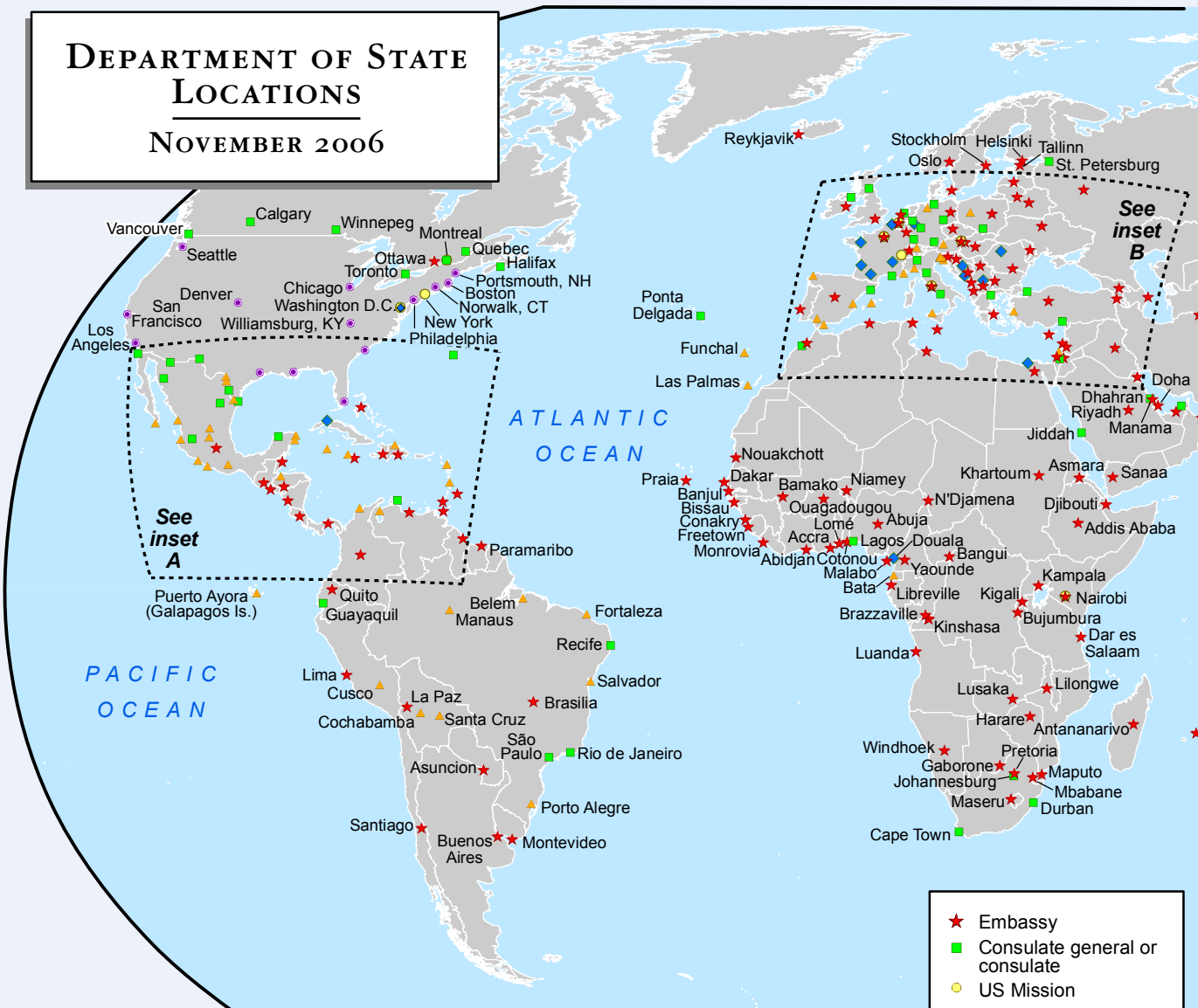
- Bureau of Public Affairs – *Sean McCormack*
- Bureau of Educational and Cultural Affairs – *Dina Habib Powell*
- Bureau of International Information Programs – *Jeremy Curtin, Acting Coordinator*

Other Senior Officials

- Chief of Staff to the Secretary of State – *Brian Gunderson*
- Executive Secretary – *Harry Thomas, Jr.*
- Counselor of the Department – *Philip Zelikow*
- Director, Policy Planning Staff – *Stephen Krasner*
- Assistant Secretary for Resource Management and Chief Financial Officer – *Bradford Higgins*
- Legal Adviser – *John Bellinger III*
- Inspector General – *Howard Krongard*
- Director, Office of Civil Rights – *Barry Wells*
- Assistant Secretary, Legislative Affairs – *Jeffrey Bergner*
- Assistant Secretary, Intelligence and Research – *Randall Fort*
- Chief of Protocol – *Donald Ensenat*
- Counterterrorism Coordinator – *Henry Crumpton*
- Director, Office to Monitor and Combat Trafficking in Persons – *John Miller*
- Global AIDS Coordinator – *Mark Dybul*
- Reconstruction and Stabilization Coordinator – *John Herbst*

**DEPARTMENT OF STATE
LOCATIONS**

NOVEMBER 2006



See
inset
A

See
inset
B

- ★ Embassy
- Consulate general or consulate
- US Mission
- ◆ Other post or location
- ▲ Consular agency
- US passport or visa center

Map does not show Diplomatic Security field offices in US cities.

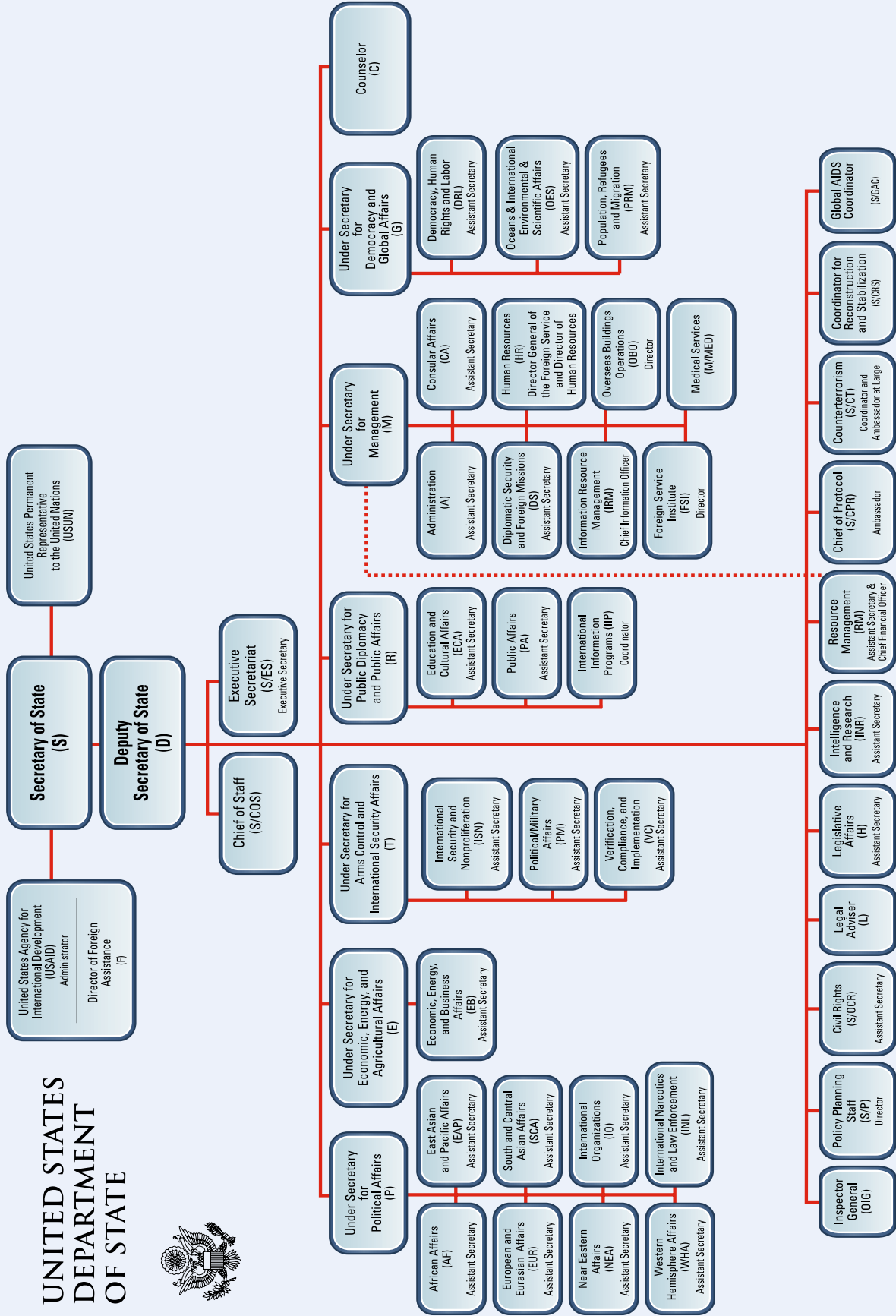
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UNITED STATES DEPARTMENT OF STATE



May 2006

* as approved by M May 2006

PERFORMANCE SUMMARY AND HIGHLIGHTS

FY 2006 KEY FOREIGN POLICY ACHIEVEMENTS

In FY 2006, the Department of State made significant strides toward a more secure, democratic, and prosperous world for the benefit of the American people and the international community. Through the Secretary's vision of transformational diplomacy, these achievements contribute to the President's National Security Strategy objectives by furthering democracy, advancing economic prosperity, and promoting religious and human rights around the world – especially in states transitioning toward democracy.

In the Middle East and North Africa, U.S. foreign policies and programs bolstered momentum for democratic change in the region. In Iraq, the United States made progress on the three tracks -- political, security, and economic. The three tracks are fundamental to our efforts to help Iraqis build a democratic, stable and prosperous country that is a partner in the war against terrorism.

The United States, along with the United Nations, the European Union and the Russian Federation (the Quartet), reaffirmed a shared commitment to the "Road Map" as the means to realize the goal of two democratic States – Israel and Palestine – living side by side in peace and security. The U.S. and our allies continued to stress the need for a credible political process in order to make progress toward a two-State solution. Our goals remain to support a peaceful negotiated solution to the Israeli-Palestinian conflict; support the humanitarian needs of the Palestinian people and encourage popular support for moderate, democratic, pro-peace Palestinian leadership; and encourage broad regional support for peace with Israel.



AP/Wide World

Through the Middle East Partnership Initiative and other bilateral assistance programs, the United States supported people in the broader Middle East who are seeking greater freedom and opportunity to build a more peaceful and prosperous region. The U.S. Government spoke out against abuses of human rights by undemocratic governments in the region, publicly supporting democratic reformers in repressive nations, and using foreign assistance to support the development of free and fair elections, rule of law, civil society, human rights, free media, and religious freedom.

In South Asia, NATO assumed operational command of Allied forces assisting the government in Afghanistan. The seven newest members of NATO committed to the shared values of freedom and democracy that are the foundation of the alliance and have already contributed to NATO operations in Afghanistan. In addition, the U.S. and India made great progress in advancing a historic partnership to meet the global challenges of the 21st century. The U.S.-India strategic partnership was enhanced by India's efforts to strengthen export controls and prevent the onward proliferation of sensitive materials and technologies.

The United States faced challenges posed by North Korea and Iran's pursuit of nuclear weapons capability and North Korea's nuclear weapons test. Working with the United Nations, the U.S. sought and obtained strong Security Council Resolutions under Chapter VII condemning these actions and demanding North Korea and Iran suspend nuclear programs. As part of the U.S. Government's ongoing response to the proliferation threat, the U.S. and other members of the international community gathered in Warsaw, Poland, in June 2006

to expand cooperation under the Proliferation Security Initiative (PSI). The PSI is dedicated to stopping all aspects of the proliferation trade and to denying terrorists, rogue states, and their supplier networks access to WMD-related materials and delivery systems. In FY 2006, the PSI worked to disrupt the financial activities of networks that support proliferation and interdict cargo containing dangerous materials. The U.S. continued to expand participation in the PSI, with more than seventy nations now supporting the initiative.

In the Western hemisphere, the U.S. worked with partners in the region 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. As Haiti's largest bilateral assistance donor, the U.S. concentrated FY 2006 programs in the areas of health, democracy, education and economic growth. U.S. assistance helped facilitate the transparent administration of Haiti's 2006 national elections, as well as provided support for political parties, free media, and voter education. In Colombia, U.S. assistance has helped change the political, military, economic, and counternarcotics environment. Colombian security forces have made impressive progress in regaining control of national territory and important gains have been made in areas of democracy, human rights, development, justice sector reform, and humanitarian assistance. In Nicaragua, the U.S. successfully supported a credible election process, fostered anti-corruption and accountability measures within the government, and strengthened civic programs. Additionally, the U.S. advanced implementation of the Central American Free Trade Agreement, which will be the second largest free trade zone in the Americas and the 10th largest U.S. export market in the world.

In East Asia and the Pacific, the United States enhanced regional cooperation on a broad range of economic and security goals through the Asia-Pacific Economic Cooperation (APEC) forum and the Association of Southeast Asian Nations (ASEAN). The United States joined with other Asia-Pacific countries in calling for reform and democratization in Burma and an end to North Korea's nuclear weapons program. U.S. programs increased capacity of key partners including Indonesia, the Philippines and Mongolia to pursue stability, security and peace, as well as strengthened ties with allies such as Japan, South Korea, Australia, Thailand, Singapore and Malaysia. The U.S. built cooperative ties with a reforming, dynamic Vietnam, as well as encouraged China to be a responsible participant in the international system.

The United States continued its strong commitment to peace and stability in Africa. The May 2006 conclusion of the Darfur Peace Agreement in Abuja, Nigeria represented an important step toward peace in Darfur and flowed from the sustained efforts of Nigerian President Obasanjo, the African Union, the U.S. and other facilitators. The U.S. led efforts to gain UN Security Council approval in August 2006 to extend UN peacekeeping into the Darfur region, but the effort was hampered by the Government of Sudan's refusal to accept a UN peacekeeping force. The U.S. continues to work diligently with our international partners to end the violence in Darfur, to hold accountable those individuals responsible for atrocities, and to ensure the delivery of humanitarian relief. In the Democratic Republic of Congo (DRC), the United States worked closely with the United Nations, African partners and other members of the international community to help the DRC emerge from violence and humanitarian crisis, providing assistance to support the DRC's first competitive national elections since 1960, held in July 2006. The United States and Ghana signed the largest Millennium Challenge Corporation compact to date on August 1, 2006, predicated on Ghana's strong record of good governance and pro-growth policies; compact agreements have also been signed with Benin, Cape Verde and Madagascar.

The Department also had significant achievements in a number of Presidential initiatives. The President's Emergency Plan for AIDS Relief, a five-year, \$15 billion initiative designed to turn the tide in combating the HIV/AIDS pandemic, delivered HIV/AIDS assistance through bilateral programs in over 120 countries, with a special emphasis on 15 countries in Africa, Asia and the Caribbean. The President's initiative to create the International Partnership on Avian and Pandemic Influenza galvanized governments around the world, and led to over 175 countries establishing pandemic preparedness plans. Finally, the Department promoted opening markets for trade and investment throughout the world to create new opportunities and greater prosperity for American families, farmers, manufacturers, workers, consumers, and businesses.

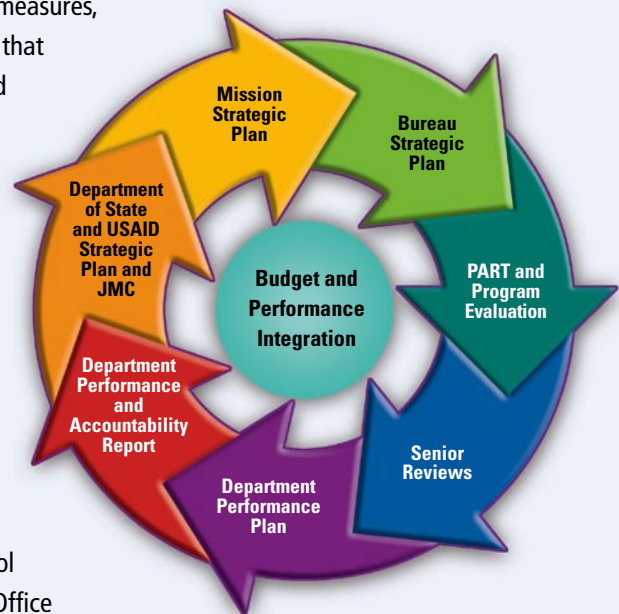
PERFORMANCE MANAGEMENT - A LEADERSHIP PRIORITY

The Department of State and the U.S. Agency for International Development (USAID) are finding innovative, effective ways to secure resources by backing requests with reliable data, proven efficiency and program results. Performance planning helps maximize the return on resources entrusted to foreign affairs agencies and shows Americans how investing in transformational diplomacy pays dividends, at home and abroad.

The Department and USAID are improving the way they set priorities, track program performance, and communicate progress and shortfalls to stakeholders. Like the best run organizations, the Department of State and USAID operate under a Joint Strategic Plan that guides the activities of both agencies. Close collaboration between State and USAID on setting a long-term strategic vision ensures that foreign policy priorities and assistance programs are fully aligned. By doing so, the Joint Strategic Plan promotes an organizational culture within the Department of State and USAID that values effectiveness and accountability.

The Joint Strategic Plan serves as the basis for the Department's annual planning cycle. Diplomatic missions and Washington-based bureaus engage in annual planning exercises that define policy and program goals by country and region, and also by crosscutting, global issues such as democracy, economic prosperity, counterterrorism, health and environment.

For example, each year overseas missions develop an individual strategic plan that sets country-level U.S. foreign policy goals, resource requests, performance measures, and targets. The Mission Strategic Plan is a concise, streamlined document that facilitates long-term diplomatic and assistance planning. Washington-based bureaus draw on Mission Strategic Plans to gauge the effectiveness of policies and programs in the field and formulate requests for resources. Through annual Senior Policy, Performance and Resource Reviews, the Secretary and Director of Foreign Assistance vet plans and resource requests to ensure bureau and mission activities are aligned with the Department's strategic objectives and priorities. The Department's Chief Financial Officer plays a prominent role in Senior Reviews to make recommendations on the efficient use of resources and guard against duplicative requests.



To evaluate the effectiveness and efficiency of our programs, the Department has fully integrated and institutionalized the Program Assessment Rating Tool (PART) into budget and planning processes. The PART was developed by the Office of Management and Budget as an instrument to help Congress, federal managers and the public assess program performance and drive improvements. The PART employs a series of diagnostic questions to evaluate programs across a set of performance-related criteria, including program design and purpose, strategic planning, program management, and results. PART efficiency measures, listed in an appendix to this report, enable program managers to monitor the administrative cost of achieving a given outcome and evaluate how program outcomes might change based on adjustments to funding levels.

The Department's annual Performance Plan describes how the Department will define success, measure progress, and verify results. The Performance Plan is forward-looking and sets the indicators and targets that will be reported on in the Performance and Accountability Report (PAR). For FY 2006, the Department of State and USAID developed a Joint Performance Plan which formed the basis for the FY 2006 PAR's Joint Performance Section. The Performance Plan is an integral part of the President's budget request and meets the requirements of the Government Performance and Results Act.

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 is proud to be green for status on all five PMA initiatives and is committed to maintaining its strong performance. The Undersecretary for Management receives a weekly update on PMA initiatives and chairs a monthly briefing with PMA initiative owners to monitor performance and plan follow-up actions. The Department is able to match personnel and financial requirements against policy objectives better than ever and continues to deliver services to employees and the public in ways that are faster, cheaper, and more effective.

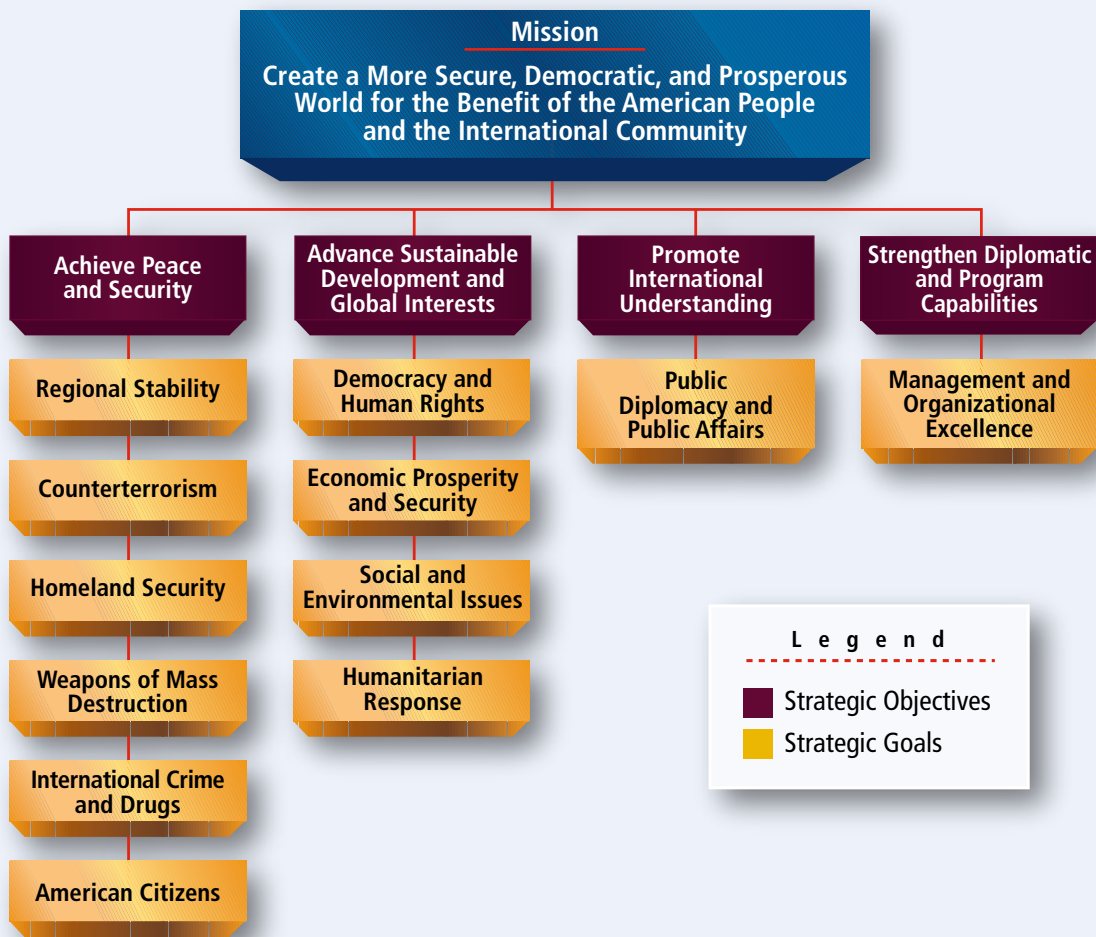
At all levels of annual performance planning – mission, bureau and agency – Department senior managers are mindful of the link between resource decisions and performance. Linking resources to performance improves decision-making because program managers justify budget requests based on demonstrated achievements and expected return. These justifications help Congress and the public understand the results their tax dollars will buy and the trade-offs that come with funding shortfalls. For this reason, the Department's annual budget submission to Congress features performance measures and targets, as well as information on program effectiveness and efficiency.

Americans invest in transformational diplomacy not only because it fits with their principles and values, but because foreign affairs agencies are getting better at showing how their investment pays off. The Department of State and USAID make the case for investing in transformational diplomacy by integrating budget and performance and by managing for results. Performance planning helps align interagency cooperation, promote a strong management culture and ensure responsible stewardship of resources. Solid performance plans and proven results help build confidence among Americans and their representatives in Congress that transformational diplomacy is a wise investment, with payoffs that lead to outcomes like greater peace and security, sustainable development, international understanding, and increased diplomatic strength.

FY 2006 STRATEGIC PLANNING FRAMEWORK

Strategic Objectives and Strategic Goals

In FY 2006, the Department and USAID structured their work around twelve strategic goals that captured both the breadth of their mission and specific responsibilities. The twelve strategic goals centered on four core strategic objectives, as shown in the diagram below.



FY 2006 PERFORMANCE MANAGEMENT METHODOLOGY

To measure progress and assess performance, the Department and USAID employed the performance measurement 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 and USAID carried out strategic and performance goals.
- Strategic Goals** The Department and USAID's long-term goals as detailed in the Strategic Plan.
- Performance Goals** The desired outcomes the Department and USAID planned to achieve in order to attain strategic goals.
- Initiatives/Programs** Specific functional and/or policy areas, including programs as defined by the OMB Program Assessment Rating Tool (PART), which contributed to the achievement of performance and strategic goals and to which the Department and USAID devoted significant attention.
- Performance Indicators** Values or characteristics that the Department and USAID used to measure progress toward annual performance goals. Indicators were drawn from bureau and mission performance plans.
- Performance Targets** Expressions of desired performance levels or specific desired results targeted for a given fiscal year. Where possible, targets were expressed in quantifiable terms.

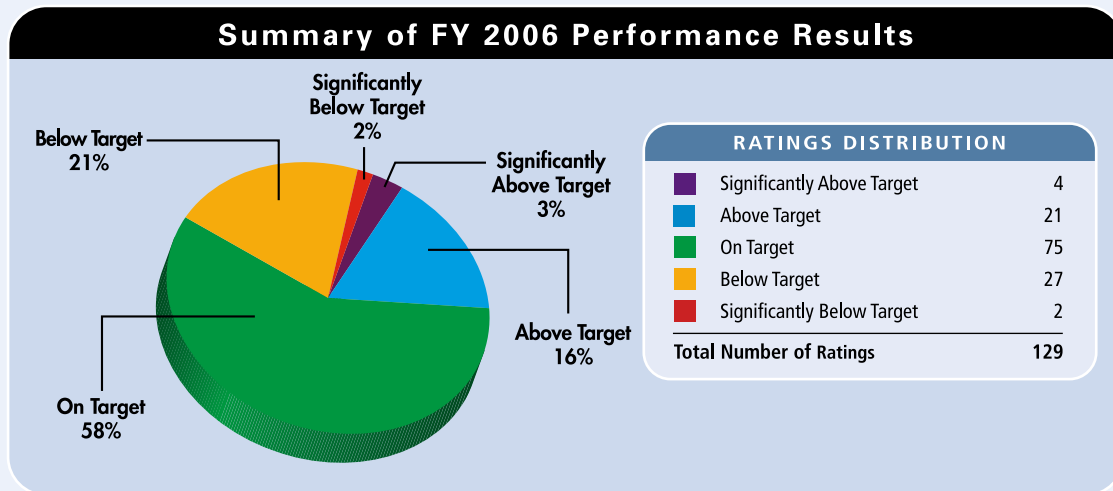


FY 2006 STRATEGIC PLANNING FRAMEWORK QUICK REFERENCE GUIDE

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

SUMMARY OF FY 2006 PERFORMANCE

The pie chart below shows the ratings distribution for Department and USAID performance indicators reported in the Joint Performance Section. As shown, 78% of the ratings were "On Target" or above, meaning that these initiatives or programs met or exceeded performance targets.



The table below shows allocated resources and the average of performance ratings under each strategic goal. Positions are U.S. direct hire only.

SUMMARY BUDGET AUTHORITY AND HUMAN RESOURCES BY STRATEGIC GOAL							
	FY 2005			FY 2006			Change
	Positions	Dollars in Millions	Performance Rating	Positions	Dollars in Millions	Performance Rating	Performance Rating
1 Regional Stability	1,282	\$ 7,092	On Target	1,295	\$ 6,761	On Target	↔
2 Counterterrorism	906	1,768	On Target	916	1,659	On Target	↔
3 Homeland Security	567	262	On Target	573	163	On Target	↔
4 Weapons of Mass Destruction	519	422	On Target	525	433	On Target	↔
5 International Crime and Drugs	702	1,918	On Target	709	1,659	On Target	↔
6 American Citizens	556	66	On Target	562	73	On Target	↔
7 Democracy and Human Rights	830	1,500	On Target	839	1,871	On Target	↔
8 Economic Prosperity and Security	1,553	2,654	On Target	1,570	3,000	On Target	↔
9 Social and Environmental Issues	284	2,306	On Target	287	3,542	On Target	↔
10 Humanitarian Response	552	1,179	On Target	558	1,163	On Target	↔
11 Public Diplomacy and Public Affairs	2,251	597	On Target	2,275	868	On Target	↔
12 Management and Organizational Excellence	9,675	5,415	On Target	9,778	5,225	On Target	↔
Total	19,677	\$ 25,179		19,887	\$ 26,417		No Change

SUMMARY OF PERFORMANCE GOAL RESULTS

The chart below displays FY 2006 results and ratings for Department and USAID performance indicators in the Joint Performance Section. Each graph shows by performance goal the number of indicators assigned to each rating category. The inverted black triangle marks the average of all performance ratings under each performance goal.

Strategic Goal	Performance Goal	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Regional Stability	Close, strong, and effective U.S. ties with allies, friends, partners and regional organizations. <i>3 Indicators</i>	0	1	2	0	0
	Existing and emergent regional conflicts are contained or resolved. <i>8 Indicators</i>	1	4	2	0	1
Counterterrorism	Coalition partners identify, deter, apprehend, and prosecute terrorists. <i>3 Indicators</i>	0	0	2	1	0
	U.S. and foreign governments actively combat terrorist financing. <i>1 Indicator</i>	0	1	0	0	0
	Coordinated international prevention and response to terrorism, including bioterrorism. <i>3 Indicators</i>	0	2	1	0	0
	Stable political and economic conditions that prevent terrorism from flourishing in fragile or failing states. <i>1 Indicator</i>	0	0	0	1	0
Homeland Security	Denial of visas to foreign citizens who would abuse or threaten the U.S. while facilitating entry of legitimate applicants. <i>1 Indicator</i>	0	0	1	0	0
	Implemented international agreements to stop the entry of goods that could harm the U.S., while ensuring the transfer of bona fide materials. <i>1 Indicator</i>	0	0	1	0	0
	Protection of critical physical and cyber infrastructure networks through agreements and enhanced cooperation. <i>2 Indicators</i>	0	0	2	0	0

Strategic Goal	Performance Goal	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Weapons of Mass Destruction	Bilateral measures, including the promotion of new technologies, combat the proliferation of WMD and reduce stockpiles. <i>4 Indicators</i>	0	2	0	1	1
	Strengthened multilateral WMD agreements and nuclear energy cooperation under appropriate conditions. <i>3 Indicators</i>	0	0	2	1	0
	Verification integrated throughout the negotiation and implementation of arms control, nonproliferation, and disarmament treaties, agreements and commitments, and rigorous enforcement of compliance with implementation and inspection regimes. <i>2 Indicators</i>	0	1	1	0	0
International Crime and Drugs	International trafficking in drugs, persons, and other illicit goods disrupted and criminal organizations dismantled. <i>5 Indicators</i>	0	1	2	1	1
	States cooperate internationally to set and implement anti-drug and anti-crime standards, share financial and political burdens, and close off safe-havens through justice systems and related institution building. <i>2 Indicators</i>	0	0	1	1	0
American Citizens	U.S. citizens have the consular information, services, and protection they need to reside, conduct business, or travel abroad. <i>2 Indicators</i>	0	0	2	0	0
	Effective and timely passport issuance, with document integrity assured. <i>1 Indicator</i>	0	1	0	0	0
Democracy and Human Rights	Measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices. <i>6 Indicators</i>	0	1	5	0	0
	Universal standards protect human rights, including the rights of women and ethnic minorities, religious freedom, worker rights, and the reduction of child labor. <i>3 Indicators</i>	0	1	2	0	0

Strategic Goal	Performance Goal	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Economic Prosperity and Security	Institutions, laws, and policies foster private sector-led economic growth, macroeconomic stability, and poverty reduction. <i>4 Indicators</i>	0	0	3	1	0
	Increased trade and investment achieved through market-opening international agreements and further integration of developing countries into the trading system. <i>4 Indicators</i>	0	2	2	0	0
	Secure and stable financial and energy markets. <i>3 Indicators</i>	0	0	3	0	0
	Enhanced food security and agricultural development. <i>1 Indicator</i>	0	0	0	0	1
Social and Environmental Issues	Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis. <i>17 Indicators</i>	0	3	13	1	0
	Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and resource management. <i>7 Indicators</i>	0	1	5	1	0
	Broader access to quality education with emphasis on primary school completion. <i>2 Indicators</i>	1	0	1	0	0
	Effective and humane international migration policies and systems. <i>1 Indicator</i>	0	0	0	1	0
Humanitarian Response	Effective protection, assistance, and durable solutions for refugees, internally displaced persons, and conflict victims. <i>8 Indicators</i>	0	3	2	3	0
	Improved capacity of host countries and the international community to reduce vulnerabilities to disasters and anticipate and respond to humanitarian emergencies. <i>1 Indicator</i>	0	0	1	0	0

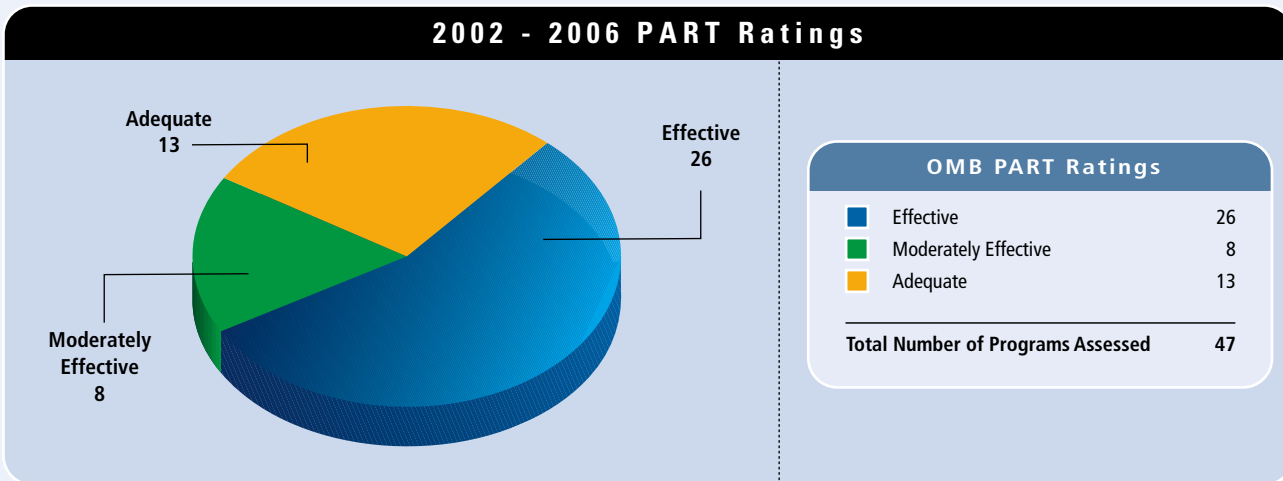
Strategic Goal	Performance Goal	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Public Diplomacy and Public Affairs	Public diplomacy influences global public opinion and decision-making consistent with U.S. national interests. <i>2 Indicators</i>	0	0	2	0	0
	International exchanges increase mutual understanding and build trust between Americans and people and institutions around the world. <i>6 Indicators</i>	0	0	4	2	0
	American understanding and support for U.S. foreign policy, development programs, the Department of State, and the U.S. Agency for International Development. <i>2 Indicators</i>	0	0	1	1	0
Management and Organizational Excellence	A high performing, well-trained, and diverse workforce aligned with mission requirements. <i>6 Indicators</i>	0	1	4	1	0
	Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements. <i>4 Indicators</i>	0	0	3	1	0
	Personnel are safe from physical harm and national security information is safe from compromise. <i>2 Indicators</i>	0	0	1	1	0
	Secure, safe, and functional facilities serving domestic and overseas staff. <i>5 Indicators</i>	0	1	3	1	0
	Integrated budgeting, planning and performance management; effective financial management; and demonstrated financial accountability. <i>1 Indicator</i>	0	0	1	0	0
	Customer-oriented, innovative delivery of administrative and information services, acquisitions, and assistance. <i>2 Indicators</i>	0	1	0	1	0

PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

A key element of the President's Management Agenda is the effort to determine whether or not federal programs are achieving desired results at an acceptable cost to taxpayers. The Office of Management and Budget (OMB) uses the Program Assessment Rating Tool (PART) to evaluate programs across a set of performance-related criteria, including program design, strategic planning, program management, and results. Programs are assessed and assigned numeric scores, which correspond to qualitative ratings of Effective, Moderately Effective, Adequate, Ineffective, and Results Not Demonstrated. PART scores and findings are used to inform the budget process and drive improvements.

Since 2002, the Department and OMB have used the PART to review 47 programs, covering nearly 80% of the Department's appropriations. In 2006, State and OMB collaborated on eight new PART reviews and three PART reassessments in preparation for the President's FY 2008 budget submission to Congress. All 2006 PART programs were rated "Effective," "Moderately Effective" or "Adequate" and none of the Department's PART programs was rated "Results Not Demonstrated" as of November 15, 2006.

A complete list of the Department's 2002-2006 PART assessments, scores and ratings, as well as information on PART improvement plans, are presented in the Appendices. For more information on PART, please visit www.omb.gov/part







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, with a focus on results. The PMA contains five government-wide and nine agency-specific initiatives that hold federal agencies to a standard of excellence for achieving results that matter to the American people. Since the PMA was launched in 2001, the Department of State has made substantial progress on the agenda's five government-wide initiatives: human capital; e-government; competitive sourcing; financial performance; and budget and performance integration.



On an annual basis, the Department works with the Office of Management and Budget (OMB) to set a vision for where the agency would be "Proud To Be" the following year on PMA goals. The Department and OMB then strategize on how best to accomplish "Proud To Be" goals through incremental progress on each initiative. OMB tracks agency activities and issues a PMA executive scorecard on a quarterly basis. The scorecard rates the Department's progress and overall status for each of the PMA initiatives using a color-coded grading scale of red, yellow, and green.



The Department's FY 2006 Fourth Quarter Scorecard is provided below. For more information on the PMA and the executive scorecard, please visit www.whitehouse.gov/results/.



 Progress	STRATEGIC MANAGEMENT OF HUMAN CAPITAL	 Status
<p>◆ Goal</p> <ul style="list-style-type: none"> ● Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives and goals. 		
<p>◆ Progress</p> <ul style="list-style-type: none"> ● Finalized a succession plan that was approved by the Office of Personnel Management. ● Completed a pilot of a new civil service performance appraisal system. ● Finalized human resources skill gap analysis and plan for closing skill gaps. ● Implemented a pilot to consolidate human resource functions in Centers of Excellence. ● The Office of Personnel Management approved State's accountability system in June 2006. 		
<p>◆ Upcoming Actions</p> <ul style="list-style-type: none"> ● Update implementation results of the first two biennial human resource demand studies and report findings on third study. ● Submit results of the pilot civil service performance appraisal system and update implementation plan for communicating with employees. ● Report on language gap analysis, SES 30-working day hiring goal implementation plan, and leadership and management training program. ● Provide final mission critical occupation targets for the period ending June 2007. ● Submit information technology hiring plan and status of gap closure plan. ● Conduct quality control review of personnel actions. 		



 Progress	IMPROVED FINANCIAL PERFORMANCE	 Status
<p>◆ Goal</p> <ul style="list-style-type: none"> World-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people. 		
<p>◆ Progress</p> <ul style="list-style-type: none"> Continued implementing corrective action plans addressing systems security and personal property material weaknesses. Enhanced Diplomatic and Consular Programs initiative on cost accounting of overseas posts, and briefed OMB on the effort and next steps. Finalized a managerial cost accounting concept paper. Issued preliminary FMFIA assurance statement with draft results from the FY 2006 A-123 Appendix A assessment. 		
<p>◆ Upcoming Actions</p> <ul style="list-style-type: none"> Issue PAR by November 15 with audited financial statements and issue first statement of assurance of controls over financial reporting. Update and report on status of corrective action plans for all material weaknesses, including development and implementation of plans for any new material weaknesses identified in the audit. 		

 Progress	COMPETITIVE SOURCING	 Status
<p>◆ Goal</p> <ul style="list-style-type: none"> Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions. 		
<p>◆ Progress</p> <ul style="list-style-type: none"> Completed the human resources assignment technicians function in the Bureau of Human Resources, Office of Career Development and Assignments (HR/CDA). Received and addressed industry questions on motorpool operations. Completed multimedia services performance decision on September 29, 2006. Awarded a contract to help determine the scope of an IT support competition. Submitted a revised plan identifying new opportunities for additional competitions. 		
<p>◆ Upcoming Actions</p> <ul style="list-style-type: none"> Initiate business case analysis for Information Resource Management functions. Complete evaluation of human resources assignment technicians bids in HR/CDA. Announce decision for motorpool competition. Continue to work with OMB on approval of FY 2006 FAIR ACT inventory. Submit summary on results of independent validations conducted to date. 		

 Progress	BUDGET AND PERFORMANCE INTEGRATION	 Status
<p>◆ Goal</p> <ul style="list-style-type: none">● 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.		
<p>◆ Progress</p> <ul style="list-style-type: none">● Updated improvement plans for Program Assessment Rating Tool (PART) programs.● Submitted efficiency measures report.● Submitted top-line FY 2008 budget request amounts and supporting budget submission justification material for State Operations and the draft annual performance summary.● Worked with OMB to draft summaries and improvement plans for 2006 PART assessments.● Submitted broad goal framework for Joint State/USAID Strategic Plan.		
<p>◆ Upcoming Actions</p> <ul style="list-style-type: none">● Submit complete draft Joint State/USAID Strategic Plan. Finalize for distribution in February 2007.● Submit Performance and Accountability Report, incorporating Joint State/USAID Performance Section based on FY 2006 Joint Performance Plan.● Deliver performance management workshops for planners, program managers and budget planners.● Submit draft foreign assistance Congressional Budget Justification materials to OMB.		

 Progress	EXPANDED ELECTRONIC GOVERNMENT	 Status
<p>◆ Goal</p> <ul style="list-style-type: none">● 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.		
<p>◆ Progress</p> <ul style="list-style-type: none">● Submitted quarterly Federal Information Security Management Act (FISMA) update and Corrective Action Plan.● Conducted internal Major Business Case reviews.● Completed Privacy Impact Assessments on new investments and re-certified assessments for existing investments to meet FY 2008 Capital Planning and Investment Control (CPIC) requirements.● Continued work on a Foreign Affairs Manual article and a Department of State Acquisition Regulations update concerning contractor system compliance with FISMA requirements.● Submitted quarterly progress reports on E-Gov Implementation Plan and Enterprise Architecture milestones; the Department has no IT acquisitions duplicative of E-Gov initiatives.● Developed Governance Structure and Communications Plan for the new Joint Management Council optimization process.		
<p>◆ Upcoming Actions</p> <ul style="list-style-type: none">● Post FY 2007 and FY 2008 Privacy Impact Assessments, and FY 2009 IT Capital Planning data call schedule on the web.● Compare system lists to ensure CPIC and FISMA reporting tools and the IT Asset Baseline have a Privacy Impact Assessment.● Submit FY 2007 first quarter progress report on E-Gov Implementation Plan milestones, FISMA Report & Corrective Action Plan and annual FISMA Report.● Submit results of internal baseline review of State Messaging and Archive Retrieval Toolset (SMART) by Oct. 31 2006.		

 Progress	FEDERAL REAL PROPERTY ASSET MANAGEMENT INITIATIVE	 Status
<p>◆ Goal</p> <ul style="list-style-type: none"> ● To promote the efficient and economical use of America's real property assets. 		
<p>◆ Progress</p> <ul style="list-style-type: none"> ● Made enhancements to Real Property System to incorporate Federal Real Property Council 2006 Inventory Guidance. ● Marketed 100% of identified properties and decommissioned identified properties. ● Completed operations and maintenance benchmarking for 82 posts. ● Began development of initiatives to ensure that minimizing operations and maintenance costs are considered in the design of New Embassy Compounds. ● Aligned major long-range rehabilitation projects with capital security project timelines. 		
<p>◆ Upcoming Actions</p> <ul style="list-style-type: none"> ● Identify and complete remaining non-inventory and performance measures changes to the asset management plan and submit updated plan to OMB. ● Submit State and USAID data to the Federal Real Property Profile database by December 15, 2006. ● Provide update on efforts to ensure that minimizing operations and maintenance costs are considered in the design of New Embassy Compounds. ● Complete next phase of Operation and Maintenance benchmarking (additional 24 posts; 41% of total). 		

 Progress	RIGHT-SIZED OVERSEAS PRESENCE (OMB LEAD)	 Status
<p>◆ Goal</p> <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. 		
<p>◆ Progress</p> <ul style="list-style-type: none"> ● For all agencies, personnel reports show that 5,374 overseas positions were abolished in FY 2006 and 2,984 were established, with a total of 75,542 authorized positions overseas. (This includes a 16% vacancy rate.) ● 19 of 20 non-New Embassy Construction rightsizing reviews submitted for review. ● Bureau of Overseas Buildings Operations submitted FY 2008 request for New Embassy Construction projects based on right-sized staffing review numbers. ● Guidance was sent to posts from the Joint Management Council on a three-tiered implementation for consolidating State and USAID administrative platforms overseas. 		
<p>◆ Upcoming Actions</p> <ul style="list-style-type: none"> ● Summarize agency personnel and cost data collected in overseas staffing Budget Data Request. ● Provide overseas staffing numbers on a rolling basis to agencies for validation. Establish validation process. ● Demonstrate progress on consolidation of State/USAID administrative platforms at co-located posts. ● Clearly define regionalization and centralization strategy. 		

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

MANAGEMENT ASSURANCES

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The Department of State's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Department conducted its assessment of the effectiveness of internal control over the efficiency and effectiveness of operation and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations and financial management systems meet the objectives of FMFIA as of September 30, 2006.

In addition, the Department of State's management is also responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. The Department of State conducted its assessment of the effectiveness of the Department's internal control over financial reporting in accordance with Appendix A of OMB Circular A-123. Based on the results of this assessment, the Department of State is reporting material weaknesses concerning the accounting for personal property and real property in its internal control over financial reporting as of June 30, 2006. Deficiencies existed in the controls over accounting for contractor-held property, aircraft and vehicles and controls over accounting for real property – specifically Construction-in-Progress. However, corrective actions were taken, and the material weaknesses have been resolved as of September 30, 2006 as described in the exhibit on page 31. Other than the exceptions noted, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

Because of its inherent limitation, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective, it can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.



Condoleezza Rice

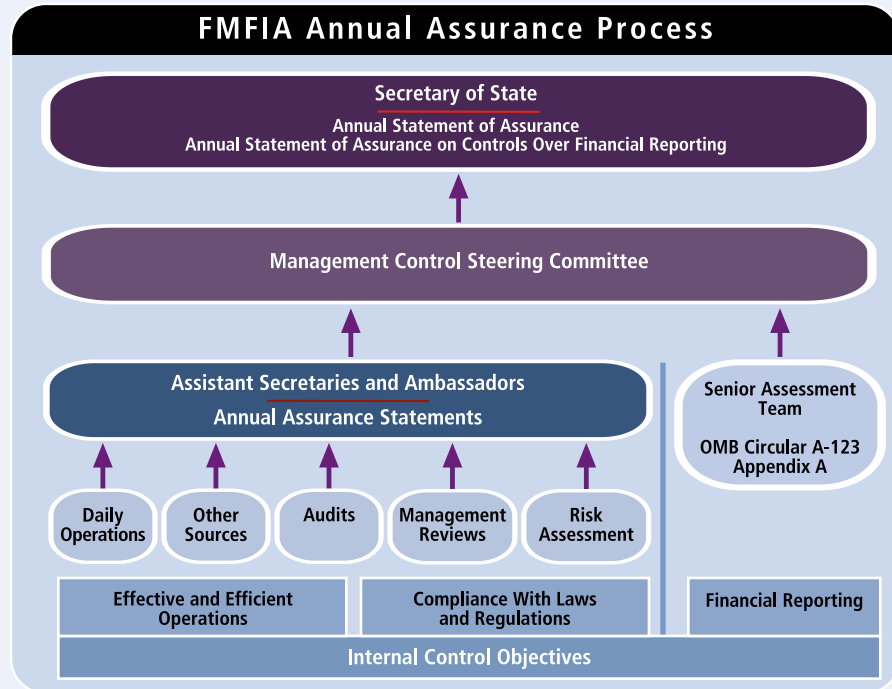
Secretary of State

November 15, 2006

DEPARTMENTAL GOVERNANCE

Management Control Program

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish internal 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. Additionally, OMB Circular A-123, *Management's Responsibility for Internal Control*, defines management's responsibility for internal control in Federal agencies.



In December 2004, OMB revised A-123 in light of the internal control requirements for publicly-traded companies contained in the Sarbanes-Oxley Act of 2002. The new Appendix A, *Internal Control Over Financial Reporting*, of the revised A-123 serves to improve governance and accountability for internal controls over financial reporting. The revised circular is effective for FY 2006 and requires that the agency head also provide an assurance statement on the effectiveness of internal control over financial reporting, which is an addition to and also a component of the overall FMFIA assurance statement. The Secretary of State's 2006 Annual Assurance Statement is provided on the preceding page.

The Department's 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 eleven other Assistant Secretaries [including the Chief Information Officer and the Inspector General (non-voting)], the Deputy Chief Financial Officer, the Deputy Legal Adviser, the Deputy Assistant Secretary for Global Financial Services and the Director for the Office of Overseas Buildings Operations. Individual assurance statements from Ambassadors assigned overseas and Assistant Secretaries in Washington, D.C. serve as the primary basis for the Department's FMFIA 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.

It is the Department's policy that any organization with a material weakness or reportable condition is required to submit a plan to correct the weakness to the MCSC or the senior assessment team (SAT) for review and approval (see description of the SAT's role in the Appendix A section). The plan, combined with the individual assurance statements, provide the framework for monitoring and improving the Department's management controls on a continuous basis.

Status of Management Controls and Financial Management Systems

The Department evaluated its management controls and financial management systems for the fiscal year ending September 30, 2006. This evaluation provided reasonable assurance that as of September 30, 2006, the objectives of the FMFIA were achieved. As a result, the Secretary has provided an unqualified Statement of Assurance. 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. Additional information concerning the controls over financial reporting is contained in the next section.

Appendix A: Internal Control Over Financial Reporting

The Department's management control program expanded during 2006 to address the new requirement for management's assessment of the effectiveness of internal control over financial reporting, contained in Appendix A of the revised OMB Circular A-123. The MCSC voted to expand its membership to include offices with material impact on the Department's financial resources and to establish a senior assessment team (SAT) to oversee the implementation of Appendix A, as recommended in the revised Circular. The senior assessment team (SAT) reports to the Management Control Steering Committee and is comprised of 11 senior executives from bureaus that have significant impact on the Department's financial statements and financial processes. To ensure a successful implementation of Appendix A and to encourage department-wide participation, other bureaus participated on issues of relevance to their operations. To effectively communicate the Appendix A initiative, the Department held a training workshop on the revised Circular A-123 and the Department's plans for implementation.

The Department performed the Appendix A implementation in three phases: planning, assessment and testing, and conclusion and reporting. The Department defined the scope of financial reporting as the financial statements, identified thirteen significant financial processes, and determined the materiality threshold. The Department documented the key financial processes and controls as well as evaluated and tested the controls. By the completion of the Appendix A implementation, the SAT confirmed that significant control deficiencies existed relating to personal property, which was identified as a material weakness in the FY 2005 financial statement audit. The Department also identified a significant deficiency in the accounting for construction-in-progress for real property. As a result, the Department is reporting both property issues as a material weakness as of June 30, 2006 with regard to the assessment of the effectiveness of internal controls over financial reporting. However, the SAT monitored the progress of corrective actions for both of these issues, which were undertaken in 2006, and as of September 30, 2006, reported to the MCSC that corrective actions were taken and the material weaknesses were resolved. The SAT recommended to MCSC that the Secretary provide a qualified assurance as of June 30, 2006 and an unqualified assurance as of September 30, 2006.

APPENDIX A MATERIAL WEAKNESSES RESOLVED AS OF SEPTEMBER 30, 2006*

Material Weaknesses Resolved as of September 30, 2006	Corrective Actions Taken
<p>Accounting for Personal Property As of June 30, 2006, deficiencies existed in the controls over accounting for personal property. Specifically, the Department did not have a system to identify and record property in the hands of contractors. The controls over accounting for aircraft, vehicles, and other personal property were not fully effective.</p>	<p>The Department implemented procedures to provide for the reporting of contractor-held property. It also tightened controls over the existing processes for accounting for aircraft, vehicles and other personal property.</p>
<p>Accounting for Real Property – Construction-in-Progress As of June 30, 2006, controls over accounting for real property – construction in progress were ineffective. Not all projects that should have been capitalized were capitalized, and there was a failure to report project completions on a timely basis.</p>	<p>Controls were implemented and/or strengthened to ensure the proper identification of capitalized projects in the accounting system and timely reporting of project completion.</p>
<p><i>* The material weaknesses were downgraded to reportable conditions as of September 30, 2006. In accordance with Appendix A to OMB Circular A-123, a material weakness in internal control over financial reporting, is a reportable condition, or combination of reportable conditions, that results in a reasonable possibility that a material misstatement of the financial statements, or other significant financial reports, will not be prevented or detected. A reportable condition for financial reporting is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with Generally Accepted Accounting Principles such that there is a reasonable possibility that a misstatement of the entity's financial statements, or other significant financial reports, that is more than inconsequential will not be prevented or detected.</i></p>	

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) at the transaction level.

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 FFMIA, with particular importance attached to any reported material weaknesses and material non-conformances.

The Department has made it a priority to meet the objectives of the FFMIA. In November 2004, the Department conducted a comprehensive OMB Circular A-127 assessment. The assessment included (among other things) a collection of the various background materials, reference documents, and supporting details that document how the Department meets the applicable A-127 requirements and OMB FFMIA implementation guidance. Based on the results of this assessment, along with information contained in the Department's FY 2005 FISMA Report and evaluations and assurances provided under FFMIA, the Department affirmed its determination of substantial compliance with FFMIA in its FY 2005 Management Representation Letter provided to the Independent Auditor. Further reinforcing FFMIA substantial compliance, the Department's Management Control Steering Committee voted in September 2006 to classify the Department's Financial and Accounting Systems as a financial system deficiency (versus reportable condition or material non-conformance). Since the financial management systems substantially comply with the requirements of the FFMIA, the Department has provided an unqualified assurance with regard to Section 4 of the Federal Manager's Financial Integrity Act.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The Department of State 2006 Federal Information Security Management Act (FISMA) and Privacy Management Report presented continued improvement in IT security, as well as a road map for 2007 initiatives. The Department is dedicated to protecting information and information systems with a comprehensive Information Security Program that continues to integrate operational security and information assurance programs monitored by performance metrics that are continually improving.

Over the past year, the Department streamlined processes, eliminated duplicative initiatives, focusing on its Agency-wide Information Security Program, Configuration Management, Risk Management, and Plans of Actions & Milestones (POA&Ms). To further accelerate the integration of IT security within the Department, the Under Secretary of Management officially established the Information Systems Security Committee (ISSC). This past year, the CIO reassigned governance of the Department's IT systems and applications inventory (Information Technology Asset Baseline - ITAB) to the Enterprise Architecture and Planning office that is charged with responsibility for eGovernment and Capital Planning, thus strengthening the connections between these essential business processes.

The recategorization of the unclassified systems in the Department's inventory was completed bringing the Department into full compliance with the FIPS 199 / NIST SP 800-60 standard. Furthermore, a comprehensive strategy to establish a methodology for compliance with FIPS Pub 200 by March 2007 will be instituted to ensure sustained compliance. The Department instituted a Bureau-level scorecard measuring the level of success with annual Contingency Plan testing, monthly patch management monitoring, Enhanced Validation and Verification testing (E&V), and capturing an expanded set of information in the Department's POA&M and Inventory system including official Privacy Impact Assessments (PIA).

The Department, issued *"The Plan to Capture Contractor Systems in the Department of State's Inventory of Information Systems"* to the OIG and OMB with an implementation plan for ensuring the appropriate level of security of all contractor connections, extensions and systems. A Procurement Information Bulletin (PIB) concerning information security imposed upon contractor services and products was also finalized and issued.

These aforementioned accomplishments are key indicators of the Department's forward momentum. The Department begins fiscal year 2007 with renewed confidence that the constant security challenges facing any global enterprise will be planned for, addressed and resolved in a timely and comprehensive manner and realize substantial progress on all the initiatives started in FY 2006.

There are no significant deficiencies under FISMA. In the 2006 audit of the Department's financial statements the independent auditor concluded that the Information system security material weakness identified in the FY 2005 audit was considered resolved and downgraded to a reportable condition.

IMPROPER PAYMENTS INFORMATION ACT

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. OMB Circular A-123, Appendix C, defines significant improper payments 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 requirement.

Summarized below are the Department's IPIA accomplishments and future plans for identifying improper payments as provided for in OMB Circular A-136, Financial Reporting Requirements. Additional IPIA reporting details are provided in the *Supplemental Information and Other Reporting Requirement* section of this report.

Summary IPIA accomplishments

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 FY 2005 results reflected in the table below, show that the programs reviewed were of low risk of being susceptible to significant improper payments.

FY 2005 MODERATE RISK PROGRAMS	FY 2005 ERROR RATE
Federal Financial Assistance	
Population, Refugee and Migration (PRM) – Refugee Assistance	0%
Educational and Cultural Affairs (ECA) – Fulbright Program	0%
*INL – Law Enforcement, Eradication, Aviation Support and Support to the Military Programs	Completed in FY 2006
International Organizations (IO) – Voluntary Contributions and Peacekeeping	0%

**INL testing was started in FY 2005 and completed in FY 2006.*

In FY 2006, a random sample of the detailed payment transaction data was selected for the International Narcotics and Law Enforcement (INL) - Law Enforcement, Eradication, Aviation and Support to the Military and International Information Program-U.S. Speaker and Specialist Program (IIP). Both programs were identified as high-risk and tested in FY 2004. In the table below, the FY 2006 test results found improper payments in both programs. The projected error rate and dollar amount of improper payments in the population sampled range from approximately 3.97% and \$180,340 thousand to 23.81% and \$348,567 thousand. The projected improper payment amount is a result of the average dollar amount per improper item multiplied by the projected number of improper items in the population. The information in the table below is a statistically valid projection with a confidence level of +/-2.5%. Testing for INL started in FY 2005 and was completed in FY2006 covering the last quarter of FY 2004 and first three quarters of FY 2005 and IIP testing covered the last three quarters of FY 2006.

Program	Number of Transactions		Total Dollars		Projected	
	Population	Sample	Population	Sample	Error Rate	Improper Payments
International Narcotics and Law Enforcement	4315	126	\$313,078,592	\$2,366,056	3.97%	\$180,340
International Information Program- U.S. Speaker and Specialist Program	741	126	\$28,822,489	\$288,548	23.81%	\$348,567

Calculation of error rate and payment amounts based on sample results.

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.

FINANCIAL STATEMENTS AND RESULTS

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

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

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

AUDIT RESULTS

The Department has a proud tradition of unqualified opinions on our annual financial statements from our independent auditors for the better part of the last decade. Late in FY 2005, the Department became aware of large amounts of personal property, including aircraft and vehicles held by host countries and contractors, which had not been reflected in our financial statements. In December 2005, the independent auditors were able to satisfy 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. In their report, the independent auditor cited the accounting for personal property, along with information systems security, as material weaknesses in internal controls.

The Department recognizes the importance of effective internal controls and committed to resolve the material weaknesses in 2006. Working closely with the independent auditor throughout the year, the Department took a number of corrective actions to address the most serious deficiencies in controls for the material weaknesses. As a result, and as reflected in their Report, the Independent Auditor downgraded these items to a reportable condition in connection with the audit of the Department's 2006 Principal Financial Statements.

To further strengthen internal controls in 2006, the Department also committed to fully implement the requirements of Appendix A, Internal Control Over Financial Reporting, of OMB Circular A-123. During the implementation of Appendix A specifically, and other work during FY 2006, Department management identified a material weakness related to accounting for real property construction-in-progress. The Department's controls related to the recording of real property and related depreciation expense and accumulated depreciation, during the majority of FY 2006 and all of FY 2005, were inadequate, resulting in (1) significant amounts of construction costs being expensed rather than capitalized, and (2) costs of completed projects not being moved from construction-in-progress on a timely basis.

Recognizing the severity of the deficiency, the Department developed detailed procedural guidance for establishing projects to ensure construction costs are properly capitalized and implemented monitoring controls for both project establishment and project completion. As a result of the corrective actions taken, the material weakness was resolved by September 30, 2006. However, due to complexity of the matters involved, and the accelerated financial reporting requirements, the Department was unable to provide timely financial statements or documentation on the appropriateness of the associated restatement to satisfy our Independent Auditor with regard to the presentation of real property in time to meet the November 15, 2006 deadline required by OMB. As a result, and as more fully explained in the Independent Auditor's Report, the Independent Auditor issued a disclaimer of opinion on our FY 2006 and restated FY 2005 financial statements. Since then, with the cooperation of the Independent Auditor and OIG, our efforts continued, and the Department satisfied the Independent Auditor about the amounts presented and have therefore received an unqualified ("clean") opinion thereon, dated December 12, 2006.

In relation to internal control, the Independent Auditor's Report cites as reportable conditions the recording and related depreciation of personal property and Department's security of information systems networks. The report also cites as reportable conditions: (1) the inadequacy of the Department's financial management systems, (2) the management of unliquidated obligations, (3) the implementation of Managerial Cost Accounting Standards, and (4) the recording and related depreciation for real property. 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 following tables summarize the weaknesses in internal control and compliance with laws and regulations cited in the FY 2006 Independent Auditor's Report, as well as the actions taken or planned to resolve the problems. All of the findings relate to the Department's strategic goal for Management and Organizational Excellence.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS <i>(Refer to Independent Auditor's Report Section)</i>		
Reportable Condition	Corrective Actions	Target Correction Date
Information Systems Security Information system networks for domestic operations are vulnerable to unauthorized access. Consequently, systems, including the Department's financial management system, that process data using these networks may also be vulnerable. These deficiencies were cited as a material weakness in the Independent Auditor's Report on the Department's 2005 Financial Statements.	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. In response, the Department initiated a program to assess its information systems security on a comprehensive and continuing basis, and developed a Corrective Action Plan to address the material weakness identified in the FY 2005 financial statement audit. The 2006 FISMA Report presents major accomplishments, as well as specific metrics upon which performance is assessed. For FY 2006, the Information Security Program (ISP) focused on addressing identified shortfalls in assessing information system security. Actions included creating an Information Security Steering Committee, creating a certification and accreditation working group, enhancing the Site Evaluation and Verification Program, improved contractor oversight, implementing Personnel Identity Verification, and integrating information security costs into the IT investment process. In addition, the Department accelerated the use of an internal bureau scorecard, which highlights each bureau's needed improvements in the areas of systems authorization, role based training, patch management, and Plans of Actions and Milestones (POA&M). As a result, the Independent Auditor downgraded this deficiency to a reportable condition in connection with the audit of the Department's 2006 Principal Financial Statements. In FY 2007, efforts will continue to strengthen the ISP along with addressing new OMB and NIST system requirements.	2007

(continued)

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

Reportable Condition	Corrective Actions	Target Correction Date
<p>Recording of Personal Property</p> <p>The Department does not have a system of controls to account for personal property. Deficiencies exist in the controls over accounting for contractor-held property, aircraft, vehicles, and other personal property. These deficiencies were identified as a material weakness in the Independent Auditor's Report on the Department's 2005 Financial Statements.</p>	<p>In recognition of the deficiencies with respect to personal property, the Department's Management Control Steering Committee (MCSC) created a subcommittee to address these weaknesses. The subcommittee developed a Corrective Action Plan to address each of the matters identified in the Independent Auditor's Report on the FY 2005 financial statements. In 2006, improvements were implemented in the methods used to identify and report armored vehicle costs, aircraft, property held by contractors, and Department-owned vehicles. As a result, the Independent Auditor downgraded this deficiency to a reportable condition in connection with the audit of the Department's 2006 Principal Financial Statements. In FY 2007, efforts will continue to strengthen the controls over the accounting for personal property.</p>	<p>2007</p>
<p>Recording of Real Property</p> <p>The Department's controls related to the recording of real property and related depreciation expense and accumulated depreciation, during the majority of FY 2006 and all of FY 2005, were inadequate, resulting in (1) significant amounts of construction costs being expensed rather than capitalized, and (2) costs of completed projects not being moved from construction-in-progress on a timely basis.</p>	<p>During the implementation of OMB Circular A-123, Appendix A, and other work during FY 2006, Department management noted problems related to accounting for construction-in-progress. As a result, the Department developed more detailed procedural guidance for establishing projects to ensure construction costs are properly capitalized and implemented monitoring controls for both project establishment and project completion. In FY 2007, the Senior Assessment team will continue to monitor this issue and test the controls to ensure they are operating effectively. The Department will also look for opportunities to further strengthen controls over accounting for real property.</p>	<p>2007</p>
<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. 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). The new capabilities were used to deobligate funds totaling over \$200 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. Beginning with the March 2005 report, and all subsequent reports, the quarterly reports include 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>The Department will continue to develop reports and processes to improve the management of UDOs.</p>	<p>2007</p>

(continued)

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

Reportable Condition	Corrective Actions	Target Correction Date
<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, and project plan to implement the MCA initiative. The team:</p> <ul style="list-style-type: none"> ● surveyed other agencies and organizations for lessons learned and best practices; ● conducted an assessment of offices to determine business needs for cost information, current cost accounting practices, outputs and outcomes, and unmet needs; ● evaluated a managerial cost software module and confirmed usability; and ● developed a strategic approach and implementation strategy. <p>In 2007, the team will conduct several pilots to test strategy, to be followed by a phased implementation Departmentwide.</p>	<p>2008</p>
<p>Financial and Accounting Systems</p> <p>(See Nonconformance below)</p>	<p>See discussion below.</p>	<p>2007</p>
Nonconformance with Laws and Regulations	Corrective Actions	Target Correction Date
<p>Financial and Accounting Systems</p> <p>The Department's financial and accounting system, as of September 30, 2006, was inadequate. Certain elements of the financial statements, including, but not limited to, personal property, capital leases, and certain accounts payable, are developed from sources other than the general ledger. During 2006, the Department used several systems for the management of grants and other types of financial assistance. The Department's financial system (1) does not provide effective control over personal property, and (2) is unable to issue year-end financial data to be included in its PAR in a timely manner.</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, and the number of post-level financial systems from nine to two.</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. In 2006, the Department expanded the number of on-line overseas users, and added and enhanced a number of interfaces. Also in 2006, improvements were made to enhance the usefulness of financial information through the implementation of improved reporting capabilities for overseas users. In 2007, domestic users will be converted to the same platform and software services overseas users thereby establishing the Global Financial Management System (GFMS). As part of the GFMS implementation, the most up-to-date module for accounting for fixed assets will be installed, and a new data warehouse is being built that will provide for better reporting capabilities for users.</p> <p>To improve the management of grants and other types of financial assistance, the Department is developing, in collaboration with USAID, the Joint Assistance Management System (JAMS). Once implemented, JAMS will provide the capability to centrally track and manage Federal financial assistance issued by the Department. The Department plans to conduct a pilot phase in 2007, followed by deployment through 2008.</p>	<p>2007</p>

RESTATEMENTS

The FY 2006 and FY 2005 financial statements, which appear in the Financial Section of this report, have been restated as described below. Additional information on the restatements is provided in Note 20, Restatements, of the accompanying FY 2006 and FY 2005 financial statements.

The Department provides portions of its budget authority to various agencies to conduct activities in support of the Department's mission. For example, the Department allocates monies to the Department of Health and Human Services, USAID, and others for global HIV/AIDS activities. For FY 2006, the Department received notification of changes to amounts previously reported by recipient agencies after issuance of our FY 2006 Financial Statements on November 15, 2006 (to meet OMB's deadline), but prior to the issuance of these financial statements. The net effect of the corrections on the Department's FY 2006 financial statements is to decrease Other Assets, Total Assets, Unexpended Appropriations, and Total Net position by \$104.5 million; and to increase Appropriations Used, Total Cost and Net Cost by \$104.5 million. The restatement had no effect on the Statement of Budgetary Resources.

The FY 2005 financial statements, have been restated to correct errors with respect to the accounting for certain real property transactions. The effect of the restatement was to decrease Total Net Cost for 2005 by \$160.7 million, and increase Property and Equipment, Total Assets, Cumulative Results of Operations and Total Net Position by \$617.6 million. Cumulative Results of Operations at the beginning of 2005 has been adjusted by \$457 million for the effects of the restatement on prior years. The restatement had no effect on the Statement of Budgetary Resources or the President's Budget. Additional information on the restatement is provided in Note 20, Restatements, of the accompanying FY 2006 and FY 2005 financial statements.

In the course of the Department's first-year efforts to implement Appendix A, Internal Control Over Financial Reporting, of OMB's Circular A-123, *Management's Responsibility for Internal Control*, we identified errors in previously reported amounts for real property and associated depreciation and operating expenses as follows.

- Not identifying and adjusting completed capital projects in a timely manner.
 - Amounts reported as construction-in-progress where the projects had been completed and should have been reclassified to Buildings and Structures and the associated depreciation expense recorded.
- Expensing capital project costs.
 - Amounts reported as expense for capital projects that should have been recorded to construction-in-progress.

Significant awareness was raised about the importance of the internal controls related to these activities, and a number of actions were taken to strengthen processes and controls to preclude future errors of this nature. For example, procedural guidance was developed, documented and implemented. In addition, processes were established to monitor outstanding projects on a periodic basis for the purpose of identifying any projects that are being improperly expensed, or that are complete but not reclassified to buildings and structures. Also, as part of the Department's on-going A-123 Appendix A program, the controls related to these activities will be tested annually to ensure they are in place and operating effectively.

OVERVIEW OF FINANCIAL POSITION

Assets. The Consolidated Balance Sheet shows the Department had total assets of \$40.0 billion at the end of 2006. This represents an increase of \$3.6 billion (10%) over the previous year's total assets of \$36.4 billion. The increase is primarily the result of increases

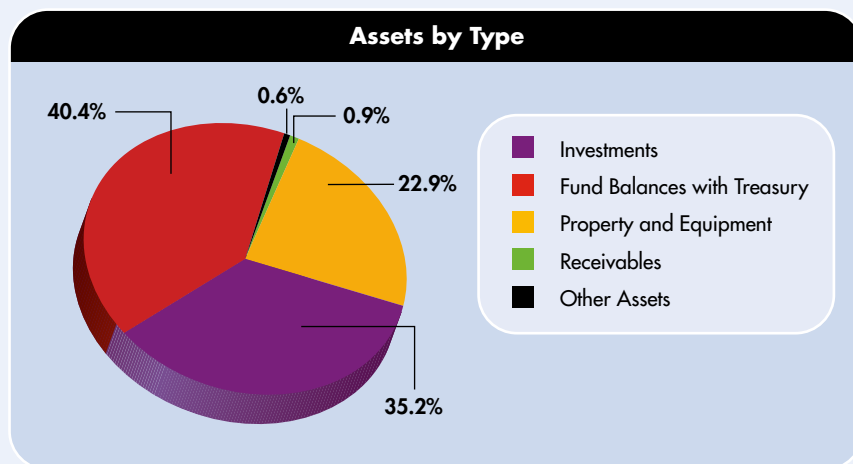
of \$2.1 billion in Fund Balances with Treasury, \$1.3 billion in property and equipment, and \$528 million in investments in the Foreign Service Retirement and Disability Fund (FSRDF). The increase in Fund Balances with Treasury primarily resulted from a \$1.8 billion increase in unexpended appropriations.

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

	2006 Restated	2005 Restated
Investment, Net	\$ 14,101,765	\$ 13,389,090
Fund Balances with Treasury	16,170,761	14,023,542
Property and Equipment, Net	9,175,917	7,862,612
Accounts, Loans & Interest Receivable, Net	378,357	854,315
Other Assets	131,154	225,434
Total Assets	\$ 39,957,954	\$ 36,354,993

Investments, Fund Balances with Treasury and Property and Equipment comprise approximately 98% of total assets for 2006 and 2005. Investments consist almost entirely of U.S. Government Securities held in the FSRDF.

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

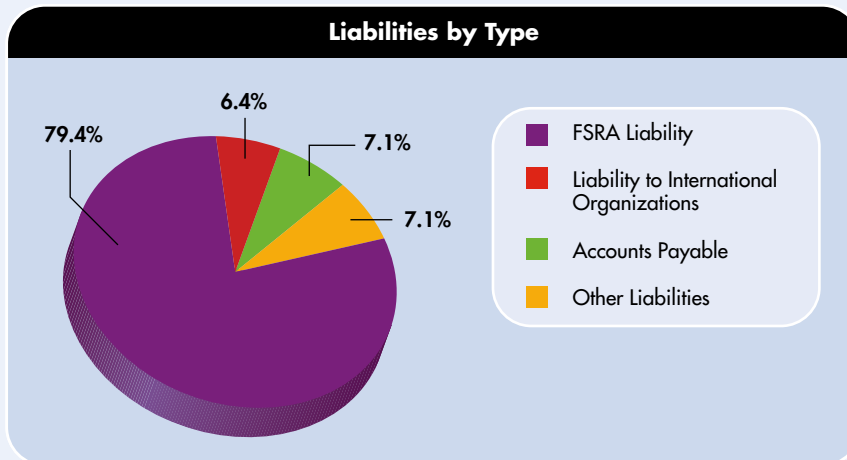


Liabilities. The Department had total liabilities of \$17.9 billion at the end of 2006, which is reported on the Consolidated Balance Sheet and summarized in the following table (*dollars in thousands*):

	2006	2005
Foreign Service Retirement Actuarial Liability	\$ 14,215,300	\$ 13,429,300
Liability to International Organizations	1,155,344	1,178,130
Accounts Payable	1,253,677	1,269,794
Other Liabilities	1,268,726	1,202,774
Total Liabilities	\$ 17,893,047	\$ 17,079,998

The Foreign Service Retirement Actuarial (FSRA) Liability of \$14.2 billion and the Liability to International Organizations of \$1.2 billion comprise 86% of the Department's total liabilities at the end of 2006.

Of the total liabilities, \$2.1 billion were unfunded, i.e., budgetary resources were not available to cover these liabilities. The \$2.1 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 2006 annual assessments, and \$60 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.

Ending Net Position. The Department's Net Position at the end of 2006 on the Consolidated Balance Sheet and the

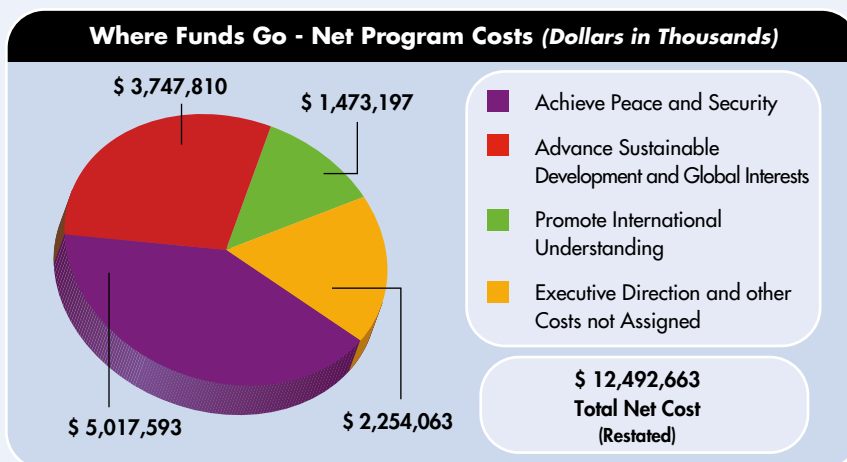
Consolidated Statement of Changes in Net Position is \$22.1 billion, a \$2.9 billion (15%) increase from the previous fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

The growth in Unexpended Appropriations is due principally to the continued increase in budget authority received to provide funding for embassy security, international narcotics control, and the Global HIV/AIDS initiative. The increase in Cumulative Results of Operations resulted mainly from the \$1.3 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.

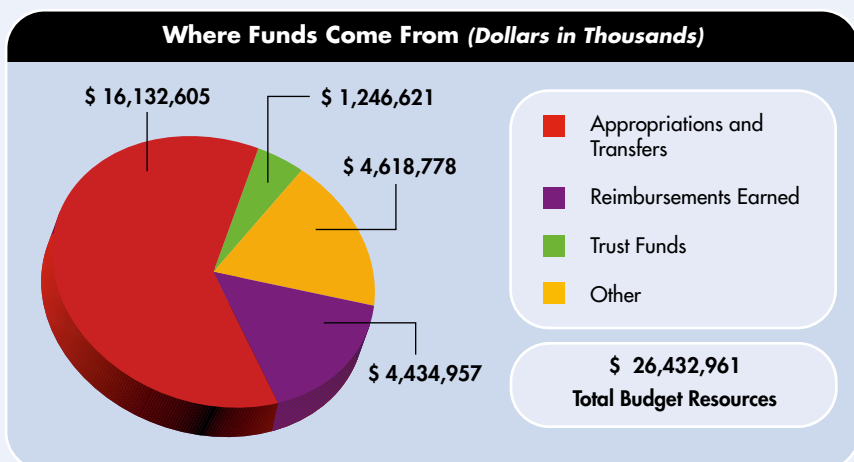
The Consolidated Statement of Net Cost presents the Department's gross and net cost for its strategic objectives and strategic goals. The net cost of operations is the gross (i.e., total) cost incurred by the Department, less any exchange (i.e., earned) revenue. The Consolidating Schedule of Net Cost 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 2006, after intra-departmental eliminations, was \$12.5 billion. The strategic objective to "Achieve Peace and Security" represents the largest investment for the Department at 40.2% of the Department's net cost of operations. The net cost of operations for the remaining strategic objectives varies from 11.7% to 30.0%.



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 \$14.3 billion, comprising 93% of the Department's total budgetary financing sources.

The charts on this and the previous page reflect the funds that the Department received during 2006 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 \$26.4 billion, an increase of 5.9% from 2005 levels. Budget Authority of \$21.8 billion – which consists of \$16.1 billion for appropriations (direct, related, and supplemental) and transfers, and \$1.3 billion financed from trust funds – comprise 65.9% of the total budgetary resources. The Department incurred obligations of \$21.1 billion for the year, a 1.9% increase over the \$20.7 billion of obligations incurred during 2005. 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 2006 budget for the Department of State totaled \$10.468 billion. It included appropriations for the Administration of Foreign Affairs (\$7.985 billion), contributions to international organizations and international peacekeeping activities (\$2.303 billion), international commissions (\$67 million), and related programs (\$113 million). These amounts do not include foreign assistance funding.

The Department's FY 2006 budget was funded through the *Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006*. The budget also reflected supplemental funding provided through the *Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006* and the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006*. Supplemental funding was required

primarily to address the extraordinary costs of security and operations of the U.S. Missions in Iraq and Afghanistan, as well as the U.S. assessed costs of United Nations peacekeeping missions.

In addition to appropriated funds, the Department continued to rely on revenue from user fees – Machine Readable Visa fees, Enhanced Border Security Program fees, the Western Hemisphere Travel Surcharge, and other fees – for the Border Security Program. The fee revenue supported program requirements to protect American citizens and safeguard the nation's borders. These requirements included increased consular workloads and 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 foreign policy and advance U.S. national security, political, and economic interests at more than 260 posts around the world. They also build, maintain, and secure the infrastructure of the diplomatic platform from which most U.S. Government agencies operate overseas.

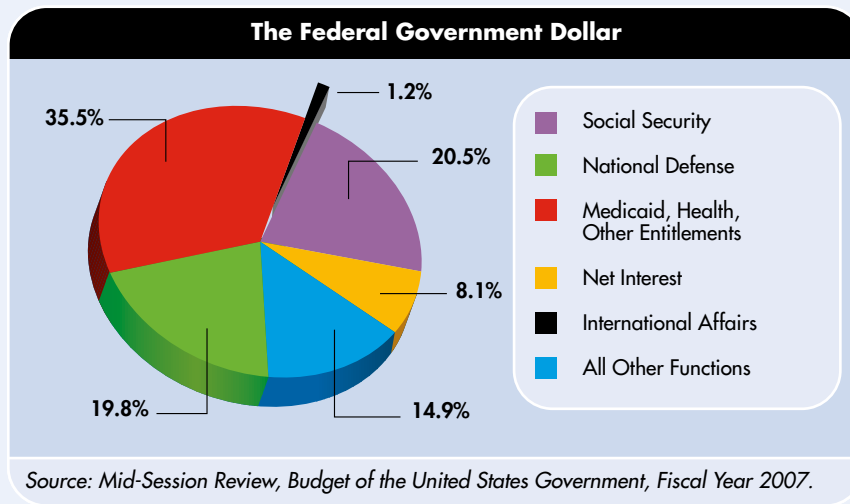
For FY 2006, the Department's principal operating appropriation – Diplomatic and Consular Programs (D&CP) – was funded at \$5.711 billion. This funding sustained critical diplomatic and consular operations and enabled the Department to meet the new demands of transformational diplomacy. D&CP funding included \$731 million for Worldwide Security Upgrades to increase security for diplomatic personnel and facilities under threat from terrorism and \$330 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 and agency-specific initiatives on rightsizing the U.S. Government presence overseas and Federal real property asset management.

The Department's appropriations for information technology (IT) initiatives totaled \$126 million – \$58 million in the Capital Investment Fund (CIF) and \$68 million in the Centralized Information Technology Modernization Program. Revenue from Expedited Passport fees provided additional funding for IT Central Fund investments. These investments helped modernize the Department's global IT infrastructure and provide ready access to foreign affairs applications and information. FY 2006 investments in IT also supported e-Government initiatives of the President's Management Agenda. The Department's infrastructure and mission-oriented application systems supported approximately 46,000 users, at over 390 locations worldwide, for both classified and unclassified processing.

The Embassy Security, Construction, and Maintenance (ESCM) appropriation was funded at \$1.490 billion. 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 \$14 billion in value and includes over 15,000 properties. From the appropriation total, \$899 million supported capital security construction and compound security projects. Under the Capital Security Cost Sharing program, all agencies with overseas staff under Chief of Mission authority contributed an additional \$200 million to the construction costs of new diplomatic facilities.

The Educational and Cultural Exchange Programs (ECE) appropriation was funded at \$431 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 younger and more diverse audiences, especially in the Muslim world. The funding included \$243 million for academic exchanges of foreign participants and U.S. citizens, notably through the J. William Fulbright Scholarship Program. The funding also included \$150 million for professional and cultural exchanges, such as Citizen Exchanges and the International Visitor Leadership Program, which inaugurated the Edward R. Murrow Journalism Program.

For FY 2007, the Department's budget request (at this date still pending before Congress) totals \$9.504 billion. It includes resources to address ongoing foreign policy priorities, particularly to support the global war on terror and advance transformational diplomacy. The request for D&CP is \$4.652 billion, including \$795 million for upgrades of physical security equipment and technical support, information and systems security, perimeter security, and security training. The request provides \$68 million in CIF for information technology investments worldwide. The request for ESCM totals \$1.540 billion, including \$899 million for design and/or construction of secure facilities, additional site acquisitions, and compound security projects. Finally, the request provides \$474 million for ECE to increase the number of participants in exchange programs of proven value, engage key influencers in overseas publics, and support the National Security Language Initiative.



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 Foreign Service Retirement and Disability Fund (FSRDF), International Cooperative Administrative Support Services (ICASS) and the International Boundary and Water Commission (IBWC). The complete, separately-issued FSRDF, 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.

MESSAGE FROM THE INSPECTOR GENERAL

The *Reports Consolidation Act of 2000* requires that the Department's *Performance and Accountability Report* include a statement by the Inspector General that summarizes the most serious management and performance challenges facing the Department and briefly assesses its progress in addressing those challenges. I am pleased to present this year's statement, reflecting the Department's progress in addressing its current challenges of protecting its people and facilities, strengthening its information security, managing its financial and human resources, combating terrorism and ensuring border security, improving understanding through public diplomacy, and supporting post-conflict reconstruction and stabilization.



I am proud of the contribution OIG makes to helping the Department address its management and performance challenges. The scope of our oversight mandate and the opportunity it offers to make a positive impact in strengthening the management of the Department continue to expand rapidly. During FY 2006, OIG expanded its oversight to encompass new Department initiatives in transformational diplomacy, global repositioning, and public diplomacy, as well as substantial increases in programs for Iraq and Afghanistan, counternarcotics, counterterrorism, embassy construction, and information technology. Significant growth in the number of programs and grants with mandated OIG oversight, congressional and management requests for special reviews and investigations, and opportunities for joint activities with other departments, agencies, and OIGs further enhance both the challenges and the benefits of our work.

The expansive scope of these activities has resulted in substantial benefits to the U.S. Government and the American taxpayer. OIG accomplishments in FY 2006 have supported the Department's strategic goals as well as OIG's vision of promoting effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors (BBG). During FY 2006, OIG activities resulted in actual recoveries and identified savings of more than \$31.3 million, as well as issuance of nearly 100 reports with recommendations to improve Department and BBG programs and operations. Other substantive outcomes of our work included:

- Actions toward a strategic plan for Embassy Baghdad's rule-of-law programs, which will strengthen the embassy's coordinating role and increase Iraqi participation in project development;
- Improvements to strengthen Iraqi anticorruption programs by increasing the effectiveness of Embassy Baghdad's interagency working group, establishing a strategy for U.S. advisors and trainers to bridge gaps between Iraqi anticorruption institutions, and supporting a training facility for Iraqi anticorruption personnel;
- Strengthened internal management controls at the Global Financial Services Center in Charleston;
- Immediate security improvements and potential cost avoidances for the new embassy construction project in Beijing, China; and
- Corrective actions to improve border security and reduce vulnerabilities from terrorists.

OIG has accomplished a lot this year, but like the Department, we have much to do to meet the management and performance challenges we have set for ourselves. I am committed to restoring OIG's capabilities to provide the oversight and advisory assistance necessary to assure the Department, Congress, and the American taxpayer that the programs and operations we review are as effective, efficient, economical, and accountable as possible.

Howard J. Krongard
Inspector General

MANAGEMENT AND PERFORMANCE CHALLENGES

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

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

Protection of People and Facilities

The protection of people and facilities continues to be one of the Department's highest priorities. The Department has instituted many security countermeasures to terrorist attacks as an interim step toward constructing new embassy compounds with sufficient setback and blast resistant buildings. The challenge remains to complete these measures worldwide and to develop additional countermeasures to stem new innovations in terrorist attacks. Security inspections at 14 overseas missions noted some success in addressing compound security upgrades at existing facilities, but physical and technical security vulnerabilities still accounted for almost half of OIG recommendations, including the need to upgrade access control points at mission compounds. The Department will also need to obtain funding for security upgrades for planned American Presence Posts and Remote Visa Processing Centers.

The Department has made progress in strengthening its domestic protection program during FY 2006, implementing a substantially more robust, post-9/11 emergency preparedness program with regular drills, employee forums, and proactive guidance to improve employee preparedness at work and at home. However, many emergency preparedness efforts still require additional focus and work. A recent audit of domestic emergency preparedness found that 18 of the 40 Washington metropolitan facilities still lack a site-specific emergency action plan, many existing plans were outdated or incomplete, and many employees had not been briefed on their facility's plan and did not have ready access to the plan.

Information Security

The Department continues to make progress on strengthening its information security program and practices and recognizes that more must be done to effectively administer and manage its information security programs. Areas of improvement since OIG's FY 2005 Federal Information Security Management Act (FISMA) review include internal and external reporting of computer security incidents, and significant progress in addressing privacy requirements. A congressionally mandated review of the protection of classified information at Department headquarters and the storage and handling of sensitive compartmented information (SCI) found that the requirements of the directives for personnel and information security were being met, but opportunities still exist to improve management of the intelligence community security program.

During its FY 2006 FISMA reviews and information security inspections, OIG identified several areas that need to be addressed by the Department's Chief Information Officer. For example, the Department needs to maintain its initiative formalizing its Information Systems Security Officer (ISSO) program, including performance assessment and training, until completion. Other areas requiring more coordinated effort and support from Department officials include developing and implementing a system security program plan to administer information security Department-wide, completing inventories of IT assets and contractor systems, verifying security levels assigned to IT applications and systems, identifying the total number of employees requiring IT security awareness training, addressing fragmentation in the Department's certification and accreditation process, and including IT security findings identified by all sources in the Plan of Action and Milestones process.

Financial Management

Financial management continues to be a major management challenge within the Department. During FY 2005, the Department restated its FY 2004 financial statements to correct errors of unrecorded transactions for collections of passport fees (\$117 million); receivables for value-added taxes (\$20 million); and overseas disbursements (\$26 million). The financial statement auditor issued a qualified opinion on the Department's FY 2005 financial statements because the Department's work had not been sufficiently completed to enable the auditor to satisfy itself as to the accuracy of the amounts reported as personal property in time to meet the financial statement deadline imposed by the Office of Management and Budget (OMB).

The Department thereafter completed its work on issues related to personal property and provided documentation to support the amounts reported on the financial statements, and the auditor issued its unqualified opinion on the FY 2005 financial statements. In addition to personal property, the auditor again noted concerns, including inadequate information system security and financial systems, inadequate management of undelivered orders and lack of a managerial cost accounting system. Finally, the auditor noted the Department continues to have difficulty producing year-end financial data in a timely manner.

During FY 2006, the Department has taken steps to address some of these weaknesses. For example, a committee that included OIG as a nonvoting member was created to address weaknesses related to personal property. The committee recommended improvements in the methods used to identify and report armored vehicles, property held by contractors, and Department-owned vehicles. Additionally, the Bureau of International Narcotics and Law Enforcement initiated a review of its aviation programs, structure, and responsibilities with a view toward more centralized management. The Department also implemented new capabilities to allow for automatic deobligation of undelivered orders, and has developed and begun implementing a project plan for a managerial cost accounting system.

Foreign assistance is another area in which the Department continues to face challenges, particularly with respect to the reliability of financial information. A March 2003 OIG audit of the State Department's management of foreign assistance concluded that the Department lacked comprehensive and reliable information on funding provided to nongovernmental organizations. No one office or system within the Department was responsible for or capable of capturing essential statistical data related to Department-wide financial assistance. Additionally, in FYs 2004 and 2005, the financial statement auditor's report stated that the Department's financial and accounting system was inadequate and that there was a risk of materially misstating financial information under the current conditions. In both years the auditor identified as an area of inadequacy that the Department's systems for the management of grants and other types of financial assistance lacked standard data classifications and common processes and were not integrated with the Department's centralized financial management system. Additionally, the Department could not produce reliable financial information that defined the universe of grants and other federal financial assistance.

In January 2006, as a means to better focus foreign assistance funding in support of U.S. interests, the Secretary established the Office of the Director of U.S. Foreign Assistance to create and direct consolidated policy, planning, budget, and implementation mechanisms for the Department and U.S. Agency for International Development (USAID) assistance programs. To address deficiencies in financial information related to foreign assistance, the Department also established a Department-wide steering committee, beginning in FY 2005, to oversee and coordinate the award, monitoring, and closure of Department Federal financial assistance of more than \$5 billion; and to develop a management information system that would provide comprehensive and reliable information on Federal financial assistance. Under a mandate from OMB, the Department and USAID have been working to build an automated Joint Assistance Management System (JAMS), scheduled for domestic deployment in FY 2008, to streamline and simplify assistance-related business processes. When fully implemented, JAMS will provide consistency in assistance programs within and between the two organizations, improve reporting capabilities, and facilitate compliance with other U.S. government grants initiatives.

To further strengthen financial accountability, the Department has been receptive to OIG investigators and auditors providing fraud prevention and awareness training to Department personnel responsible for financial systems, contracts and grants, and procurement. The OIG fraud prevention and awareness program is presented to relevant bureau personnel and to all General Services Officer courses at the Foreign Service Institute.

Overseas, OIG found that the Department has done a good job of consolidating International Cooperative Administrative Support Services (ICASS) into a single administrative platform on new embassy construction projects, but additional steps are needed in combining ICASS services for those missions that are not scheduled for new construction. OIG inspection reports in FY 2005 and FY 2006 noted that agencies overseas continue to resist subscribing to the full range of administrative services offered by ICASS, instead developing duplicative administrative structures, which increase overall cost to the U.S. government. Without a requirement to subscribe more fully to ICASS, these conditions are unlikely to change.

Human Resources

In an effort to provide the highly skilled, diverse workforce needed to implement the Secretary's transformational diplomacy agenda, the Department has established the Global Repositioning Initiative and plans to shift hundreds of positions from across the world to critical emerging areas in Africa, South Asia, and elsewhere that will shape U.S. interests in the future. As part of this initiative, the Department continues to grapple with how to best meet new security, administrative support, specialized training, and program funding requirements for these positions.

The Department also faces significant challenges in staffing diplomatic missions in Iraq and Afghanistan and equipping employees with skills and administrative support to carry out new responsibilities in war-zones and hardship posts. Staffing and skills gaps at these critical posts undermine programs that are important to the Administration and at high risk for waste, fraud, and mismanagement. OIG found problems related to staffing gaps and personnel shortages in inspections of Embassies Kabul, Riyadh, and Islamabad and of Embassy Baghdad's rule-of-law program.

The Department has instituted significant changes to the promotion, assignments, and career development processes to emphasize service in Iraq and Afghanistan, but it remains to be seen whether these will be effective in meeting long-term needs in those places as well as other hardship posts. Additional steps such as directed assignments of personnel, enhanced benefits packages, and expanded use of contractors may have to be considered.

An OIG review of efforts to rightsize the U.S. government's overseas presence noted that the Department has taken limited but positive steps to address rightsizing issues of importance to the Administration and Congress. The Department is implementing significant rightsizing initiatives—including the Capital Security Cost-Sharing Program, the State-USAID Joint Management Council, periodic rightsizing reviews, expansion of regional service delivery, Foreign Service career development planning, and changes to resource planning processes—that should have positive effects over time.

Counterterrorism and Border Security

The Department continues to play a central role in combating international terrorism, including efforts to stop terrorists before they reach our shores. Posts abroad are encouraged to maintain vigilance in identifying, reporting on, and denying visas to persons engaged or likely to engage in terrorist activity or support. Counterterrorism and border security remain a management and performance challenge for the Department.

The Department continues to work with the intelligence and law enforcement communities to establish a first line of defense to stop or deter terrorists and transnational criminals before they reach U.S. shores. Key to this defense is the overseas adjudication of over 7 million visa applications annually, facilitating the travel of legitimate visitors to the United States while denying entry to non-bona fide travelers, especially those who pose a threat to national security. The Department has shown significant progress in enhancing the training of consular officers in advanced interview techniques and the use of sophisticated databases to improve the screening process. The Department has also made gains in sharing intelligence, particularly with the Department of Homeland Security.

Fraud prevention in both visa and passport processing continues to be a critical challenge. The Department has effectively reorganized and improved fraud prevention programs, resulting in better fraud trend analysis and field support, but personnel shortages have hampered the expansion of the data-mining of visa records for fraud and corruption investigations, and may have a negative effect on the detection of passport fraud at some of the larger regional passport centers. The Department has deployed additional law enforcement personnel to work with consular offices and foreign law enforcement to identify, target, and disrupt travel document vendors and facilitators.

The Office of the Coordinator for Counterterrorism (S/CT) has too often been viewed as marginal to the global war on terror. Reasons identified during OIG's inspection of the office include a lack—until recently—of leadership, insufficient resources, and the difficulty of helping to coordinate the wide scope of counterterrorism efforts. This has eclipsed the hard work of dedicated employees. The new coordinator has recruited an experienced management team that has begun to reinvigorate S/CT and raise morale.

The Department's insufficient ability to monitor compliance or abuse by designated sponsors of exchange visitors within existing regulations, policies and procedures is a reportable condition with the Department's Management Control Steering Committee. The Bureau of Educational and Cultural Affairs, which administers the Exchange Visitors Program, has established a compliance unit to train staff and to provide oversight of this activity, and regulations and policies are being rewritten to provide better guidance and increase the government's enforcement capability.

Public Diplomacy

The Department, as a strategic goal, aims to increase understanding for American values, policies, and initiatives to create a receptive international environment. The Under Secretary for Public Diplomacy and Public Affairs has made clear the importance and urgency of this goal. Last year, OIG identified three areas needing attention: coordination of public diplomacy, performance measurement, and perceptions in the Muslim world. The Department has made progress in improving coordination and performance measurement. Improving the perceptions in the Muslim world still remains a performance challenge.

OIG and the Government Accountability Office (GAO) have previously indicated the need for greater public diplomacy interagency coordination, with the Department playing the lead role. The Department has made important strides forward in this area, establishing a policy coordinating committee, headed by the Under Secretary of Public Diplomacy and Public Affairs, to institutionalize interagency public diplomacy coordination and develop an overarching strategy.

OIG's review of implementation of the Middle East Partnership Initiative (MEPI) found persistent communications problems between the MEPI Office in the Bureau of Near Eastern Affairs and embassies having MEPI programs, which the Department is working diligently to improve. As an example of transformational diplomacy at work, there is general agreement that MEPI works and is a useful tool for diplomats. Its programs support overarching, strategic U.S. policy objectives such as the Administration's freedom strategy of promoting reform and democracy in the Middle East and North Africa, and the objective of addressing Islamic extremism.

Post-Conflict Stabilization and Reconstruction

Basic to the success of all U.S. hopes for democracy and good governance in Iraq is an effective anticorruption regime. Because of the connection between corruption and the insurgency in Iraq and because of corruption's threat to stability and reconstruction in Afghanistan, the U.S. Government has increased its anticorruption efforts in both countries. Following OIG assessments of rule-of-law and anticorruption programs in Iraq, Embassy Baghdad has strengthened and streamlined the management of its rule-of-law programs, expanded interaction with Iraqi agencies, and improved coordination among international donors. The Department has assigned a Foreign Service officer to serve as the embassy's senior rule-of-law coordinator and to increase collaboration with the military command, and a strategic rule-of-law plan has been incorporated into the embassy's Mission Performance Plan. As part of its multi-agency anticorruption program, Embassy Baghdad is working to establish advisors to the Board of Supreme Audit and to the Iraqi Inspectors General, to go along with the advisor to the Commission on Public Integrity, in recognition that these institutions must ultimately be effective in the discharge of their oversight responsibilities if rule of law is to prevail in Iraq. A joint OIG survey with Department of Defense OIG of another element in the rule of law—police forces—identified weaknesses in the Iraqi program for recruiting, vetting, and training candidates, while a similar joint survey in Afghanistan noted deficiencies in the police readiness level as well as in management controls over U.S.-provided equipment.

OIG surveys and assessments in both countries have observed that rule of law includes the entire legal complex of a modern state, from a constitution and a legislature to courts, judges, police, prisons, due process procedures, a commercial code, and anti-corruption mechanisms, and all elements need to progress nonsequentially for the functioning of a safe, secure, and democratic environment where rights and liberties of individuals are protected. In keeping with this viewpoint, Congress has continued to provide substantial funding for agency-operated rule-of-law and anti-corruption programs, including earmarked funds for OIG to continue and expand its work in both countries in FY 2006 and 2007.

OIG FY 2006 PERFORMANCE RESULTS AND ACCOMPLISHMENTS

FY 2006 was a year of both accomplishment and challenge for the Office of Inspector General. The following pages summarize OIG results in addressing its FY 2006 performance goals, as well as key accomplishments.

OIG STRATEGIC AND PERFORMANCE GOALS AND FY 2006 RESULTS				
Strategic Goal (SG) Performance Goal (PG)	Measure	FY 2006 Target	FY 2006 Actual	% Above or Below Target
SG1: The Department and the BBG effectively, efficiently, and economically, advance the foreign policy interests of the United States				
PG1: Improve the operations of overseas missions, domestic bureaus, and international broadcasting activities	Missions and bureaus inspected	31	32	3%
	Reports issued on systemic/ regional/policy issues and programs	12	10	-17%
	Recs. resolved within 6 months	80%	65%	-19%
	Significant recs. resolved within 6 months	80%	47%	-41%
SG2: The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad				
PG1: Assess security for personnel, facilities and information	Reports issued on security programs	14	21	50%
	Recs. resolved within 6 months	80%	68%	-15%
	Significant recs. resolved within 6 months	80%	71%	-11%
SG3: The Department and the BBG have the necessary systems and controls to meet legal and operational requirements				
PG1: Identify vulnerabilities in financial and administrative support programs	Reports issued on programs reviewed	24	33	38%
	Recs. resolved within 9 months	80%	70%	-13%
	Significant recs. resolved within 9 months	85%	80%	-6%
PG2: Evaluate progress in addressing priority issues	Major management challenges addressed in OIG reports	80%	100%	25%
SG4: The Department and the BBG ensure accountability and eliminate fraud, waste, abuse, and mismanagement in programs and operations				
PG1: Identify potential monetary and nonmonetary benefits and improve the efficiency of operations and compliance with applicable contracts and grants	Return on Investment for audits	\$1.20	\$2.06	72%
	Value of cost savings, efficiencies, recoveries, and fines	\$8.5 million	\$31.3 million	268%
PG2: Promote professional and ethical conduct and accountability; and investigate fraud, waste, abuse, and mismanagement	Activities focused on key vulnerabilities	28	37	32%
	INV reports issued within 6 months	70%	86%	23%
	Investigations focused on management challenges	65%	100%	54%
	Percent of complaints—not investigated by OIG—referred within 21 days	85%	69%	-19%
Management and Organizational Excellence				
Ensure employees have professional skills and expertise necessary to fulfill OIG mission and goals	Percent of staff completing required leadership training	80%	84%	5%
	Average days to issue inspection reports and program reviews	180	171	5%
Continuously improve OIG products and processes for maximum impact in meeting customer needs	Average days to issue audit reports	215	234	-9%

Overall, OIG achieved 55 percent of its FY 2006 performance targets. Results on return on investment for audits and cost efficiencies exceeded targets by nearly 72 percent and 270 percent respectively. Other targets fell short by as much as 41 percent. The performance shortfalls experienced in FY 2006 were primarily the result of funding and staffing shortages that reduced OIG's ability to travel and to staff positions responsible for addressing compliance with OIG recommendations. An expected increase in FY 2007 funding, along with aggressive new recruitment and retention efforts, should enable OIG to better meet its future targets and to achieve those not met in FY 2006.

Key Results and Accomplishments of OIG Work

During FY 2006, OIG findings and recommendations prompted actions taken by the Department and BBG that produced significant results. These results included improvements in verification procedures and quality controls to ensure that only American citizens received U.S. passports; in the protection of classified information and materials; and in the integrity, accuracy, and reliability of financial management and other information systems. OIG audit and investigative activities also improved accountability for Department employees, contractors, and grantees; identified potential cost benefits; and reduced fraud and other violations of law and regulation. Highlights of some of our most important results are shown below by strategic goal.

ACCOMPLISHMENTS AND EXPECTED FUTURE RESULTS IN RESPONSE TO OIG REPORTS AND INVESTIGATIONS

SG1: Foreign Policy

- Establishment of an over-arching strategic plan for Embassy Baghdad's rule-of-law programs
- Strengthened Iraqi anticorruption programs
- Increased management oversight of the \$260-million Afghanistan counternarcotics program
- Department actions to address OIG-identified border security vulnerabilities that could be exploited by terrorists
- Improvements to international broadcasting efforts in the Global War on Terror and greater coordination on public diplomacy matters

SG2: Security

- Improvements in the emergency preparedness at BBG's domestic facilities
- Improvements to perimeter security for vehicle access points at overseas missions
- The expedited assignment of a full-time security officer to a critical-threat post
- Improvements in the Department's patch management program to lessen security vulnerabilities
- Elimination of a backlog of over 200 requests from embassies for Dedicated Internet Network waivers

SG3: Financial Management and Administrative Support

- Strengthened controls at the Global Financial Services Center in Charleston
- Improvements in Department controls over the tracking and reporting of aircraft and parts inventories
- Development of an airline travel self-assessment tool for bureaus to determine compliance with air travel policies
- Improvements in quality assurance and identification of potential cost savings by outsourcing specific medical functions

SG4: Accountability

- Identification of questioned costs, recoveries, or funds put to better use totaling \$31.3 million
- Development of a fraud-prevention "tool kit" for consular operations
- Termination of an unnecessary warehouse lease by the Department
- Transfer of other administrative activities to the regional center in Singapore
- Action taken by BBG to begin centralizing its management of overseas transmitting stations

Resources Supporting OIG Strategic Goals

OIG strategic goals were supported by an FY 2006 budget of \$29.65 million. Budget constraints and recruitment problems limited OIG's on-board staffing to 182 employees as of the end of FY 2006. Allocations of resources to OIG's strategic goals are summarized below.

Budget by Strategic Goal			Staffing by Strategic Goal		
SG 1:	\$9.1 Million	31%	SG 1:	47	26%
SG 2:	\$5.7 Million	19%	SG 2:	35	19%
SG 3:	\$7.9 Million	27%	SG 3:	52	29%
SG 4:	\$6.9 Million	23%	SG 4:	48	26%

An expanded version of OIG's FY 2006 Program Performance Report can be found online at <http://oig.state.gov/lbry/pubs/>.

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-Onís 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.

2005: General elections held in Iraq to form a new government. Iraqis vote to elect a 275-member National Assembly, provincial councils and a Kurdish regional assembly.

Performance Section



This section contains the annual program performance information required by the Government Performance and Results Act of 1993 (GPRA) and together with the Appendices, includes all of the required elements of an annual program performance report as specified in OMB Guidance. The results are presented in twelve chapters, one for each strategic goal. A summary of resources supporting each strategic goal is included in a table at the end of the section. For more information, please contact the Office of Strategic and Performance Planning at PAR@state.gov or (202) 647-0300.

INTRODUCTION TO THE JOINT PERFORMANCE SECTION

HOW WE MANAGE AND REPORT ON PERFORMANCE

The Joint Performance Section reports on performance indicators **owned and managed separately** by the Department of State and the U.S. Agency for International Development (USAID). Each indicator table shows the logo of the agency responsible for gathering, reporting, and validating the performance data for that indicator:



Department of State



USAID

In addition, State and USAID are reporting separately on agency-specific resources invested to achieve specific performance goals. Throughout the fiscal year, performance management analysts from the Department of State and USAID provide training, guidance and support to planning coordinators from regional and functional bureaus in both agencies. These bureau planning coordinators work directly with senior leadership, program managers and technical experts to review and evaluate performance measures to ensure they best capture the President's highest foreign policy and foreign assistance priorities and focus on high-level outcomes. Furthermore, senior leaders and program managers use relevant performance data, including data from program evaluations, budget reviews, PART assessments, and quarterly results reporting to inform budget and management decisions.

During FY 2006, the Department and USAID closely reviewed and significantly simplified the number of indicators used to track performance. A joint State-USAID team of performance analysts reviewed the indicator set published in the FY 2006 Joint Performance Plan and, in consultation with program managers, replaced weak indicators and imprecise targets with measures that better track progress toward our highest-level outcomes and strategic goals. As a result, the number of indicators against which the Department of State and USAID are reporting in the FY 2006 PAR was reduced from 286 to 129, of which 35 are managed by USAID and 94 are managed by the Department.

In accordance with OMB guidance and the Reports Consolidation Act of 2000, the performance data contained in the FY 2006 PAR are complete and reliable. Actual performance data are reported for every performance goal and explanations for changes to performance measures are listed in an appendix. For many of its indicators, USAID estimated performance results based on preliminary data, as final year data were unavailable as of November 15, 2006. If preliminary data have been used, this will be noted in the data source information for each indicator. Final USAID performance results will be reported after year-end data is received from field operating units later in the calendar year.

OUR PERFORMANCE RATING SYSTEM

The Department and USAID used a rigorous results rating methodology to assess FY 2006 performance on the initiatives and programs under each strategic goal. First, program managers assigned a single rating for each performance measure to characterize the status of agency performance in relation to targets set for FY 2006. Performance analysts from State and USAID then evaluated each self-assessed rating and raised follow-up questions with program managers as appropriate. On occasion, initial ratings were changed after review to more accurately reflect results.

The following table shows the criteria and parameters of the Performance Results Rating System.

PERFORMANCE RESULTS RATING SYSTEM					
Performance Rating	Significantly Below Target	Below Target	On Target	Above Target	Significantly Above Target
Criteria	Parameters				
Results Against Targets	Results missed FY 2006 target by a significant margin	Results missed FY 2006 target by a slight margin	Results met FY 2006 target	Results slightly exceeded FY 2006 target	Significantly exceeded FY 2006 target
Budget Status	Spent significantly over budget	Spent slightly over budget	Spent on budget	Spent slightly under budget	Spent significantly under budget
Timeliness	Missed most critical deadlines	Missed some critical deadlines	Met all critical deadlines	Met some critical deadlines early	Met most critical deadlines early
Impact on Outcomes	Results significantly compromise progress toward targeted outcomes	Results slightly compromise progress toward targeted outcomes	Results support progress toward targeted outcomes	Results slightly ahead of expected progress toward targeted outcomes	Results significantly ahead of expected progress toward targeted outcomes

VALIDATION AND VERIFICATION

Program managers are held accountable for performance results reported in the PAR. Credibility depends on the due diligence of program managers to validate and verify performance by choosing appropriate performance measures and ensuring the highest accuracy of reported results. The Department’s Verification and Validation Reference Guide and USAID’s Automated Directives System (www.usaid.gov/policy/ads/200/203.pdf) assist program managers to ascertain the quality, reliability and validity of performance data. The National Foreign Affairs Training Center also uses these reference materials in courses on strategic and performance planning.

Assessing the reliability and completeness of performance data is critical to managing for results. Tables in the Joint Performance Section include the following information to show validation and verification of performance data:

- **Validation:** At the top of each performance table under the indicator title, a short statement explains why this indicator is a useful and appropriate measure of program performance.
- **Verification:** Performance tables include a “Performance Data” subsection that provides data source and data quality information relevant to each indicator. Under these fields, program managers list the resources used to measure performance (data source) and provide an assessment of the reliability and completeness of performance data (data quality), including any issues that may compromise confidence in the accuracy, quality or reliability of performance data or data sources used to determine FY 2006 performance results.

Federal agencies’ Inspectors General play a central role in the verification and validation of their agency’s performance measures. To improve performance and implement the President’s Management Agenda, the Office of the Inspector General (OIG) reviews performance measures in the course of its audits and evaluations. The OIG consults with program managers to identify key measures to be verified and validated as a complement to agency verification and validation efforts. The OIG gives priority to performance measures related to the President’s Management Agenda initiatives, programs assessed by OMB’s Program Assessment Rating Tool, and areas identified as serious management and performance challenges. In addition, independent external auditors perform tests to determine if internal controls exist and are followed to ensure that performance indicator results are accurate and complete, in compliance with the Government Performance and Results Act. ■

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

The foremost responsibility of government is protecting the life, liberty, and property of its citizens. Since our struggle for independence, diplomacy and development assistance have become critical to our nation's security. The Department of State and USAID lead the effort to build and maintain relationships, coalitions, and alliances that promote economic, social and cultural cooperation, helping create the conditions for peace, and containing or eliminating potential dangers from abroad before they can harm our citizens.

Our security is best guaranteed when our friends and neighbors are secure, free, and prosperous, and when they respect human rights and the rule of law. As a result, the Department and USAID focus their efforts on resolving regional conflicts, countering global terror networks, combating international organized crime, and keeping weapons of mass destruction out of the hands of those who seek to harm the United States, our allies, and our friends.

STRATEGIC GOAL 1: REGIONAL STABILITY

Avert and Resolve Local and Regional Conflicts to Preserve Peace and Minimize Harm to the National Interests of the United States

I. Public Benefit

The United States Government seeks to provide security for American citizens and interests at home and abroad through international treaties, alliances, and the active promotion of freedom, democracy, and prosperity around the world. Employing diplomacy and development assistance, the U.S. builds and strengthens relations with neighbors and allies worldwide to promote shared values and prevent, manage, and mitigate conflicts and human suffering. The Department of State and USAID work with international partners to alleviate regional instability by promoting good governance and sustainable civil institutions, and by developing professional, responsible, and accountable police and military forces. In company with U.S. allies and coalition partners, the U.S. Government (USG) helps failing, failed, and recovering states to nurture democracy, enhance stability, improve security, make key reforms and

develop capable institutions. Department of State and USAID policies and programs enable partnerships to fight terrorism, the proliferation of dangerous weapons, trafficking in people and narcotics, and other criminal activities that undermine legitimate governments and threaten regional stability around the globe. The USG helps build the capacity of foreign partners through military and development assistance programs that enhance regional security and reduce demands on

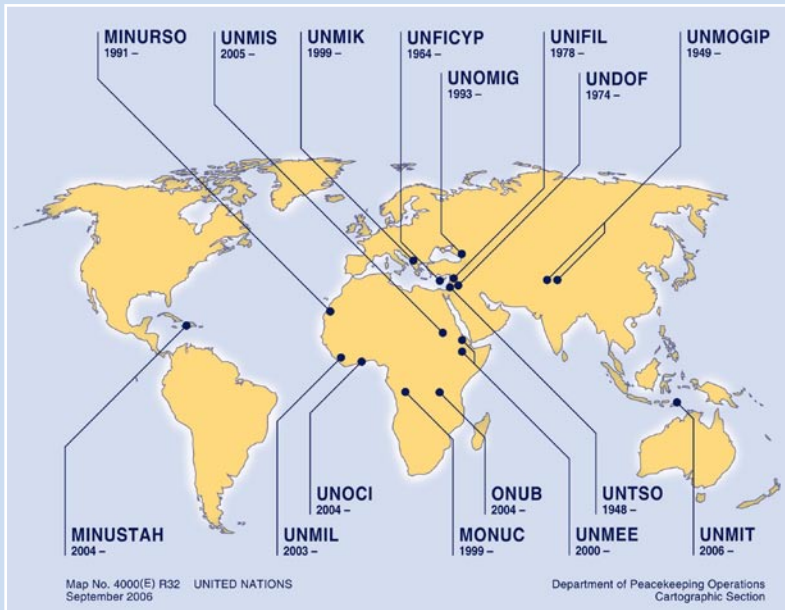


Secretary Rice gestures while speaking during a media conference after a NATO foreign ministers meeting at the National Palace of Culture in Sofia, April 2006.

AP/Wide World

U.S. forces. Engagement of like-minded foreign partners contributes to and enhances the legitimacy of U.S. stabilization and reconstruction efforts. Success under the Regional Stability Strategic Goal can be seen in the expansion of NATO missions into Afghanistan, strong and growing security relationships with Japan, South Korea, India and Australia, and steady improvements in the capability of the African Union to respond to crises on the African continent. These and related efforts reduce threats created by regional instability and thereby protect the security of Americans and our interests at home and abroad.

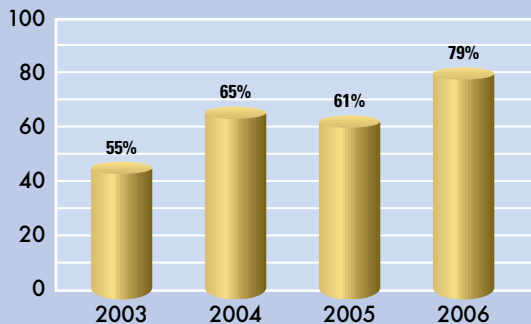
ONGOING PEACEKEEPING MISSIONS



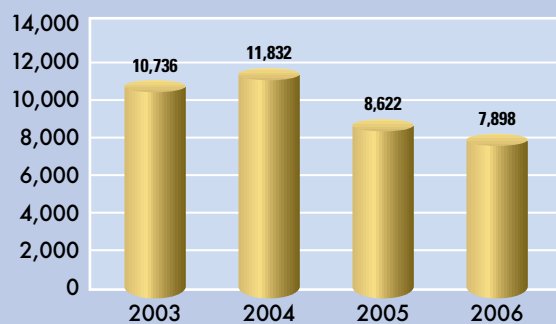
- UNTSO** United Nations Truce Supervision Organization
- UNMIS** United Nations Mission in the Sudan
- UNMOGIP** United Nations Military Observer Group in India and Pakistan
- MONUC** United Nations Organization Mission in the Dem. Rep. of the Congo
- UNFICYP** United Nations Peacekeeping Force in Cyprus
- UNMEE** United Nations Mission in Ethiopia and Eritrea
- UNDOF** United Nations Disengagement Observer Force
- UNMIL** United Nations Mission in Liberia
- UNIFIL** United Nations Interim Force in Lebanon
- UNOCI** United Nations Operation in Côte d'Ivoire
- MINURSO** United Nations Mission for the Referendum in Western Sahara
- MINUSTAH** United Nations Stabilization Mission in Haiti
- UNOMIG** United Nations Observer Mission in Georgia
- ONUB** United Nations Operation in Burundi
- UNMIK** United Nations Interim Administration Mission in Kosovo
- UNMIT** United Nations Integrated Mission in Timor-Leste

II. Selected Performance Trends

Percentage of U.S. Trained African Units Deployed to Peace Support/Humanitarian Response Operations



Number of Individuals Trained under IMET Programs (International Military Education and Training)



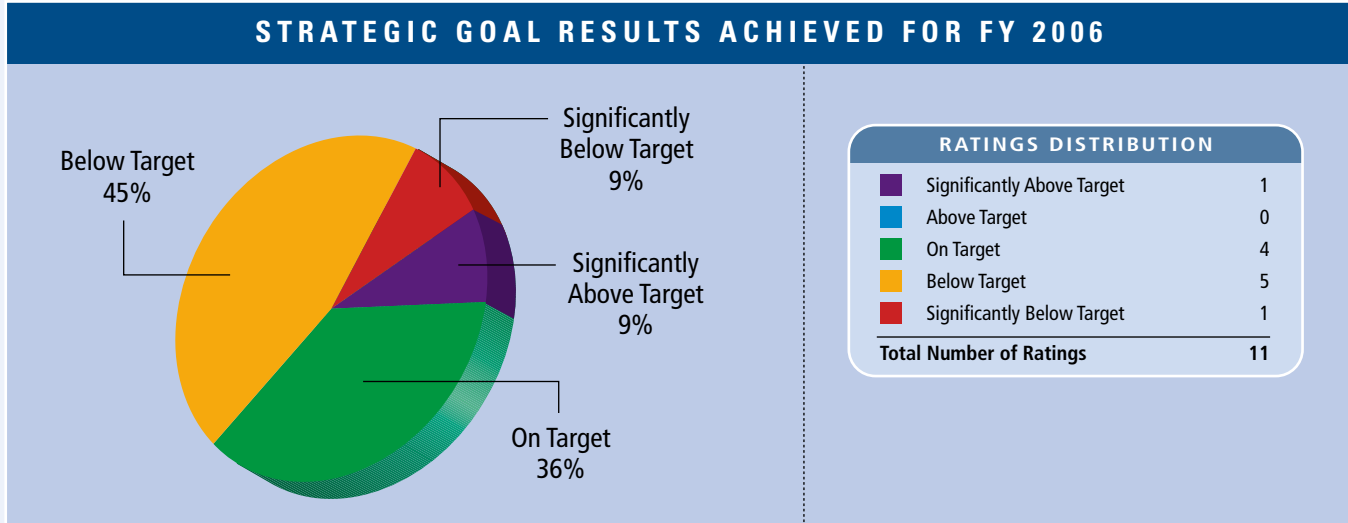
III. Strategic Context

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

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Regional Stability	Close Ties with Allies and Friends	Transatlantic Relationship	D&CP, FMF, IMET, ESF	EUR, PM	NATO member and aspirant countries
		International Military Education and Training (IMET)	D&CP, IMET, FMF	PM	Office of the Secretary of Defense/ Defense Security Cooperation Agency (OSD/DSCA), Joint Staff
		Military Assistance for New NATO and NATO Aspirant Nations	D&CP, FMF, IMET	EUR, PM	DoD, Joint Staff
	Resolution of Regional Conflicts	Prevent/Resolve Regional and Local Conflicts	D&CP	EAP	DoD, ASEAN, Japan, China, Russia, Republic of Korea
		Conflict Management and Mitigation	D&CP, PKO, IMET, FMF, DA, ESF, TI	AF, AFR, DCHA	AU, DoD, EU, UNDPKO, France, UK, Belgium, ECOWAS, Nigeria, Senegal, Ghana, Kenya, Benin, Mali
		Regional Security Cooperation and Arms Control	D&CP	ISN, EUR, VCI	DoD, NATO, OSCE
		Implementation of the Road Map	D&CP, ESF	EB, NEA, PPC	NSC, CIA
		Iraq and Gulf Security	D&CP, FMF, IMET, ESF, INCLE, HRDF, IRRF	NEA, PM, ANE	NSC, DoD, Treasury, Commerce, Agriculture, FAA, Education, HHS, International Broadcasting Bureau, DOJ, Energy, UN
		Security Assistance to Sub-Saharan Africa	D&CP, PKO, ESF, IMET, FMF	AF, PM	AU, DoD, EU, ECOWAS, UNDPKO, Netherlands, Belgium, France, UK, Nigeria, Senegal, Ghana, Kenya, South Africa, Benin, Mali, Ethiopia, Djibouti

IV. Performance Summary

The chart below summarizes Department of State and USAID performance ratings for the Regional Stability strategic goal.



V. Performance Analysis

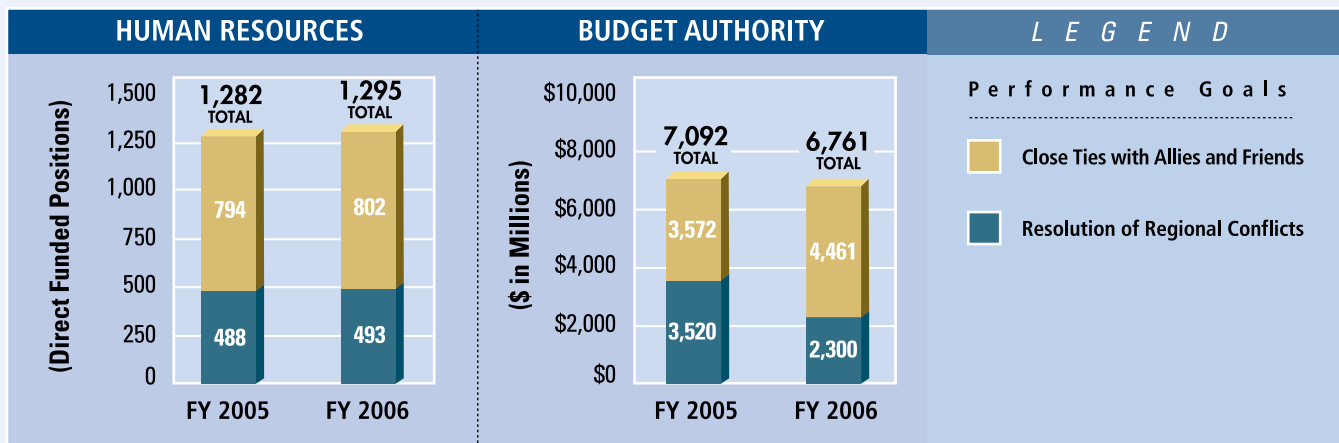
PERFORMANCE TRENDS. There have been a number of significant trends under the Regional Stability goal. One trend is the steady increase since FY 2003 in the percentage of U.S. trained African units deployed to peace support/humanitarian response operations. Another trend is the decrease in the number of foreign military officers participating in International Military Education and Training (IMET) programs from FY 2003 to FY 2006, attributable in part to fewer training opportunities available for foreign military officers due to military operations in Iraq and Afghanistan. A final notable trend is USAID’s positive results in supporting local peace-building initiatives, conflict sensitivity training and conflict mitigation-focused media campaigns. USAID’s grassroots approach has advanced USG efforts toward peace and regional stability.

HIGH-LEVEL RESULTS. The Department and USAID made demonstrable progress toward desired regional stability outcomes, including promoting strong and effective ties with transatlantic allies, augmenting interoperability with NATO forces, obtaining Chinese cooperation on regional stability matters, and building the capacity of African forces deployed to peace support and humanitarian response operations. USAID results on conflict management and mitigation programs showed progress is being made on local levels to advance peace processes around the world.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. USAID significantly exceeded targets for peacebuilding and conflict resolution activities worldwide. However, the indicator that tracks the implementation of the Adapted Conventional Forces in Europe (CFE) treaty was rated significantly below target. Implementation of the CFE remains stalled as the standoff between Russia and NATO states continues over Russia’s failure to withdraw military forces from Moldova and Georgia.

KEY INITIATIVES AND PROGRAMS. For FY 2006, Congress appropriated \$86.7 million to the Department of State for international military education and training, \$4.5 billion for foreign military financing, and more than \$1.2 billion to fund international peacekeeping operations.

VI. Resources Invested



VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.


ANNUAL PERFORMANCE GOAL 1
 CLOSE, STRONG, AND EFFECTIVE U.S. TIES WITH ALLIES, FRIENDS, PARTNERS, AND REGIONAL ORGANIZATIONS.

Meeting the Challenges of the 21st Century

NATO's role in building security in Afghanistan, far outside the traditional NATO area of operations, is a clear indication of NATO's commitment to combat increasingly global threats in the 21st century. NATO has over 19,000 soldiers from 36 countries under its command in Afghanistan, demonstrating the enhanced security posture and international commitment to continue fighting the war on terrorism. Since 2005, NATO has trained over 2,000 Iraqi officers and has provided airlift and other logistical and training support to the African Union's Darfur mission. NATO has also played a key role in maintaining peace and stability in the Balkans.




A German ISAF patrols in northern Afghanistan, October 2005. AP/Wide World

I/P: TRANSATLANTIC RELATIONSHIP		
	INDICATOR: Status of Transatlantic Security Relationships	
Outcome		
JUSTIFICATION: The North Atlantic Treaty Organization (NATO) is the United States' most effective and durable multilateral security relationship. Strong and effective ties with European allies within NATO are essential to promote stability and protect U.S. interests in Europe and around the world.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● NATO increases the size and scope of its training mission in Iraq. ● NATO-led International Security Assistance Force (ISAF) completes Stage IV transfer and assumes security responsibility throughout Afghanistan. ● NATO stages large-scale military exercise in the Middle East and Central Asia and the Caucasus; four more Gulf states join NATO's security cooperation initiative for the Middle East; three more Central Asian and Caucasus states conclude Individualized Partnership Action Plans. ● NATO Response Force reaches full operational capability following certification. ● Ukraine further intensifies relationship with NATO, depending upon reform progress. ● Russia launches peacekeeping brigade fully interoperable with NATO. ● European countries contribute to NATO operations.
	Results	<ul style="list-style-type: none"> ● NATO increased the size and scope of its training mission in Iraq. ● NATO-led International Security Assistance Force (ISAF) assumed responsibility for security throughout Afghanistan and completed expansion of Provincial Reconstruction Teams. ● NATO completed Kosovo Force transition from a Multinational Brigade Force to a Multinational Task Force structure. ● NATO Response Force improved but is not yet at full operating capability. ● Ukraine committed to strengthening cooperation with NATO. ● Russia and NATO work together to improve military interoperability, but Russia has not yet established a fully interoperable peacekeeping unit.
	Rating	■ On Target
	Impact	Advanced military goals in Iraq and Afghanistan. KFOR transition created leaner administration and support with more flexible maneuver elements.
PERFORMANCE DATA	Data Source	Reports from NATO.
	Data Quality (Verification)	The data, gathered through primary data collection from NATO Allies, are considered reliable.
PAST PERFORMANCE	2005	European military capabilities increased through engagement in the ISAF and NATO's Training Mission in Iraq. NATO's Stabilization Force completed its mission in Bosnia & Herzegovina. The NATO-EU handover took place smoothly. A NATO headquarters in Sarajevo was established on schedule. NATO began Kosovo Force transition to a Multinational Task Force structure to eliminate redundant administrative and support forces while enhancing overall effectiveness of maneuver forces.
	2004	European and Eurasian partners contributed troops to the Multinational Force-Iraq and Operation Enduring Freedom. NATO-ISAF operation expanded beyond Kabul. NATO expanded operations in Iraq. Minimal NATO presence in Bosnia & Herzegovina; deterrent presence in Kosovo.
	2003	Berlin Plus, which would have allowed the EU to borrow NATO assets and capabilities for European-led operations, was not agreed upon. Allied Heads of State and Government committed to enhance military capabilities through the New Capabilities Initiative. U.S. export controls with key European allies were streamlined to promote transatlantic defense industrial integration. NATO-Russia Council established.

I/P: INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET)		
INDICATOR: Number of Individuals Receiving Training Under IMET		
Output		
<p>JUSTIFICATION: The number of foreign military personnel participating in IMET programs helps gauge increased foreign receptivity to the U.S. strategic approach and likely success in gaining foreign support on specific policy issues. The greater the number of IMET students, the greater the likelihood that future leaders will be drawn from a cadre of individuals who possess an understanding of and appreciation for U.S. interests.</p>		
FY 2006 PERFORMANCE	Target	12,800 individuals.
	Results	7,898 individuals.
	Rating	■ Below Target
	Impact	Fewer foreign students trained through IMET programs could mean fewer future leaders who possess familiarity with and appreciation of U.S. strategic and policy interests.
	Reason for Shortfall	Reduction of students is due in large part to military operations in Iraq and Afghanistan, which resulted in fewer training opportunities at U.S. military schools and facilities, as well as a reduced number of trainers available to participate in Mobile Training Teams.
	Steps to Improve	Improvement in numbers of students receiving IMET-funded training is contingent upon increases in funding, decreases in military operational tempo, and on removing legislative restrictions on military assistance. However, data may be deceiving in that numbers of individuals trained may not directly reflect the potential foreign policy impact of training. Sending many junior military personnel to short training courses does not necessarily equate to the strategic impact of sending fewer but more senior officers to longer senior educational courses. The Department continues to search for better methodologies by which to measure the meaningful impact of IMET training.
PERFORMANCE DATA	Data Source	Data and records concerning IMET students and expenditures are maintained by the U.S. Department of Defense. Department of State Political-Military Affairs Bureau and regional bureau assessments of participation by foreign countries.
	Data Quality (Verification)	Data are regarded as reliable and authoritative.
PAST PERFORMANCE	2005	8,622 individuals.
	2004	11,832 individuals.
	2003	10,736 individuals.



Secretary Rice meets with Chinese Premier Wen Jiabao in Beijing in October 2006. AP/Wide World

I/P: MILITARY ASSISTANCE FOR NEW NATO AND NATO ASPIRANT NATIONS	
 INDICATOR: Aspirants Making Progress Achieving NATO-Defined and Measured, Country-Specific Membership Action Plans	
PART Outcome	
JUSTIFICATION: Progress shown by NATO aspirant nations to achieve membership action plans indicates political will to integrate defense with NATO as a whole.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> • New members fully integrated into revised command structure and making measurable progress toward meeting force goals. • Remaining aspirants (Albania, Croatia, and Macedonia) accelerate military reform and increase number of deployment-ready niche units through Adriatic Charter.
	Results <ul style="list-style-type: none"> • With mentoring from Allies, Albania, Macedonia and Croatia made progress implementing their Membership Action Plans, including progress on defense reforms, force restructuring, and improved interoperability. • All new allies have contributed to this consultation process. • New members are fully integrated into command structure and making measurable progress toward meeting force goals. • All aspirants have deployed units to NATO operations.
	Rating ■ On Target
	Impact Aspirant progress is on schedule. NATO has agreed to evaluate aspirants' progress and make decisions on possible membership invitations at its 2008 Summit. President Bush publicly pledged to support Croatia's bid for a 2008 invitation.
PERFORMANCE DATA	Data Source NATO International Staff Consolidated and Individual Membership Action Plan, Annual National Plan submissions.
	Data Quality (Verification) These data are official, objective and accurate. Reporting from the various sources is crosschecked to ensure reliability and completeness.
PAST PERFORMANCE	2005 Albania, Macedonia and Croatia made progress with Membership Action Plans with mentoring from new ally nations. All new allies have contributed to this consultation process.
	2004 One hundred percent of NATO aspirants made progress toward NATO-defined and measured, country-specific Membership Action Plans. Formal entry of New Allies, who complete full integration into NATO, and assist mentoring of Aspirants. Membership Action Plan cycle continued for aspirants; Adriatic Charter cooperation took shape.
	2003 Accession Protocols signed by 19 Allies; U.S. Senate ratification in May 2003. Invitees' reforms took place in line with NATO requirements for membership. Aspirants continue Membership Action Plan process and, along with the U.S., signed the Adriatic Charter, where all parties pledged to work together to move reform efforts toward NATO and EU membership.



Afghan President Hamid Karzai reviews the guard-of-honor during a ceremony in Islamabad, Pakistan, February 2006. AP/Wide World

ANNUAL PERFORMANCE GOAL 2
EXISTING AND EMERGENT REGIONAL CONFLICTS ARE CONTAINED OR RESOLVED.

I/P: PREVENT/RESOLVE REGIONAL AND LOCAL CONFLICTS		
INDICATOR: Status of Chinese Cooperation on Regional Stability		
Outcome		
JUSTIFICATION: China is capable of playing a significant role in reducing tension in the East Asia and Pacific region.		
FY 2006 PERFORMANCE	Target	China continues to host and participate in Six-Party settlement of the North Korea nuclear issue.
	Results	China continues to prioritize the Six-Party Talks as the best venue to resolve the North Korea nuclear issue, and urges further participation in the talks by all parties. A fifth round of the talks took place in Beijing in November, but North Korea has refused to participate in subsequent sessions.
	Rating	■ On Target
	Impact	Chinese assistance in limiting North Korea's WMD proliferation is critical to our greater nonproliferation objectives.
PERFORMANCE DATA	Data Source	Reports and memoranda of communication from U.S. overseas posts, intelligence reporting, regional allies, and NGOs.
	Data Quality (Verification)	The quality of the data is largely dependent on the number and types of observations. Widespread interest in this area ensures a significant source of information is available to verify results and conclusions. Steady diplomatic reporting has provided a solid basis for policy makers to make informed decisions.
PAST PERFORMANCE	2005	China's active diplomacy continued to result in forward progress in Six-Party talks. China-Association of Southeast Asian Nations (ASEAN) enhanced confidence-building measures on trade and maritime ties. China, ASEAN and UN promoted Burma political opening.
	2004	China played a constructive role in, and hosted, the Six-Party talks with North Korea, and has continued to improve ties and play a constructive role in South Asia. China generally was supportive of U.S. Middle East policies and provided modest assistance with reconstruction in Afghanistan and Iraq.
	2003	China discussed its bilateral border disputes with Indian officials and played a crucial role in facilitating multilateral talks with North Korea on maintaining a nuclear weapons-free Korean Peninsula.

U.S. Assistance to Liberia

The United States has taken the lead in helping Liberia make the transition from conflict to stability. Our diplomatic and military intervention in 2003 helped end the civil war, usher in a transitional government, and pave the way for democratic elections in 2006. In collaboration with other donors and multilateral organizations, the U.S. is helping Liberia rebuild its government and security functions, build infrastructure and roads, create employment and training opportunities, and provide vital health and education services for the Liberian people.



Liberian Chief Justice of the Supreme Court Henry Reed Cooper, right, administers the oath of office to Liberian President elect Ellen Johnson Sirleaf in Monrovia, Liberia, January 2006. AP/Wide World



I/P: CONFLICT MANAGEMENT AND MITIGATION

INDICATOR: Number of Peacebuilding and Conflict Resolution Activities Conducted Worldwide

Output

JUSTIFICATION: This is a measure of progress toward world peace that incorporates a balanced mix of coordinated outputs.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● 5% increase over FY 2005 in number and types of events in support of peace processes (i.e., peace conferences, dialogues, training course, workshops, and seminars). ● 5% increase over FY 2005 in number of officials and key decision-makers trained in peacebuilding/conflict resolution/mitigation skills. ● 5% increase over FY 2005 in number of people reached by conflict prevention/mitigation media campaigns.
	Results	<ul style="list-style-type: none"> ● 44% increase in the number and types of events in support of peace processes (total number of events in FY 2006: 1,952). ● 124% increase in the number of officials and key decision-makers trained in peacebuilding/conflict resolution/mitigation skills (total number of officials/decision-makers trained in FY 2006: 13,155). ● 42% increase in the number of people reached by conflict prevention/mitigation media campaigns (total number of people reached by conflict prevention/mitigation media campaigns in FY 2006: 10,810,750).
	Rating	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #4F81BD; margin-right: 5px;"></div> Significantly Above Target </div>
	Impact	Working toward its mandate of mainstreaming conflict sensitivity within USAID's traditional disaster, transitional, and development assistance portfolios, conflict management and mitigation has achieved positive results by supporting peace-building initiatives, conflict sensitivity training, and conflict mitigation-focused media campaigns. These contributions continue to improve USAID's ability to more skillfully support local efforts toward peace and regional stability.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	Verification and validation of the Agency's performance data is accomplished by periodic reviews, certifications and audits, including Data Quality Assessments and PART assessments, as well as annual certification of operating units' strategic objectives and their relationship to the Agency's strategic goals. Data validation and verification are also supported by extensive automated systems and external expert analyses.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● The number and types of events in support of peace processes (peace conferences, dialogues, training course, workshops, seminars) increased by 20% over FY 2004 (Total number of events in FY 2005: 1,355). ● The number of officials and key decision-makers trained in peacebuilding/conflict resolution/mitigation skills increased by 78%. (Total number of officials/decision-makers trained in FY 2005: 5,858). ● The number of people reached by conflict prevention/mitigation media campaigns increased by 4% (The number of people reached in FY 2005: 7,587,694).
	2004	Baselines: <ul style="list-style-type: none"> ● Number and types of events in support of peace processes (peace conferences, dialogues, training course, workshops, seminars): 1,126. ● Number of officials and key decision-makers trained in peacebuilding/conflict resolution/mitigation skills: 3,301. ● Number of people reached by conflict prevention/mitigation media campaigns: 7,295,860.
	2003	N/A.

I/P: CONFLICT MANAGEMENT AND MITIGATION (continued)		
		
INDICATOR: Progress of Implementation of Sudan Peace Process		
Outcome		
JUSTIFICATION: A peaceful Sudan with an inclusive government based on the rule of law could be a hedge against regional instability and an important partner in the global war on terrorism. Ending the conflict would also alleviate one of the world's worst humanitarian situations and stimulate regional economic prospects.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Regional democratic elections are planned; non-violent transitions to appropriate new government in Sudan or at minimum, preparation activities toward a program of democratic elections are put in place. Military reform continues with additional assistance provided to the southern Army. Disarmament, Demobilization, and Reintegration (DDR) on both sides results in force reduction of 40% globally. 40% of refugees and internally displaced persons (IDPs) return home. Darfur IDPs and refugees return home. UN authorizes extension of UN Mission in Sudan (UNMIS) in Darfur.
	Results	<ul style="list-style-type: none"> Comprehensive Peace Agreement (CPA) implementation showed progress in security arrangements; less progress on power- and wealth-sharing protocols. Darfur Peace Agreement signed in Abuja, Nigeria and Eastern Sudan Peace Agreement completed. Both agreements complement framework of CPA. Planning for elections barely in preliminary phase; however, technical preparations for a national census, a precursor to elections, are on schedule. Military transformation and U.S. support for Security Sector Transformation have slowly begun in the South. UNMIS verified redeployment on schedule with 63% Sudanese Armed Forces redeployed and 65% Sudan People's Liberation Army (SPLA) forces redeployed. The National Disarmament, Demobilization, Reintegration (DDR) Commission has not met since it was established in February 2006. The Northern Sudan DDR Commission started preliminary assessment work in Darfur. Internally Displaced Persons (IDP) are returning in the South, but displacements are increasing in Darfur. UNSCR 1706 authorizes the extension of UNMIS to Darfur and expansion by up to 17,300 troops, 3,300 UN Police, and 16 Formed Police Units.
	Rating	 Below Target
	Impact	The crisis in Darfur and Sudanese military offensive in Darfur have hindered progress on the implementation of the Comprehensive Peace Agreement. Implementation of the Darfur Peace Agreement and Comprehensive Peace Agreements are closely linked, and resolving the Darfur crisis is key not only to those affected by the crisis directly, but for all Sudanese whose future depends on the full and sustainable implementation of the Comprehensive Peace Agreement.
	Reason for Shortfall	Non-signatories to the Darfur Peace Agreement as well as the Sudanese Government continue to escalate violence and further embroil the Darfur region in conflict. Additionally, both the Sudan People's Liberation Movement (SPLM) and particularly the National Congress Party have been slow to act on key aspects of the CPA which require direct cooperation among members of the Government of National Unity.
	Steps to Improve	Resolving the Darfur crisis through a two-tracked diplomatic and security strategy will be crucial to progress on CPA implementation. This includes broadening support for the Darfur Peace Agreement among non-signatories, full and expeditious implementation of the agreement, and deployment of a UN peacekeeping force to Darfur respectively.
	PERFORMANCE DATA	Data Source
Data Quality (Verification)		UN and embassy reporting is generally detailed and accurate (e.g. monthly CPA Monitor). NGO reporting varies by location, event, and source.

Continued on next page

I/P: CONFLICT MANAGEMENT AND MITIGATION (continued)

INDICATOR: Progress of Implementation of Sudan Peace Process (continued)

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> In accordance with the CPA, the Government of National Unity and Presidency was formed and the Government of Southern Sudan was established. The donors conference in April succeeded in obtaining pledges to support the Comprehensive Peace Agreement above request. The UN Mission in Sudan deployed. Following the untimely death of former Vice President John Garang in late July, Salva Kiir was announced as the new First Vice President of Sudan in an orderly succession process, signaling the resilience of the CPA. Violence in Darfur and disruption of humanitarian assistance continued. In spite of some difficulty, Darfur peace talks in Abuja continued.
	2004	<ul style="list-style-type: none"> Power and wealth sharing agreements signed. Comprehensive agreement being negotiated. Crisis in Darfur eclipses Government of Sudan (GOS) - Sudan People's Liberation Movement (SPLM) peacemaking efforts. GOS not yet able to rein in Jingaweit militia as humanitarian crisis worsens. African Union deployed ceasefire monitors with U.S. assistance.
	2003	<ul style="list-style-type: none"> U.S. Government continued playing a strong role in the Inter-governmental Authority for Development peace process. Talks continued moving toward conclusion. Wide-ranging USG planning in the event of peace undertaken; most planning targets were identified. Ceasefire monitoring continued; DDR planning underway.



INDICATOR: Status of Regional Security in the Mano River Countries of Liberia, Guinea, and Sierra Leone

Outcome

JUSTIFICATION: Liberia, Guinea and Sierra Leone have been the site of war and other instabilities for at least the past 15 years, at untold humanitarian and economic cost to the countries and the region. Realizing a just peace will ensure that human resources and markets can better prosper and thereby decrease the region's potential as a site for terrorist or other illicit activities, including environmental degradation.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Liberia holds acceptable elections with nonviolent aftermath. Security sector reform continues in Liberia with newly trained police and military units deployed. The countries remain at peace, posting Gross Domestic Product growth twice that of population growth and boosting rankings on the Freedom House index of "free" nations by at least ten percentage points. Seventy-five percent or more of internally displaced persons (IDPs) and refugees return home. All international/regional forces withdraw.
	Results	<ul style="list-style-type: none"> Administration of Ellen Johnson Sirleaf was inaugurated January 16, 2006, with no significant violence or unrest. Security sector reform programs are underway for the army; training of units begun in July 2006. UN is making progress on police training and reform with U.S. assistance. All three countries remain at peace although there is some concern about the post-Conte transition in Guinea. The most recent World Bank data indicate the following ratios of GDP growth to population growth: Guinea -- pop 2.2%, GDP 2.7%; Liberia -- pop 0.7%; GDP 2.6%; Sierra Leone -- pop 4.2%, GDP 7.4%. 2006 Freedom House rankings are as follows: Guinea -- "Not Free"; Liberia -- "Partly Free"; Sierra Leone -- "Partly Free". All IDP camps closed in 2006. Approximately 100,000 refugees voluntarily returned to Liberia in 2006, some through UN facilitation. UN Mission in Sierra Leone (UNAMSIL) withdrew from Sierra Leone in December 2005, replaced by UN Integrated Office for Sierra Leone (UNIOSIL) political mission.
	Rating	<div style="display: inline-block; width: 15px; height: 15px; background-color: #FFC000; border: 1px solid black;"></div> Below Target
	Impact	Security and living conditions in Liberian returnee communities are slowly improving and more refugees are voluntarily returning. Lack of support for and focus on returnee communities could perpetuate security problems.
	Reason for Shortfall	Since many refugees have suffered multiple displacements during the long conflict, they have been slow to trust the peace. UN High Commissioner for Refugees (UNHCR's) official repatriation program is scheduled to be completed in mid-2007. UN Mission in Liberia (UNMIL) remains at some 16,000 personnel; drawdown is not expected until 2009.
	Steps to Improve	There is a need for a mix of diplomacy and post conflict reconstruction, disarmament, demobilization, and reintegration (DDR), and recovery activities funded through U.S. foreign assistance. The Department will continue to work with UN partners to provide resources to encourage and support Liberian returnees and anchor refugee returns.

Continued on next page


I/P: CONFLICT MANAGEMENT AND MITIGATION (continued)		
INDICATOR: Status of Regional Security in the Mano River Countries of Liberia, Guinea, and Sierra Leone (continued)		
PERFORMANCE DATA	Data Source	Embassy, UN, NGO and press reporting.
	Data Quality (Verification)	UN and embassy reporting is generally detailed and accurate. NGO reporting varies by location, event, and source.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● Liberia's transitional government held elections in October 2005, and Sierra Leone continued post-conflict recovery. ● UNAMSIL withdrew at the end of the year. ● DDR and security sector reform activities were incomplete and greatly delayed, respectively. ● As of the end of 2004, Sierra Leone had an estimated 48,000 Liberian refugees, Liberia 350,000 IDPs and thousands of Sierra Leonean refugees, while Guinea was hosting 6,000 Sierra Leoneans and 89,000 Liberians.
	2004	<ul style="list-style-type: none"> ● The Liberian peace agreement was holding and DDR proceeding smoothly. ● Sierra Leone remained calm as UN Mission in Sierra Leone (UNAMSIL) continued its phased withdrawal. ● IDPs and refugees were returning home.
	2003	<ul style="list-style-type: none"> ● The Liberian civil war deteriorated starting in May 2003. Peace talks began in Ghana in June 2003 and a comprehensive peace agreement was signed on August 18, 2003. ● The U.S. provided nearly \$26 million in logistics support to enable the deployment of Economic Community of West African States peacekeeping forces. ● The peace in Sierra Leone was still somewhat fragile, and Guinea's stability was questionable. ● 259,000 refugees and 425,000 IDPs in the region. ● UNAMSIL began phased withdrawal, UNMIL was fully deployed and the DDR process began, along with planning for security sector reform.

The African Contingency Operations Training and Assistance Program

Under the African Contingency Operations Training and Assistance program, the Department trains and equips African militaries to carry out peace support and humanitarian relief operations in the region. ACOTA's comprehensive strategy and flexible approach to training and capacity building prepares African countries and security institutions to take primary responsibility for peacekeeping operations in the region. To date, ACOTA has trained 62,000 soldiers from eighteen partner nations. Enhanced African peace support capacity serves U.S. interests in promoting regional stability, democracy and economic growth in Africa.



A National Guardsman shows equipment to military leaders from Ghana, June 2006. AP/Wide World

I/P: REGIONAL SECURITY COOPERATION AND ARMS CONTROL	
	INDICATOR: Progress of Implementation of the Adapted Conventional Forces in Europe (CFE) Treaty
	Output
<p>JUSTIFICATION: The 1990 CFE Treaty has long been considered a cornerstone of European security. Entry into force of the adapted CFE Treaty and its smooth implementation will contribute to a stable and secure Europe. The U.S. works closely with NATO Allies in coordinating positions regarding CFE issues, reinforcing the U.S. role in European security.</p>	
FY 2006 PERFORMANCE	<p>Target Entry into force of the Adapted CFE Treaty and accession discussions with additional Organization for Security and Cooperation in Europe (OSCE) states that wish to join.</p>
	<p>Results Russia still has not fulfilled all Istanbul commitments. This is the long-standing prerequisite to permit most States Parties to pursue ratification of the Agreement on Adaptation. Russia reached an implementing agreement with Georgia on the status and future duration of its bases at Batumi and Akhalkalaki and began withdrawal on the agreed timetable, but no agreement was reached on the base at Gudauta. There was no further progress on Russian commitments regarding Moldova. The U.S. and other States Parties continued to press Russia in the JCG and elsewhere for further progress on these commitments.</p>
	<p>Rating ■ Significantly Below Target</p>
	<p>Impact Until the adapted CFE Treaty enters into force, CFE states parties will be denied the benefit of its significant additional flexibilities concerning flank limits and accession provisions. The standoff between Russia and NATO states, which refuse to ratify the adapted Treaty unless Russia implements its political commitments to withdraw its forces from Moldova and Georgia, perpetuates an atmosphere in which the Joint Consultative Group (JCG) is often stymied in its efforts to make even routine and non-controversial improvements in the implementation of the existing Treaty and provides Russia with a basis to publicly criticize NATO states and the U.S. for their continued inaction.</p>
	<p>Reason for Shortfall Resolution of outstanding Treaty implementation issues, as well as application of the adapted Treaty, has now been stalled for several years. Accession and other new flexibilities provided under adaptation are not available. Successful Treaty operation continues, but with occasional lapses Russia attributes to the "obsolete" character of the current Treaty.</p>
	<p>Steps to Improve The U.S. and its NATO Allies continually urge Russia in the JCG and in high-level bilateral and NATO meetings to take the steps necessary to fulfill its Istanbul Commitments and create the conditions that would allow the adapted Treaty to enter into force.</p>
PERFORMANCE DATA	<p>Data Source U.S. representatives' and Embassies' reporting; reports of meetings; information released by states involved.</p>
	<p>Data Quality (Verification) U.S. Mission and Embassy reporting is generally detailed and accurate. Information from other states is generally accurate, but in occasional instances is subject to clarification in the JCG.</p>
PAST PERFORMANCE	<p>2005 Russia did not fulfill all Istanbul commitments. Russia reached a political agreement with Georgia on the status and future duration of its bases at Batumi and Akhalkalaki, but no agreement was reached on the base at Gudauta. There was no further progress on Russian commitments regarding Moldova.</p>
	<p>2004 Russia did not fulfill all Istanbul commitments. Russia still needed to reach agreement with Georgia on remaining issues regarding the status of the Russian presence at the Gudauta base and its future use, and the duration of Russian presence in Batumi and Akhalkalaki. Russia also needed to complete the withdrawal of its forces from Moldova, which virtually stalled in 2004. The U.S. and NATO continued to press Russia to fulfill these commitments, but there was no progress on key issues to report in FY 2004. Russia and the Georgian government continued to meet, but progress on Russian withdrawal from remaining bases fell victim to broader Russian-Georgian problems.</p>
	<p>2003 Major progress was made in calendar year 2003 on withdrawal of Russian forces from Moldova; some 20,000 tons of Russian munitions stored in depots in the Transdniestrian region had been withdrawn by the end of the year. Russia did not meet the OSCE's extended December 31, 2003 deadline to withdraw forces from Moldova. Progress on withdrawal of Russian bases from Georgia stalled for most of 2003, despite limited progress on technical issues. Russian equipment levels in the CFE Flank region remain below Adapted CFE Treaty Flank Limits.</p>

I/P: IMPLEMENTATION OF THE ROAD MAP		
	INDICATOR: Progress of Implementation of the Road Map Leading to an Independent, Democratic Palestinian State Existing Side-by-Side with Israel in Peace and Security	
	Outcome	
JUSTIFICATION: The indicator corresponds to the vision articulated by the President in his June 24, 2006, speech of two states, Israel and Palestine, existing side by side in peace and security, with targets geared to roadmap obligations.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> As comprehensive security performance moves forward, Israeli Defense Forces withdraw progressively from areas occupied since September 28, 2000, and the two sides revert to pre-September 28, 2000, status quo. Immediate dismantlement of settlement outposts erected since March 2001, and freezing of all settlement activity. Steps taken to improve the humanitarian situation. Quartet convenes international conference. With Quartet, U.S. establishes a roadmap monitoring mechanism, including appointment of U.S. coordinator. Israeli, Palestinian, and regional Arab nonofficial experts resume dialogue on political, security, arms control, and other regional issues.
	Results	Pursuant to Israel's successful disengagement from Gaza, the U.S. brokered an Agreement on Movement and Access (AMA) in November 2005 which allowed for the opening of the Rafah crossing with Egypt and outlined a number of steps to promote greater movement of both people and goods. Free and fair legislative council elections in January, the first in a decade, brought to power a Hamas government elected on a platform of ending corruption and improving the lives of the Palestinian people. That government, however, rejected calls for it to be a partner for peace by accepting the principles outlined by the Quartet (U.S., EU, UN and Russia), leading most members of the international community, including the U.S. to break contact with those elements of the PA controlled by Hamas, a designated Foreign Terrorist Organization. PA President Mahmoud Abbas remained in office, providing a vehicle for continued limited U.S. engagement with the Palestinian leadership. The Hamas victory led to increased violence and lawlessness in Gaza, including frequent rocket attacks against Israel, resulting in increased Israeli security operations and closure of crossings. In June 2006 Hamas conducted an attack inside green-line Israel, killing two IDF soldiers and abducting a third. Israel responded with an extended air and ground operation. The USG has concentrated on the direct provision of humanitarian assistance to the Palestinian people, while seeking to create the conditions that would allow the parties to return to the roadmap. Israeli settlement activity continued during the year and the GOI failed to make significant progress dismantling outposts. The U.S. Security Coordinator mission continued under LTG Keith Dayton, focusing on implementation of the AMA and supporting the office of President Abbas. In a September 19, 2006, speech at the UNGA, President Bush reaffirmed U.S. commitment to a two-state solution, indicating U.S. efforts would focus on strengthening and reforming the Palestinian security sector, supporting dialogue between the parties, and engaging moderate Arab leaders to help create an environment conducive to progress towards a two-state solution. A July attack by Hizballah provoked a month-long war between Israel and Hizballah, preventing progress on the Syria and Lebanon tracks.
	Rating	 Below Target
	Impact	The purpose of this indicator is to fulfill the vision set forth by the President of two states, Israel and Palestine, existing side by side in peace and security, with goals geared to roadmap obligations.
	Reason for Shortfall	Hamas-led PA government refused to make itself a legitimate partner and govern responsibly by renouncing terror, recognizing Israel, and accepting previous agreements. Hizballah's unprovoked attacks against Israel precipitated a war and prevented movement forward on the Israel-Lebanon/Israel-Syria tracks.
	Steps to Improve	Per the President's September 19 speech to the UN General Assembly, the U.S. is focusing on strengthening and reforming the Palestinian security sector, taking steps to support Israeli and Palestinian leaders in their efforts to engage to resolve their differences, engaging with moderate leaders in the region, and welcomes European efforts to build and strengthen Palestinian governing institutions.
	PERFORMANCE DATA	Data Source
Data Quality (Verification)		Post reporting is reliable and well researched – utilizing many different resources: meetings with Israeli and Palestinian government officials, political figures, community leaders, as well as respected institutions working in the region.

Continued on next page

I/P: IMPLEMENTATION OF THE ROAD MAP (CONTINUED)

INDICATOR: Progress of Implementation of the Road Map Leading to an Independent, Democratic Palestinian State Existing Side-by-Side with Israel in Peace and Security (continued)


PAST PERFORMANCE	2005	Israel's Government has concluded its withdrawal from Gaza, and the focus has now shifted to Palestinian efforts to establish order. Disengagement produced coordination on a number of levels between the two sides. The Palestinian Authority has begun to take steps to restructure and reform its security forces throughout the West Bank and Gaza, with the support of U.S. Security Coordinator General William Ward and assistance from the international community. Quartet Special Envoy James Wolfensohn worked on his agenda of issues which intends to restore the viability of the Palestinian economy. Restoration of pre-Intifada Arab links with Israel continues, as indicated by the return of the Egyptian and Jordanian ambassadors to Tel Aviv.
	2004	Roadmap process is relaunched. Security cooperation renewed. Both sides progress through provisions in Phase I of the roadmap, including, but not limited to, on the GOI side: a) as comprehensive security performance moves forward, IDF withdraws progressively from areas occupied since September 28, 2000 and the two sides revert to the pre-September 28, 2000 status quo; b) immediate dismantlement of settlement outposts erected since March 2001 and freezing of all settlement activity; and c) steps to improve the humanitarian situation in the West Bank/Gaza.
	2003	Roadmap is publicly released and used effectively as diplomatic tool to relaunch Israeli-Palestinian peace negotiations. Both sides progress through provisions in Phase I of the roadmap, including, but not limited to: a) as comprehensive security performance moves forward, IDF withdraws progressively from areas occupied since September 28, 2000 and the two sides revert to pre-September 28, 2000 status quo; b) immediate dismantlement of settlement outposts erected since March 2001 and freezing of all settlement activity; and c) steps to improve the humanitarian situation in the West Bank/Gaza. Israel's border with Lebanon remains quiet.

A Look to History: Regional Stability

In 1954, the United States, Britain, France, Australia, New Zealand, Pakistan, the Philippines, and Thailand created the Southeast Asia Treaty Organization (SEATO). Intended as a mutual defense pact to contain the spread of communism and to achieve regional stability in Southeast Asia, the United States perceived SEATO as the Asian equivalent of the North Atlantic Treaty Organization. However, the Asian defense agreement proved to be less effective than its North Atlantic counterpart. Despite treaty commitments only three members sent troops to fight in the Vietnam War. President Richard Nixon's rapprochement with the communist People's Republic of China also reduced SEATO's significance. In 1977, SEATO members agreed to dissolve the treaty, though bilateral defense agreements between various members continued.



French President Charles De Gaulle, center, gives a reception at Elysée Palace for foreign ministers attending the Southeast Asia Treaty Organization meeting in Paris, on April 9, 1963. U.S. Secretary of State, Dean Rusk, is the fifth from right, to his right is U.S. Ambassador to France, Charles Bohlen. AP/Wide World

I/P: IRAQ AND GULF SECURITY	
	INDICATOR: Free, Democratic, and Whole Iraq at Peace with Itself and Its Neighbors
	Outcome
JUSTIFICATION: A free and democratic Iraq would contribute to economic and political stability in the region.	
FY 2006 PERFORMANCE	<p>Target</p> <ul style="list-style-type: none"> ● Draft permanent constitution successfully adopted in October 2005 referendum. ● Law enforcement institutions begin to enforce and the judiciary begins to uphold civil liberties protections in the new constitution. ● Political parties announce coalitions and register for December elections, offering voters real choices. Parties and coalitions campaign peacefully. December 2005 elections successfully held. Results of elections receive broad public support. ● Newly elected government takes power peacefully in early 2006 with broad domestic and international legitimacy and support. ● Iraq assumes primary responsibility for its own security, able to defend itself without being a threat to its neighbors.
	<p>Results</p> <p>Recognizing progress in establishing a democratic society, international donors have increased assistance for Iraq, announcing \$900 million in new pledges since the Madrid conferences. International recognition of and exchanges with Iraq have increased, including through opening of Embassies.</p>
	<p>Rating</p> <p>■ Below Target</p>
	<p>Impact</p> <p>Success will contribute to security, economic and social development, and political reform in the region.</p>
	<p>Reason for Shortfall</p> <ul style="list-style-type: none"> ● Governance capacity shortfalls have resulted from inadequate training resources, and the Iraqi failure to obligate and spend a large majority of ministerial budgets. ● Development of civil society institutions has been inhibited due to a perilous security environment, and a lack of devoted Iraqi resources and attention. ● Security forces are failing to achieve levels of quality and quantity required to allow Government of Iraq to assume primary responsibility in the current security environment. ● High attrition retards the rate of Iraqi Security Forces growth while corruption and infiltration by militias and others loyal to parties instead of the Government of Iraq is resulting in the Iraqi Security Forces, especially police, being part of the problem in many areas instead of a solution; the Minister of Interior recently stated that 2/3 of MOI forces should be fired.
	<p>Steps to Improve</p> <ul style="list-style-type: none"> ● Accelerate National Capacity Development Program across central ministries, and focus enhanced Mission field resources to develop provincial ministry capacity. ● Put in place defined processes and requirements to obligate and execute 2007 Iraqi budget. ● Support programs to promote Iraqi national reconciliation efforts, which will reduce politically driven violence and intimidation. ● Significantly enhanced focus is required on present-for-duty strength of Iraqi Security Forces units, versus numbers initially trained and equipped, and upon developing true capability and readiness.
PERFORMANCE DATA	<p>Data Source</p> <p>U.S. Mission post reports.</p>
	<p>Data Quality (Verification)</p> <p>Post reporting is reliable and well researched - utilizing many different resources: meeting with Iraqi government officials, political figures, community leaders, as well as respected institutions working in the region.</p>
PAST PERFORMANCE	<p>2005</p> <p>Credible elections for Transitional National Assembly 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.</p>
	<p>2004</p> <ul style="list-style-type: none"> ● Transitional Administrative Law drafted and approved. ● Iraqi Interim government assumes full sovereignty; continued political, legal and economic reform. National Conference held. ● Iraqi Interim National Council selected and begins operating. ● Democratic institutions, rule of law, civil society, and free media started. ● Accountability and anti-corruption efforts began to take hold. ● Independent Electoral Commission of Iraq established and begins preparations for January 2005 elections, assisted by the UN.
	<p>2003</p> <p>Saddam Hussein's regime overthrown. The Department worked closely with DoD and Coalition Provisional Authority to stabilize and rebuild Iraq. The Department continues to support the development of strategies to move Iraq toward democracy, rule of law, build free market economy, including non-oil sector; build Iraqi security forces, subordinate to constitutional authority, capable of relieving U.S. and Coalition forces. UN agencies made critical contributions in humanitarian assistance and economic reform in Iraq.</p>

I/P: SECURITY ASSISTANCE TO SUB-SAHARAN AFRICA



INDICATOR: Percentage of U.S.-Trained African Units Deployed to Peace Support/Humanitarian Response Operations

PART Output

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

FY 2006 PERFORMANCE	Target	Of all African battalions (or their equivalent) deployed in Peace Keeping Operations globally, approximately 75% will have significant staff and unit training experience under U.S. or U.S.-trained trainers.
	Results	Approximately 79% of all African battalions (or other military contingents) deployed on peacekeeping missions globally have significant staff and/or unit training experience through the African Contingency Operations Training and Assistance (ACOTA) Program.
	Rating	■ On Target
	Impact	ACOTA partners populate all peace support missions in Africa and represent over 75% of the African contingents deployed on these missions.
PERFORMANCE DATA	Data Source	United Nations Department for Peacekeeping Operations (UNDPKO), Embassy and NGO reporting.
	Data Quality (Verification)	UNDPKO reporting is detailed and accurate. The African Union's African Mission in Sudan reporting varies, backed up by U.S. Embassy reporting from troop contributing country locations. NGO reporting varies by location, event, and source.
PAST PERFORMANCE	2005	ACOTA trained and/or equipped 11,442 African partner military personnel with \$28 million. Fifteen ACOTA-trained contingents routinely deployed on UN or African Union peace support missions. African units trained by U.S. trainers came from Ghana, Senegal, Mali, Benin, Ethiopia, Mozambique, South Africa, and Kenya in significant numbers.
	2004	Of all African battalions (or their equivalent) deployed in peacekeeping operations globally, approximately 65% had significant staff and unit training experience under U.S. or U.S.-trained trainers.
	2003	Seven African contingents trained by the U.S. or U.S.-trained trainers engaged in peace support missions. An additional five contingents planned for Peace Support Operations participation in Liberia and Burundi. The Economic Community of West African State forces, with significant U.S. support and training, deployed to Liberia.



The leader of Darfur's Sudan Liberation Army, Minni Minawi, who signed the Darfur Peace Agreement, is sworn-in on August 7, 2006 in Khartoum, Sudan. AP/Wide World

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 2: COUNTERTERRORISM

Prevent Attacks Against the United States, our Allies, and our Friends, and Strengthen Alliances and International Arrangements to Defeat Global Terrorism

I. Public Benefit

The tragic events of September 11, 2001 demonstrated the gravity of the threat international terrorists pose to the United States and its citizens at home and abroad. The Global War on Terrorism remains the U.S. Government's top priority. The Department of State and USAID, in partnership with other U.S. Government agencies, international organizations, and countries around the world, work to combat terrorist networks wherever they exist and prevent attacks against Americans and our friends. In every corner of the globe, the Secretary of State and other senior officials, Ambassadors, and country team members, including USAID Mission Directors, use all instruments of statecraft to help host nations understand the threat of global terrorism and strengthen political will and capacity to counter it. This includes support for extending protection of the homeland beyond America's borders through programs such as the Container Security Initiative, Immigration Security Initiative, Proliferation Security Initiative, Customs-Trade Partnership Against Terrorism, inspections of foreign ports, and sharing of terrorist watch list information. Through effective bilateral and multilateral diplomacy, the U.S. leads a worldwide coalition that acts to suppress terrorism on all fronts: military, intelligence, law enforcement, public diplomacy and financial. To date, the Department has mobilized some 180 countries and territories in the war on terrorism to identify, disrupt and destroy international terrorist organizations. Thousands of terrorist suspects have been arrested and tens of millions of dollars in terrorists' assets have been blocked. In an effort to deny weapons to terrorists, more than 5,000 Man-Portable Air Defense Systems (MANPADS) have been destroyed. Key to the ability to mobilize effective action by our foreign partners

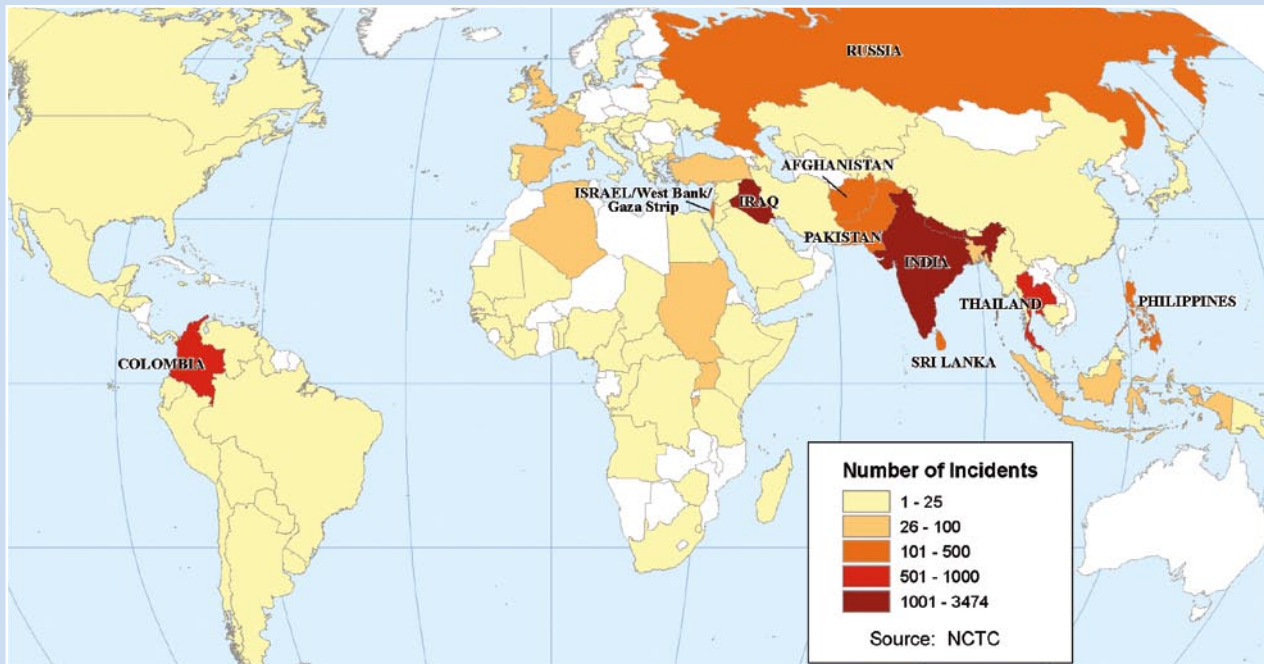
is the provision of training to those who want to help but lack the means. Since 9/11, programs such as anti-terrorist assistance, terrorist interdiction, and anti-terrorist finance, combined with long-term efforts to increase stability, have significantly improved U.S. global partners' counterterrorism capabilities.



A theater troupe member reads stories of 9/11 victims in front of ground zero in New York to commemorate the anniversary of the attacks.

AP/Wide World

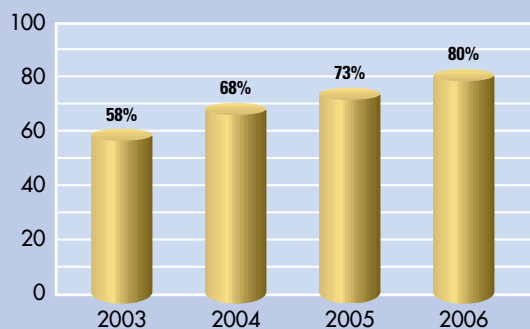
TERRORIST INCIDENTS BY COUNTRY, 2005



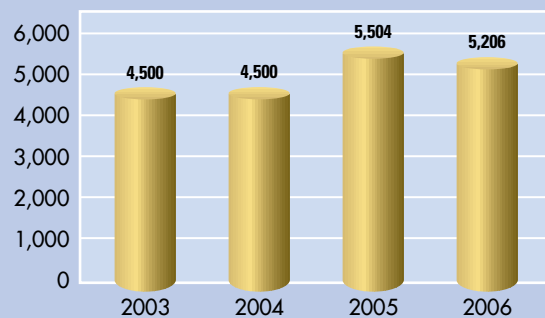
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II. Selected Performance Trends

Percentage of Travelers Screened by Participating Nation Governments with the Terrorist Interdiction Program's Watchlisting System Across All Sites at which the System Is Installed



Number of Foreign Man-Portable Air Defense Systems (MANPADS) Reduced as a Result of Implementation of International Commitments



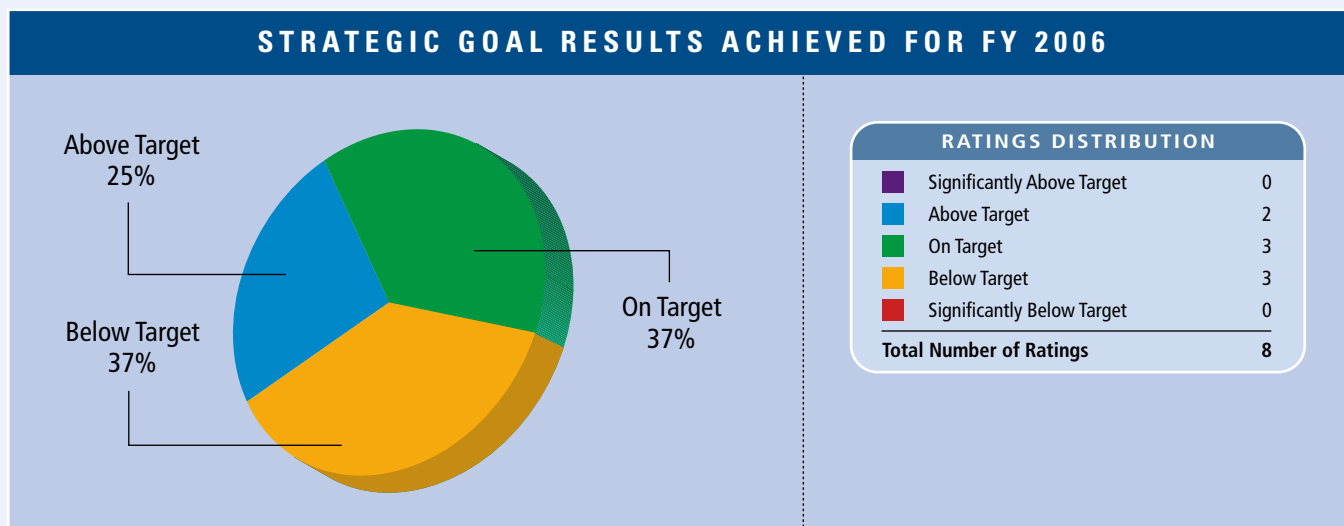
III. Strategic Context

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

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Major Resources	Lead Bureau(s)	External Partners
Counterterrorism	Active Anti-Terrorist Coalitions	Anti-Terrorism Assistance	D&CP, NADR	S/CT, DS	N/A
		Terrorist Interdiction Program	NADR	S/CT	N/A
		Meeting International Standards	CIO, D&CP	S/CT, IO	UN
	Freezing Terrorist Financing	Combating Terrorist Financing	D&CP	EB, S/CT, INL, INR	Treasury, DOJ
	Prevention and Response to Terrorism	Frontline States in the Global War on Terrorism	D&CP, NADR	SCA, S/CT	NSC, DoD, FBI, CIA, Treasury and DOJ
		Bioterrorism Response	ESF	OES	DHS, HHS, WHO
		Reduction and Security of MANPADS	D&CP, NADR	PM	NSC, OSD, DTRA, JCS, DoD, intelligence community
	Diminished Terrorism Conditions	Diminish Potential Underlying Conditions of Terrorism in Afghanistan	DA, ESF	SCA, S/CT, INL, ANE, PPC	NSC, DoD, NGOs, Treasury, Justice, IFI

IV. Performance Summary

The chart below summarizes the performance ratings for Department of State and USAID results for the Counterterrorism strategic goal.



V. Performance Analysis

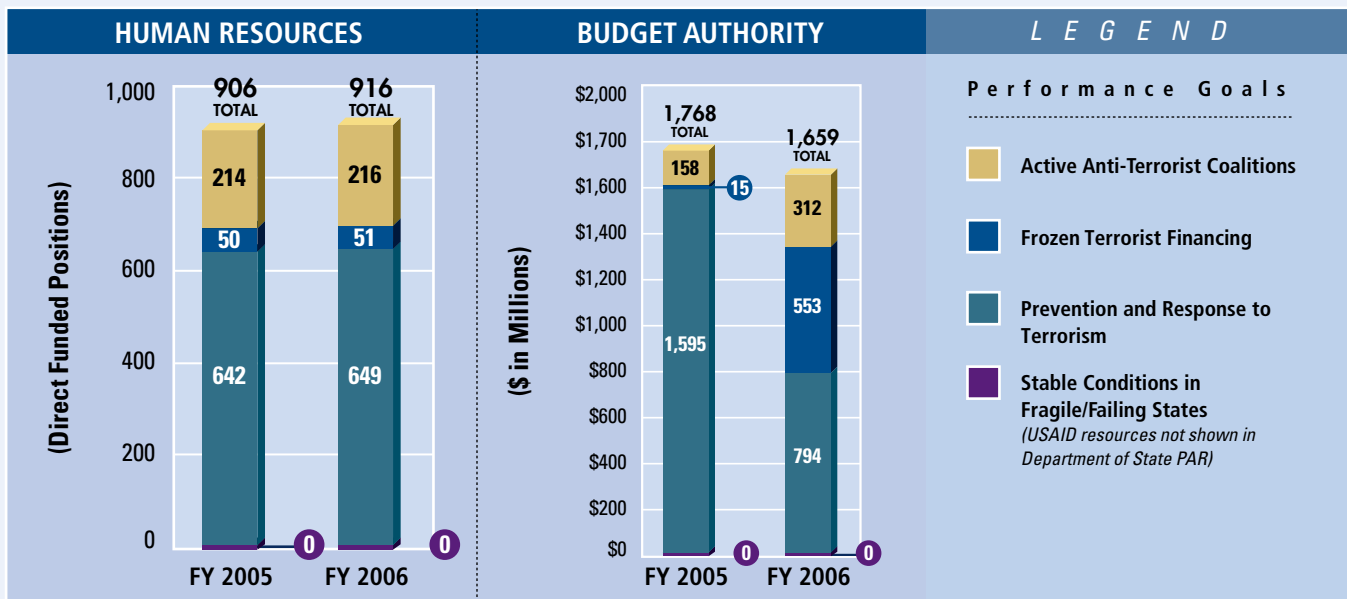
PERFORMANCE TRENDS. One noteworthy trend under the Counterterrorism Strategic Goal is the steady increase in the percentage of travelers screened around the world using the Terrorist Interdiction Program’s watch listing system. The number of sites at which the system is installed has increased from 58% in FY 2003 to 80% in FY 2006. The number of foreign man portable air defense systems (MANPADS) destroyed or secured by foreign governments trended downward in FY 2006. The Department continues to press implementing partners to honor commitments and schedules to destroy MANPADS.

HIGH-LEVEL RESULTS. The Department made demonstrable progress toward achieving high-level outcomes in such areas as increasing the number of countries capable of effectively countering terrorist organizations and threats, bolstering border security to guard against terrorist transit, strengthening the capacity of the Afghan National Army to defend its government, and building medical reserves to respond to bioterrorism threats. Additionally, the Department has made strides on efforts to encourage parties to comply with United Nations Security Council Resolution 1373, which requires UN members to take specific actions to combat global terrorism. USAID has made considerable advances in its efforts to rehabilitate Afghanistan’s educational system, a potential underlying condition of terrorism.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. No indicator under the Counterterrorism Strategic Goal was rated significantly above or significantly below target.

KEY INITIATIVES AND PROGRAMS. In FY 2006, of the \$410 million appropriated for nonproliferation, anti-terrorism, demining and related programs, \$136 million was allocated to anti-terrorism assistance, the terrorist interdiction program, counterterrorism financing, and engagement with allies.


VI. Resources Invested




VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.

ANNUAL PERFORMANCE GOAL 1
COALITION PARTNERS IDENTIFY, DETER, APPREHEND AND PROSECUTE TERRORISTS.

I/P: ANTI-TERRORISM ASSISTANCE		
	INDICATOR: Number of Participant Countries That Achieve and Sustain a Capability to Effectively Deter, Detect, and Counter Terrorist Organizations and Threats	
	PART Output	
JUSTIFICATION: Anti-Terrorism Assistance (ATA) not only provides quality training to priority counterterrorism countries but enables each country to achieve sustainment by providing them with the capability to incorporate anti-terrorism curriculum into their own training methods over a set course of time, thereby optimizing USG cost efficiency of each nation's participation in the ATA program.		
FY 2006 PERFORMANCE	Target	Two new countries (6 total) ascend from basic through advanced training and have attained competence in countering terrorist activities.
	Results	The Department conducted counterterrorism training for 77 partner nations and performed 269 training events. Two new countries ascended from basic through advanced training and attained competence in countering terrorist activities.
	Rating	■ On Target
	Impact	The ATA program continues to serve as the U.S. Government's primary provider of anti-terrorism training to partner nations by delivering a wide range of courses to strengthen critical counterterrorism capacities. ATA alumni have served as the lead investigators of a number of recent terrorist attacks and have utilized their training in tracking down and arresting perpetrators.
PERFORMANCE DATA	Data Source	Embassy reporting, intelligence/law enforcement reporting, after-action reports by the Bureau of Diplomatic Security and Department regional bureau area offices and individual country assessments.
	Data Quality (Verification)	All partner nations receive a needs assessment describing and recommending training to address critical counter terrorism needs. The Country Assistance Plan documents the direction ATA training will be processed to conduct the identified training need.
PAST PERFORMANCE	2005	ATA proceeded with antiterrorism training and assistance efforts to help partner nations in the global war on terrorism, sponsoring 217 training events to 78 countries.
	2004	Two additional countries (Israel and South Africa) ascended from basic through advanced training and attained competence in countering terrorist activities and threats.
	2003	Two countries ascended from basic through advanced training and attained competence in countering terrorist activities and threats.


I/P: TERRORIST INTERDICTION PROGRAM		
	INDICATOR: Percentage of Travelers Screened by Participating Foreign Governments with the Terrorist Interdiction Program's Watchlisting System	
	PART Outcome	
JUSTIFICATION: A key element of the Terrorist Interdiction Program (TIP) is maximizing the usage of the terrorist watchlisting system to screen travelers passing through ports of entry. U.S. counterterrorism strategic objectives are best served when participating nations maximize their use of the watchlisting system provided under TIP.		
FY 2006 PERFORMANCE	Target	79%.
	Results	80%.
	Rating	■ On Target
	Impact	The level of host nation use of the screening system indicates that partner countries share and support our strategic goal of constraining terrorist mobility.
PERFORMANCE DATA	Data Source	Percentages were derived from informal feedback from U.S. personnel charged with program oversight in each country, as well as reporting from program personnel during the course of visits to perform system maintenance, software upgrades, or follow-on operator training.
	Data Quality (Verification)	Although the data is based on periodic and not constant observation, it is considered a reliable representation of host nation usage.
PAST PERFORMANCE	2005	73%.
	2004	68%.
	2003	58%.

U.S. Anti-Terrorism Assistance to Indonesia


The Department provided assistance in FY 2006 to train and equip a special Indonesian counterterrorism police unit called Special Detachment 88. SD-88 was launched in 2003 in response to the October 2005 bombings in Bali. In November 2005, SD 88 located Indonesia's most wanted terrorist, Azahari bin Husin, who was linked to the Bali bombings and to bombings in Jakarta. SD 88 planned and executed a successful assault on Azahari's stronghold, killing him and securing valuable intelligence to help prevent other attacks.



A bomb squad member removes a mock explosive device from a hijacked passenger plane during a September 2006 anti-terror drill at Juanda airport in Surabaya, East Java, Indonesia. AP/Wide World

I/P: MEETING INTERNATIONAL STANDARDS									
	INDICATOR: Compliance with United Nations Security Council Resolution (UNSCR) 1373								
Output									
JUSTIFICATION: Repeated reporting by UN member countries and UN Counterterrorism Executive Directorate (CTED) analysis indicate continued progress in meeting UNSCR 1373 requirements.									
FY 2006 PERFORMANCE	<table border="1"> <tr> <td style="background-color: #e0f2f1;">Target</td> <td>The Counterterrorism Committee (CTC) develops best practices in all areas related to UNSCR 1373 implementation. CTC uses the best practices to develop standards for measuring Member State compliance with UNSCR 1373. Regular CTC field missions conducted to ensure compliance and facilitate technical assistance to "willing but unable" countries. CTC identifies those "unwilling" countries. Tangible sanctions developed to be applied by the UN Security Council to recalcitrant countries that decline to meet obligations under UNSCR 1373 even with technical assistance.</td> </tr> <tr> <td style="background-color: #e0f2f1;">Results</td> <td>A directory of best practices has been developed. A total of nine state visits and two other field missions were conducted, and the Counterterrorism Executive Directorate (CTED) has planned seven more state visits during 2006. One of CTED missions in 2006 was a high-level mission to press a state, which had fallen out of compliance with UNSCR 1373, to pass necessary legislation promptly. The CTC also is beginning to consider how to develop standards for measuring states' compliance. CTED is enhancing its outreach to donor states and organizations, including through regular contact with the G-8 Counter-Terrorism Action Group (CTAG), the UNDP, and the EU.</td> </tr> <tr> <td style="background-color: #e0f2f1;">Rating</td> <td>■ Above Target</td> </tr> <tr> <td style="background-color: #e0f2f1;">Impact</td> <td>Through the efforts of the CTC and CTED, Member States and regional organizations have become more aware of the requirements of UNSCR 1373 and have been given assistance to meet those requirements. CTED field missions have helped Member States identify legal and policy gaps in their counterterrorism apparatus. The United Nations' Office on Drugs and Crime, Terrorism Prevention Branch has provided assistance to states in drafting legislation to implement 1373 obligations and to implement the requirements of the 13 universal conventions and protocols on CT. Other donors, such as the EU and UNDP are pursuing assistance projects to close gaps CTED has identified in States CTED has visited.</td> </tr> </table>	Target	The Counterterrorism Committee (CTC) develops best practices in all areas related to UNSCR 1373 implementation. CTC uses the best practices to develop standards for measuring Member State compliance with UNSCR 1373. Regular CTC field missions conducted to ensure compliance and facilitate technical assistance to "willing but unable" countries. CTC identifies those "unwilling" countries. Tangible sanctions developed to be applied by the UN Security Council to recalcitrant countries that decline to meet obligations under UNSCR 1373 even with technical assistance.	Results	A directory of best practices has been developed. A total of nine state visits and two other field missions were conducted, and the Counterterrorism Executive Directorate (CTED) has planned seven more state visits during 2006. One of CTED missions in 2006 was a high-level mission to press a state, which had fallen out of compliance with UNSCR 1373, to pass necessary legislation promptly. The CTC also is beginning to consider how to develop standards for measuring states' compliance. CTED is enhancing its outreach to donor states and organizations, including through regular contact with the G-8 Counter-Terrorism Action Group (CTAG), the UNDP, and the EU.	Rating	■ Above Target	Impact	Through the efforts of the CTC and CTED, Member States and regional organizations have become more aware of the requirements of UNSCR 1373 and have been given assistance to meet those requirements. CTED field missions have helped Member States identify legal and policy gaps in their counterterrorism apparatus. The United Nations' Office on Drugs and Crime, Terrorism Prevention Branch has provided assistance to states in drafting legislation to implement 1373 obligations and to implement the requirements of the 13 universal conventions and protocols on CT. Other donors, such as the EU and UNDP are pursuing assistance projects to close gaps CTED has identified in States CTED has visited.
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ANNUAL PERFORMANCE GOAL 2
U.S. AND FOREIGN GOVERNMENTS ACTIVELY COMBAT TERRORIST FINANCING.

I/P: COMBATING TERRORIST FINANCING	
	INDICATOR: Number and Effectiveness of U.S. Training and Assistance Programs and Assessments Delivered to Priority States to Help Combat the Financing of Terrorists
	Output
JUSTIFICATION: Counterterrorism finance capacity building is one mechanism for the U.S. to engage its allies to provide early warning, detection and interdiction of terrorist financing.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> • Three countries assessed by financial systems assessment teams and three training and technical assistance plans developed. • Six countries at least partially implement technical assistance and training plans (training received in at least three of the five functional areas). • Eight countries fully implement technical assistance and training plans (training received in at least all five of the functional areas). • At least five countries undergo comprehensive review of the effectiveness of technical assistance and training.
	Results <ul style="list-style-type: none"> • One country assessed by financial systems assessment teams and one training and technical assistance plans developed. • Five countries at least partially implemented technical assistance and training plans (training received in at least three of the five functional areas). • Three countries fully implemented technical assistance and training plans (training received in at least all five of the functional areas). • No countries have undergone comprehensive review of the effectiveness of technical assistance and training.
	Rating Below Target
	Impact Even though the results for the indicator are below target, continued yet slow progress has been made in the establishment and improvement of counterterrorist financing regimes, particularly with respect to the passage of new laws, regulations and reporting requirements.
	Reason for Shortfall <ul style="list-style-type: none"> • Two countries were not assessed due to serious security considerations. • Three countries that received training were unable to partially implement technical assistance and training plans. • Five countries did not fully implement technical assistance and training plans. • The interagency task force is in the process of developing criteria and a database to conduct comprehensive reviews for effectiveness of training.
	Steps to Improve <ul style="list-style-type: none"> • The Department will reinforce the necessity for countries to demonstrate political will and live up to their international commitments. • On a tactical level, depending on host nation sensitivity, the Department will encourage Resident Legal Advisors to engage with legislative drafting committees and experts and other stakeholders to explain international legal obligations and legal strategies for compliance with UN Security Council Resolutions, conventions, treaties, Financial Action Task Force (FATF) recommendations and other obligations.
PERFORMANCE DATA	Data Source Interagency assessments, embassy reporting, international (FATF) evaluations. Money laundering section of the International Narcotics Control Strategy Report and other sensitive reporting sources.
	Data Quality (Verification) <p>Interagency assessments are conducted by expert practitioners and verified by the parent agency, the interagency working group, and the embassy.</p> <p>Embassy reporting is reviewed (verified) and cleared by country team and ambassador.</p> <p>International (FATF) mutual evaluations are on-site expert peer reviews. These evaluation reports are reviewed and verified by a special experts group.</p> <p>Other sensitive reporting may include sensitive law enforcement information, intelligence and other such reporting.</p>

Continued on next page

I/P: COMBATING TERRORIST FINANCING (continued)

INDICATOR: Number and Effectiveness of U.S. Training and Assistance Programs and Assessments Delivered to Priority States to Help Combat the Financing of Terrorists (continued)

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● One country assessed and one training and technical assistance plan developed. ● 10 countries have at least partially implemented technical assistance and training plans (training received in at least three of the five functional areas). ● One country has fully implemented technical assistance and training plans (training received in at least all five of the functional areas).
	2004	<ul style="list-style-type: none"> ● Four countries assessed and six training and technical assistance plans developed. ● Four countries fully implemented technical assistance and training plans (training received in at least all five of the functional areas). ● Six countries at least partially implemented technical assistance and training plans (training received in at least three of the five functional areas). ● Six new countries were added to the priority assistance list.
	2003	15 assessments completed. 15 of the targeted 19 states received training and technical assistance.

A Look to History: Counterterrorism

Following a number of overseas terrorist attacks against American diplomats and military personnel in the 1970s and early 1980s, the Department of State created the Anti-Terrorism Assistance Program to assist foreign governments in combating terrorism and protecting American installations abroad. Under the program, foreign security and law enforcement personnel came to the United States to receive training. Courses have ranged from kidnap intervention and hostage negotiation to crisis management and response to incidents involving weapons of mass destruction. American evaluation teams also visited participating foreign countries to develop training programs best suited to their needs. Costa Rica, Turkey, Portugal, Italy, Liberia, Ecuador, Cameroon, Thailand, Tunisia, and a number of Caribbean states were among the first countries to participate in the program, which has since grown to include over 52,000 students from over 140 countries.



Filipino soldiers form a circle during anti-terrorism training conducted by U.S. Army soldiers (standing in the center) at the remote village of San Roque in the port city of Zamboanga in southern Philippines. The U.S. military is training Filipino soldiers on counterterrorism warfare in different parts of Mindanao island in the southern Philippines as part of the security assistance program of the U.S. Government.


AP/Wide World




ANNUAL PERFORMANCE GOAL 3

COORDINATED INTERNATIONAL PREVENTION AND RESPONSE TO TERRORISM, INCLUDING BIOTERRORISM.

I/P: FRONTLINE STATES IN THE GLOBAL WAR ON TERRORISM					
	INDICATOR: Capacity of the Afghan National Army to Defend the Afghan Government and Its Territory from External and Internal Threats				
	Outcome				
JUSTIFICATION: The training and deployment of, and expansion of influence by, the Afghan National Army (ANA) indicates progress toward establishing sustainable security in Afghanistan, without which the war on terrorism will not succeed.					
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Afghan National Army (ANA) units conduct routine operational deployments throughout Afghanistan as needed; continued fielding of regional corps with at least one brigade at each location. Ministry of Defense and General Staff assumes, with limited international community support, policy, planning, budget and operational responsibilities; institutional training base completed; functional commands provide increasing support for regional commands. Ministry of defense personnel reform process complete; includes ethnically balanced and increasingly professional staff. Afghan National Police, Highway Patrol and Border Police are increasingly capable of enforcing law and securing transportation routes and borders. All Border Police brigades have undergone training and been provided with individual and basic unit equipment. 			
	Results	<ul style="list-style-type: none"> 30,400 Afghan National Army forces trained and equipped and partially capable of conducting counterinsurgency operations in conjunction with Coalition units. Minor improvements to Ministry of Defense and General Staff action process are being initiated despite the delay in assigning personnel to key leadership positions. Assistant Minister for Defense for Personnel and Education office beginning to take on a more active role in policy development. Operational Planning Guidance complete; staff beginning to develop the seven operational plans based on this guidance. 48,100 Afghan National Police trained and equipped. 			
	Rating	 Below Target			
	Impact	The training and deployment of the ANA to defend the credibly elected Afghan government from internal and external threats contributes to the fight against the global war on terror.			
	Reason for Shortfall	<ul style="list-style-type: none"> The international community has had to remain engaged in developing the capacity of the Afghan National Police more than expected and the reconstituted enemy is more lethal than expected. 			
	Steps to Improve	<ul style="list-style-type: none"> The Department will continue to develop and expand the capacity of the Afghan National Army and Afghan National Police, with a focus on strengthening the policy, planning, and budget operations of those institutions. 			
	PERFORMANCE DATA	<table border="1"> <tr> <td>Data Source</td> <td>Embassy reporting, intelligence/law enforcement reporting, Department of Defense Combatant Command after-action reports and country assessments.</td> </tr> <tr> <td>Data Quality (Verification)</td> <td>Reliability and completeness of performance data is ensured through primary data collection and extensive cross-referencing among numerous sources (Department of Defense, Law Enforcement, State/Embassy Reports).</td> </tr> </table>	Data Source	Embassy reporting, intelligence/law enforcement reporting, Department of Defense Combatant Command after-action reports and country assessments.	Data Quality (Verification)
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PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ANA influence fully established in Kabul and throughout the country. Forty (25 combat, 15 support / logistics) battalions are operational and approximately three and a half battalions are trained. Force strength is over 26,000. More than 62,000 militia were disarmed and demobilized, ending the formal disarmament and demobilization process in June 2005. The reintegration phase is scheduled for completion in 2006. Four ANA regional centers are operational. 			
	2004	<ul style="list-style-type: none"> Three brigades of "Kabul Corps" fully fielded to a minimum of 90% manning and equipment. At least 6 Central Corps battalions conduct operational deployments. 100% of heavy weapons collected and cantoned by June 2004 and 60% combatants disarmed and demobilized by September 2004. 			
	2003	U.S.-led Operation Enduring Freedom drove the Taliban from power and began to destroy the country's terrorist networks. Three battalions completed basic training at the Kabul Military Training Center and one began training. However, none were fully equipped nor completed the full training due to lack of weapons, munitions and demined training sites. Other challenges included lack of warlord support, recruiting difficulties, and insufficient funding. No Border Guard battalions were trained.			

I/P: BIOTERRORISM RESPONSE									
	INDICATOR: Status of National and Global Reserves of Medical Countermeasures for International Use in Responding to Bioterrorism								
Outcome									
JUSTIFICATION: National and international stockpiles of medical countermeasures will help mitigate the consequences of an international bioterrorism attack.									
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I/P: REDUCTION AND SECURITY OF MANPADS		
	INDICATOR: Number of Foreign Man-Portable Air Defense Systems (MANPADS) Reduced as a Result of Implementation of International Commitments	
	Outcome	
JUSTIFICATION: This indicator measures the number of MANPADS destroyed or secured as a result of commitments by foreign nations.		
FY 2006 PERFORMANCE	Target	7,000.
	Results	Total MANPADS missiles destroyed (as of August 11, 2006): 5206.
	Rating	■ Below Target
	Impact	Reduction of the number of excess, loosely secured and obsolete MANPADs worldwide.
	Reason for Shortfall	Some destruction events projected for FY 2006 are now scheduled for FY 2007.
	Steps to Improve	The Department will continue to press implementing partners to proceed with destruction events as scheduled.
PERFORMANCE DATA	Data Source	Implementing partners, embassies, and the Department's Bureau of Political-Military Affairs and Office of Weapons Removal and Abatement staff who witness the destructions.
	Data Quality (Verification)	Confirmed by direct observation and reports by implementing partners.
PAST PERFORMANCE	2005	5,504.
	2004	5,500.
	2003	3,400.



Secretary Rice shakes hands with Pakistan President Pervez Musharraf before a portrait of Pakistan's founder Mohammad Ali Jinnah, June 2006. AP/Wide World

ANNUAL PERFORMANCE GOAL 4
STABLE POLITICAL AND ECONOMIC CONDITIONS THAT PREVENT TERRORISM FROM FLOURISHING
IN FRAGILE OR FAILING STATES.

I/P: DIMINISH POTENTIAL UNDERLYING CONDITIONS OF TERRORISM IN AFGHANISTAN

INDICATOR: Rehabilitation Status of Afghan Educational Infrastructure
Output

JUSTIFICATION: This indicator measures efforts to rehabilitate Afghanistan's education system and related infrastructure, with a focus on: 1) providing support to secular schools and education, and 2) promoting democratic values through education.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> 10% increase over FY 2005 in the number of institutions (homes, schools, clinics, markets, etc.) rehabilitated/built through USAID assistance. 10% increase over FY 2005 in the number students enrolled/ trained through USAID assistance. 10% increase over FY 2005 in number of teachers trained through USAID assistance. 10% increase over FY 2004 in the number of textbooks printed/ distributed. 10% increase over FY 2005 in the number of students enrolled in basic education programs receiving a secular curriculum supported through USAID.
	Results	<ul style="list-style-type: none"> 90% increase over FY 2005 in the number of institutions (homes, schools, clinics, markets, etc.) rehabilitated/built through USAID assistance (number of institutions rehabilitated/built in FY 2006 was 506). 2,012% increase over FY 2005 in the number students enrolled/ trained through USAID assistance (number of students enrolled/ trained through USAID assistance in FY 2006 was 3,601,687. The results for FY 2006 report on the entire USAID Afghan education program, not only the accelerated education program as reported in FY 2005). 166% increase over FY 2005 in number of teachers trained through USAID assistance (number of trained through USAID assistance in FY 2006 was 26,390). FY 2006 preliminary data for the number of textbooks printed/ distributed are not yet available. FY 2006 preliminary data for the number of students enrolled in basic education programs receiving a secular curriculum supported through USAID are not yet available.
	Rating	■ Above Target
	Impact	Rebuilding Afghanistan's education system is vital to long-term economic and social development and growth.

PERFORMANCE DATA	Data Source	USAID annual reports from operating units; other USAID reports; the USAID Afghanistan Database.
	Data Quality (Verification)	Verification and validation of the Agency's performance data is accomplished by periodic reviews, certifications and audits, including Data Quality Assessments (DQAs) and PART assessments, as well as annual certification of operating units' strategic objectives and their relationship to the Agency's strategic goals. Data validation and verification are also supported by extensive automated systems and external expert analyses.

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> 267 institutions (homes, schools, clinics, markets, etc.) rehabilitated/built through USAID assistance, a 230% increase over FY 2004. 165,761 students enrolled/ trained through USAID assistance, a 2% decrease over FY 2004 (the FY 2005 results reported on the number of students enrolled in the accelerated education program, not the entire education program). 9,910 teachers trained through USAID assistance, a 72% decrease from FY 2004. Information for the number of textbooks printed/ distributed is not available for FY 2005. Baseline: 4.8 million students enrolled in basic education programs receiving a secular curriculum supported through USAID.
	2004	<ul style="list-style-type: none"> 81 institutions (homes, schools, clinics, markets, etc.) built or rehabilitated in 2004 through USAID assistance, a 57% decrease from the FY 2003 baseline. 169,716 students enrolled/ trained (in 3 provinces) through USAID assistance, a 1010% increase over the FY 2003 baseline. 35,819 teachers trained in 2004 through USAID assistance, a 353% increase over the FY 2003 baseline. 8.7 million textbooks printed/ distributed through USAID assistance, a 16% decrease from the FY 2003 baseline.
	2003	<p>Baselines:</p> <ul style="list-style-type: none"> 188 institutions (homes, schools, clinics, markets, etc.) rehabilitated/built through USAID assistance. 15,282 students enrolled/trained (in 3 provinces) through USAID assistance. 7,900 teachers trained through USAID assistance. 10.3 million textbooks printed/ distributed through USAID assistance.

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 3: HOMELAND SECURITY

Secure the Homeland by Strengthening Arrangements that Govern the Flows of People, Goods, and Services Between the United States and the Rest of the World

I. Public Benefit

The Department is committed to protecting America's homeland. The tragic events of September 11, 2001, proved how susceptible the United States and its allies could be 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.

In 2006, Secretary Rice and Secretary of Homeland Security Michael Chertoff announced their joint vision for Secure Borders, Open Doors in the Information Age. Since 9/11, State and DHS have implemented myriad changes to improve border security for the protection of the homeland, while still welcoming the many legitimate visitors that greatly contribute to America's social and economic well-being. Secretaries Rice and Chertoff have been working together to ensure these changes strike the most effective balance between stronger security and facilitating travel and exchange. Their shared vision includes: improved technology and efficiency at ports of entry and in visa processing; more secure travel documents for the 21st century; and smarter screening technology for government officials to use at home and abroad.

The Department seeks to strengthen the visa adjudication process as a tool to identify potential terrorists and others who should not receive visas and prevent those people from entering the United States.

Along with our international allies, the U.S. Government is bolstering the security of U.S. physical and cyber infrastructures, which are critical to the reliable functioning of global networks of commerce, travel, and communications upon which the free flow of travelers, goods, and information depends. With these programs, the Department is reducing risk to U.S. national security by combating the ability of terrorists to travel, plan and finance their activities, conduct attacks and train new recruits.



Secretary Rice and Homeland Security Secretary Michael Chertoff announce the Secure Borders and Open Doors in the Information Age Initiative, January 2006. Department of State photograph

CONTAINER SECURITY INITIATIVE PORTS

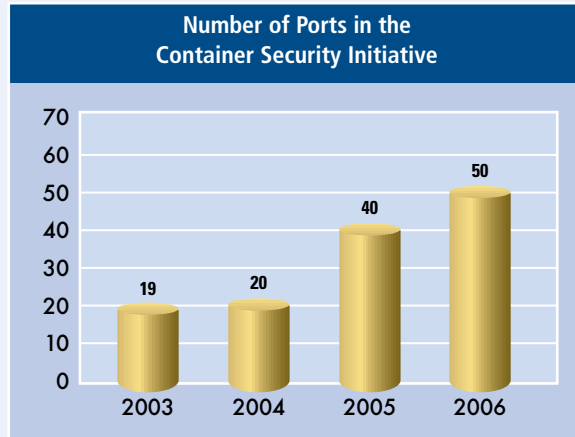
Source: Department of Homeland Security



Boundary representation are not necessarily authoritative

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II. Selected Performance Trends



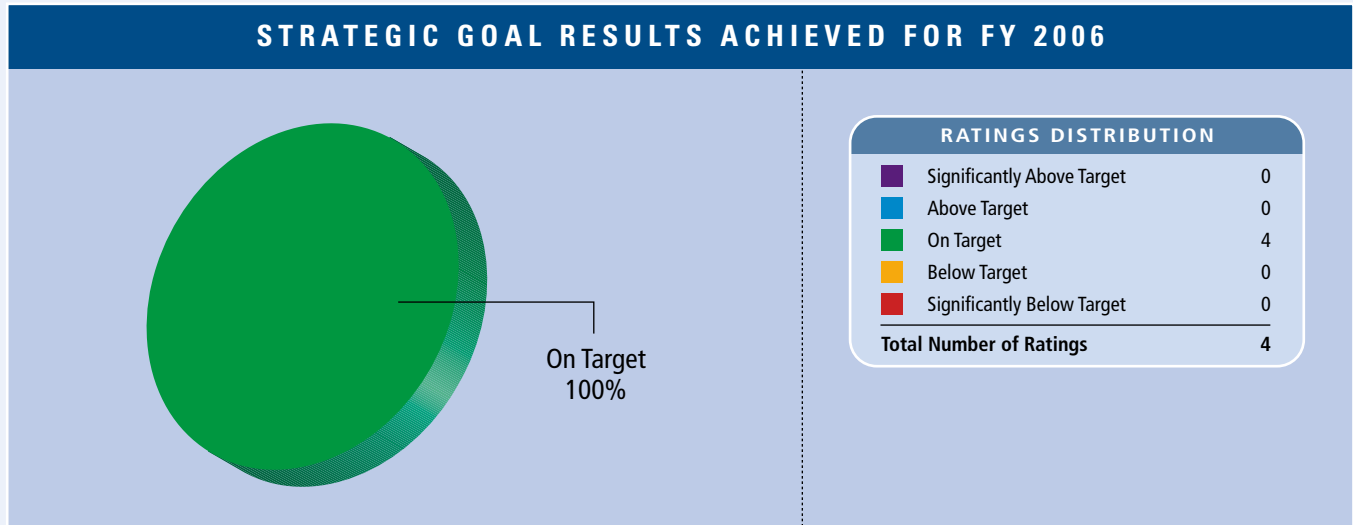
III. Strategic Context

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

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Major Resources	Lead Bureau(s)	External Partners
Homeland Security	Proper Visa Adjudication	Visa and Consular Services/Border Security	D&CP	CA	DHS, DOJ, DOL, FBI, CIA, NARA, DoD, SSA
	Border Agreements	Forge Strategic Partnerships	D&CP	WHA	DHS, DOJ, FBI
	Infrastructure Network Protection	Protect Transportation and Cyber Infrastructure	D&CP	EB, PM, IO	DHS, ICAO, IMO, ILO

IV. Performance Summary

The chart below summarizes Department performance ratings for the Homeland Security strategic goal.



V. Performance Analysis

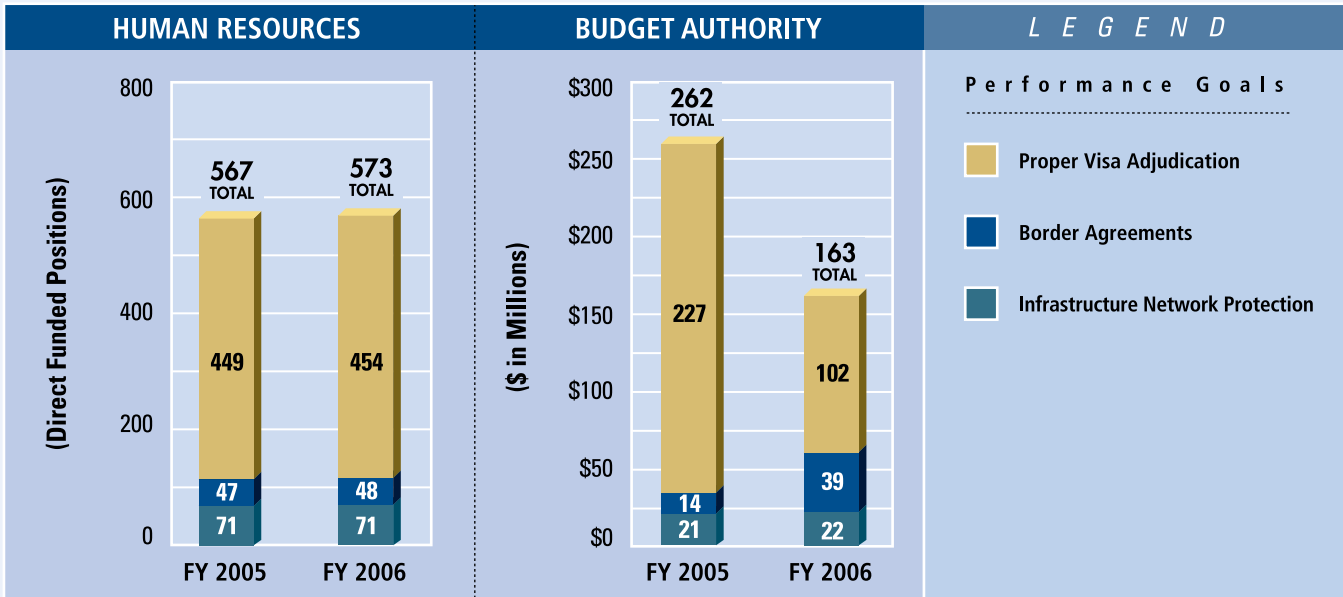
PERFORMANCE TRENDS. There have been a number of significant trends under the Department's Homeland Security goal. One trend has been the significant increase of 19 ports under the Container Security Initiative in FY 2003 to 50 under the program in FY 2006. Additionally, the Department has made great strides since FY 2003 in the development of systems to capture and share biometric data for U.S. visas. The program has added in FY 2006 a facial recognition component for high-fraud and high risk applicants.

HIGH-LEVEL RESULTS. There have been a number of significant trends under the Department's Homeland Security goal. For example, with the support of the Department of Homeland Security, 19 ports have been added to the Container Security Initiative since FY 2003, bringing the total number of participating ports to 50 as of the end of FY 2006. Additionally, the Department has made great strides since FY 2003 in the development of systems to capture and share biometric data for U.S. visas, adding a facial recognition component for high-fraud and high risk applicants in FY 2006.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. No indicator under the Homeland Security Strategic goal was rated significantly above or significantly below target.

KEY INITIATIVES AND PROGRAMS. The Department of State's key programs in this strategic goal include the biometrics collection program for U.S. visas, the Security and Prosperity Partnership with Canada and Mexico, and the Container Security Initiative, implemented jointly with the Department of Homeland Security.

VI. Resources Invested



A Look to History: Homeland Security

Prior to 1856, states, cities, and even notaries public in the U.S. could issue passports. However, an Act of Congress of August 18, 1856 gave the Secretary of State the exclusive authority to issue passports to U.S. citizens. Many countries, including the United States and those in Europe, did not require passports of all foreign travelers until the outbreak of World War I in 1914 when European governments began requiring U.S. nationals to bear passports. The spike in demands for passports during World War I compelled the U.S. government to tighten the rules governing passport applications. In December 1914, Secretary of State William Jennings Bryan circulated new regulations that explicitly required U.S. passport applicants to present birth certificates or documentation of naturalization as proof of citizenship. In order to enforce security during wartime, the United States also began demanding proof of citizenship and documentation of entry privileges from all foreign visitors.


AP/Wide World Photo



VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.

ANNUAL PERFORMANCE GOAL 1
DENIAL OF VISAS TO FOREIGN CITIZENS WHO WOULD ABUSE OR THREATEN THE U.S., WHILE FACILITATING ENTRY OF LEGITIMATE APPLICANTS.

I/P: VISA AND CONSULAR SERVICES/BORDER SECURITY		
 INDICATOR: Development of a Biometrics Collection Program for U.S. Visas		
PART Outcome		
JUSTIFICATION: This indicator tracks whether systems related to the biometrics collection program work as intended and are successfully incorporating biometric data into visas using agreed upon technology standards.		
FY 2006 PERFORMANCE	Target	Facial recognition checks expanded to include all visa applicants, including applicants who have had a fingerprint biometric collected. Effectiveness will be measured by an increase in the number of mala fide applicants identified through the program and by a reduction in the number of false positives.
	Results	Phase II of facial recognition program launched in October 2005, expanding the program to high-fraud and high-risk applicants. Ad-hoc facial recognition checks deployed to posts. Photo quality and photo comparison training for posts developed in 2006. Facial recognition collaboration expanded to DHS and DoD.
	Rating	■ On Target
	Impact	The Biometric Visa Program is helping to prevent ineligible applicants from obtaining visas and ensure the integrity of the U.S. visa by verifying visa bearers at U.S. ports of entry through use of biometric data.
PERFORMANCE DATA	Data Source	Bureau of Consular Affairs records. Implementation confirmed through Consular Consolidated Database (CCD); all check responses under the automated biometric identification system (IDENT) are stored in the CCD.
	Data Quality (Verification)	Data exchanged from the Consular Consolidated Database to IDENT over a direct line to ensure quality of transmission is maintained. IDENT fingerprint matching achieves higher than 99% accuracy.
PAST PERFORMANCE	2005	Biometric collection from visa applicants continued at all posts. Facial recognition was conducted on a selective basis, while plans were developed for expanding the program. Upgrades in technology were deployed with new releases of NIV and IV systems.
	2004	Deployment of biometric collection capability to consular posts worldwide.
	2003	Biometric program and practical application of facial recognition technology continued. Working with DHS and National Institutes of Standards of Technology, the Department set a biometrics-based standard for the documentation of the visa process. Development work began on worldwide biometrics collection.

ANNUAL PERFORMANCE GOAL 2

IMPLEMENTED INTERNATIONAL AGREEMENTS TO STOP THE ENTRY OF GOODS THAT COULD HARM THE U.S., WHILE ENSURING THE TRANSFER OF BONA FIDE MATERIALS.

I/P: FORGE STRATEGIC PARTNERSHIPS



INDICATOR: Implementation of the Security and Prosperity Partnership with Canada and Mexico

Output

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

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Complete pilot project of visa lookout information sharing with Canada by December 30, 2006. Complete operational testing of visa lookout information sharing with Mexico by March 30, 2006.
	Results	<p>Canada: Targets largely achieved, with Phase One of the Western Hemisphere Travel Initiative on track, announcement of Rice-Chertoff initiative and movement toward development of a border crossing card. Transit time for Detroit-Windsor reduced by more than 25%. No terrorist incidents or exploitation; counterterrorism cooperation continues at a high level. To increase security, USG and the Government of Canada (GOC) completed joint exercises on St. Clair and Detroit Rivers during Super Bowl in February. Completed Cyber storm exercise in February to prepare for potential incidents affecting critical infrastructure. Meeting and discussion are preparing Mutual Assistance Agreements to prepare for cross-border public health emergencies.</p> <p>Mexico: USG and the Government of Mexico (GOM) aligned regulations to require manifest data be reported 24-hours in advance of loading ship. USG and GOM signed an Action Plan to Combat Violence and Improve Public Safety.</p> <p>Canada and Mexico (trilateral): Representatives of three governments completed training related to the protection of aircraft from terrorist threats, basic and advanced marksmanship skills, and emergency aircraft procedures. The USG, GOC and GOM cooperated to tighten and verify the security of key nuclear and radiological facilities. The governments established the Avian and Human Pandemic Influenza Coordinating Body to ensure governments act in a coordinated manner to meet a pandemic threat. Representatives of the three countries inaugurated the North American Aviation Trilateral to promote civil aviation security.</p>
	Rating	■ On Target
	Impact	Results as of the end of FY 2006 have furthered Strategic Partnerships Program (SPP) implementation with Canada and Mexico and advanced border security initiatives.
PERFORMANCE DATA	Data Source	DHS, Commerce and State, prepare annually a document which reviews previously agreed Security and Prosperity Partnership work plans and notes if key milestones were met as scheduled.
	Data Quality (Verification)	Complete FY 2006 data will not be available until FY 2007 but is considered reliable.
PAST PERFORMANCE	2005	<p>Canada: SPP launched and leaders and Ministers meetings held; working groups formed. Cooperative aspects of Border Accord continue being implemented and expanded initiatives under the SPP umbrella launched. No terrorist incidents associated with Canada; counterterrorism cooperation continues at a high level.</p> <p>Mexico: USG and GOM agreed to establish a standardized Alien Smuggler Prosecutions Program; approved construction of expanded infrastructure at Nogales border crossing. Completed MANPADS training event to improve preparedness against this aviation/security threat. Agreed to programs to enhance detection and dismantling of criminal organizations engaged in sexual or labor exploitation of women and children.</p>
	2004	<p>Canada: NEXUS lanes added at three border crossings. FAST lanes at one. SPP discussions continued but were not finalized by fiscal year-end.</p> <p>Mexico: Consultant study initiated; secure electronic network for travelers rapid inspection (SENTRI) lanes under development; technology installation and public outreach underway; Advance Passenger Information System installed; protocols on sharing of information on aliens of interest near completion and technical review expected this fiscal year. SPP was not launched in FY 2004.</p>
	2003	<p>Canada: Continued implementation of additional portions of the U.S.-Canada Border Accord in coordination with newly created Department of Homeland Security. Finalize a "safe third" asylee agreement, a pre-clearance agreement, and continued visa policy coordination. U.S.-Canada joint committee on Critical Infrastructure Protection established. No incidents of terrorist exploitation of Canadian territory to attack the U.S. or its interests.</p> <p>Mexico: Border Partnership signed by both governments. Initial implementation meetings held in Mexico City and Washington. \$25 million obligated for law enforcement assistance projects under some of the 22 points.</p>

ANNUAL PERFORMANCE GOAL 3
PROTECTION OF CRITICAL PHYSICAL AND CYBER INFRASTRUCTURE NETWORKS THROUGH AGREEMENTS AND ENHANCED COOPERATION.

I/P: PROTECT TRANSPORTATION INFRASTRUCTURE

	INDICATOR: Full Implementation and Expansion of Container Security Initiative (CSI)
Outcome	

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

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Reduce opportunities for terrorist exploitation of containers traffic by refining the targeting mechanisms and risk management techniques developed as part of CSI; 90% of U.S.-bound container traffic covered. Best practices are promulgated through multilateral fora and other organizations.
	Results	<ul style="list-style-type: none"> Eleven ports in nine countries joined the CSI in FY 2006. CSI is now operational at 50 ports, accounting for approximately 82% of all containerized merchandise imported into the United States. Upon the initiative of the United States, the World Customs Organization has established a Framework of Standards to Secure and Facilitate Global Trade that establishes tested U.S. procedures as international standards, including advanced electronic cargo information, common risk management criteria, inspection of high-risk containers at the outgoing port and business incentives for secure supply chains. The U.S. Government is providing technical assistance through the WCO for developing countries to implement the framework. As the next step in the Container Security Initiative, DHS is working with selected foreign ports to set up pilot integrated scanning systems combining radiation detection, non-intrusive inspection and optical imaging of the container exterior, to test for general use.
	Rating	■ On Target
	Impact	Broader coverage of CSI has enhanced global port security and boosted industry and public confidence in the security of maritime container traffic.

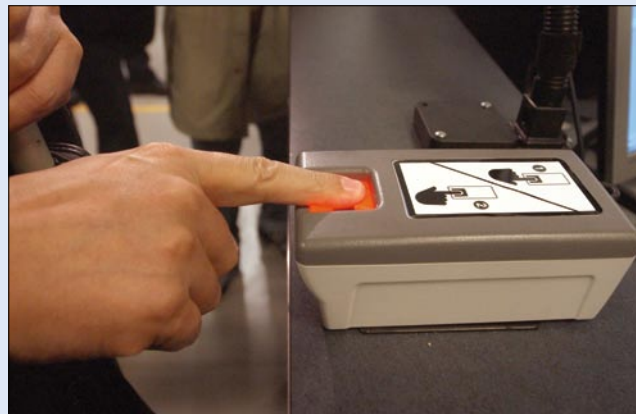
PERFORMANCE DATA	Data Source	Bureau of Customs and Border Protection, Department of Homeland Security.
	Data Quality (Verification)	Security screening of containers at foreign ports by CBP officers before ships depart for the U.S. decreases both the appeal to terrorists and the vulnerability of the vital maritime transportation sector and, in the event of an incident, allows more expeditious resumption of maritime commerce.

PAST PERFORMANCE	2005	Four countries (UAE, Argentina, Brazil and Portugal) signed Declarations of Principles. 14 additional ports comply with CSI, including Kaohsiung and Dubai, for a total of 40 CSI ports overall.
	2004	Signed Declarations of Principles with 19 countries to participate in CSI. Placed permanent personnel at five operational CSI ports.
	2003	Launched the CSI. Nine countries signed on, encompassing fourteen of the initial 20 large ports. CSI "pilot phase" deployment began in two countries.

I/P: PROTECT TRANSPORTATION INFRASTRUCTURE (continued)		
INDICATOR: Status of International Civil Aviation Organization (ICAO) Security Audit Program		
Output		
JUSTIFICATION: These reports are the baselines for agency accountability in ensuring that airports around the world comply with the international security standards established by ICAO, a critical defense against terrorist attacks on civil aviation.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> • Airports in an additional 40 countries to be scheduled for security audit. • Countries with poor security audits have received remedial assistance. Countries receiving remedial assistance as a result of poor security audits are re-audited.
	Results	<ul style="list-style-type: none"> • 35 audits were completed in FY 2006; nine audits are scheduled for the remaining calendar year. • As of September 30, 2006, 44 follow-up audits have been conducted to monitor progress in addressing deficiencies raised. Six more are scheduled for a total of 50 for CY 2006.
	Rating	■ On Target
	Impact	International aviation is more secure because airports and governments know they are going to be audited in advance and make improvements in the run-up to the audit so that the audit results will be favorable. Those whose audits reveal deficiencies benefit from ICAO follow-up visits. From November 2002 to 2006, a total of 140 security audits have been conducted.
PERFORMANCE DATA	Data Source	International Civil Aviation Organization.
	Data Quality (Verification)	Although the security audit results are confidential, the reliability of the data is accepted due to the quality of the audit teams, their training and the ICAO history of technical expertise and reliability.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> • ICAO conducted 96 audits in FY 2005; 107 countries slated for the end of CY 2005. • Remedial assistance was offered to countries with compliance issues.
	2004	ICAO completed 40 audits.
	2003	ICAO completed 60 audits.

Biometric Visa Program

Under the Biometric Visa Program, fingerprints are collected from visa applicants at U.S. Embassies and Consulates abroad. The fingerprints are then cleared against a watchlist containing fingerprints of known or suspected terrorists and criminals, and the biometric data is stored in the Department of Homeland Security's IDENT fingerprint system. Upon arrival at a port of entry in the United States, travelers have their fingerprints matched with those stored in the IDENT database to prevent terrorists or other inadmissible aliens from entering the United States using false identities. In FY 2006, State developed and tested new software to capture all ten fingerprints from visa applicants.



A passenger arriving at John F. Kennedy International Airport uses a machine that takes inkless fingerprints, which will be checked instantly against the national digital database for criminal backgrounds and any terrorist lists. AP/Wide World

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 4: WEAPONS OF MASS DESTRUCTION

Reduce the Threat of Weapons of Mass Destruction to the United States, Our Allies, and Our Friends

I. Public Benefit

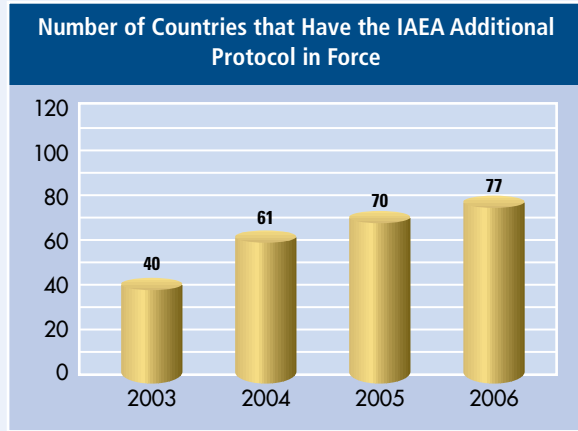
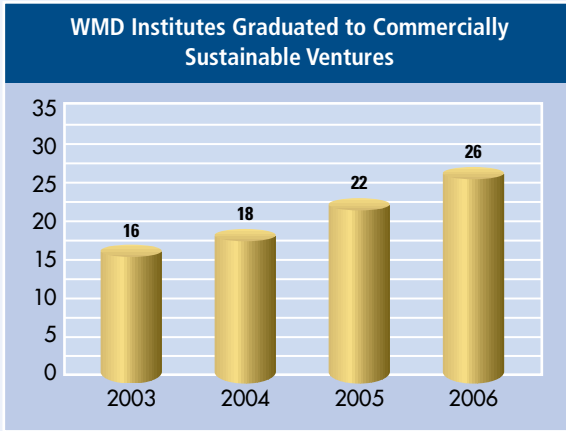
The proliferation of weapons of mass destruction, their means of delivery, and related materials, technologies, and expertise, is the preeminent challenge to American national security. Combating this threat is one of the highest priorities of the Department of State. Department efforts to reduce the threat of weapons of mass destruction include:

- Preventing proliferators from gaining access to sensitive technologies, materials, and expertise that could provide a short cut to producing nuclear, biological, chemical, or radiological weapons;
- Disrupting and ending the proliferation trade by rogue states, individuals, and groups as well as the financial underpinnings of proliferation trade;
- Undertaking efforts, in cooperation with the International Atomic Energy Agency and other organizations to end WMD and missile programs in North Korea and Iran, which pose a threat to international security and the global nuclear nonproliferation regime;
- Enhancing the ability of the U.S. Government and international partners to detect, disrupt and respond to terrorist use of nuclear, radiological, chemical or biological weapons;
- Strengthening existing multilateral frameworks such as the Nuclear Non-Proliferation Treaty and the Chemical Weapons Convention, the Nuclear Suppliers Group, and Missile Technology Control Regime;
- Reducing U.S. and Russian nuclear weapons stockpiles, and engaging in international cooperative efforts to develop missile defenses as appropriate; and
- Ensuring state-of-the-art verification technologies and practices are available to the U.S. Government and work with partner international organizations to ensure that compliance is rigorous and enforced.



U.S. Ambassador to the United Nations John Bolton votes on a UN Security Council resolution on the North Korea missile crisis, July 2006 in New York. AP/Wide World

II. Selected Performance Trends



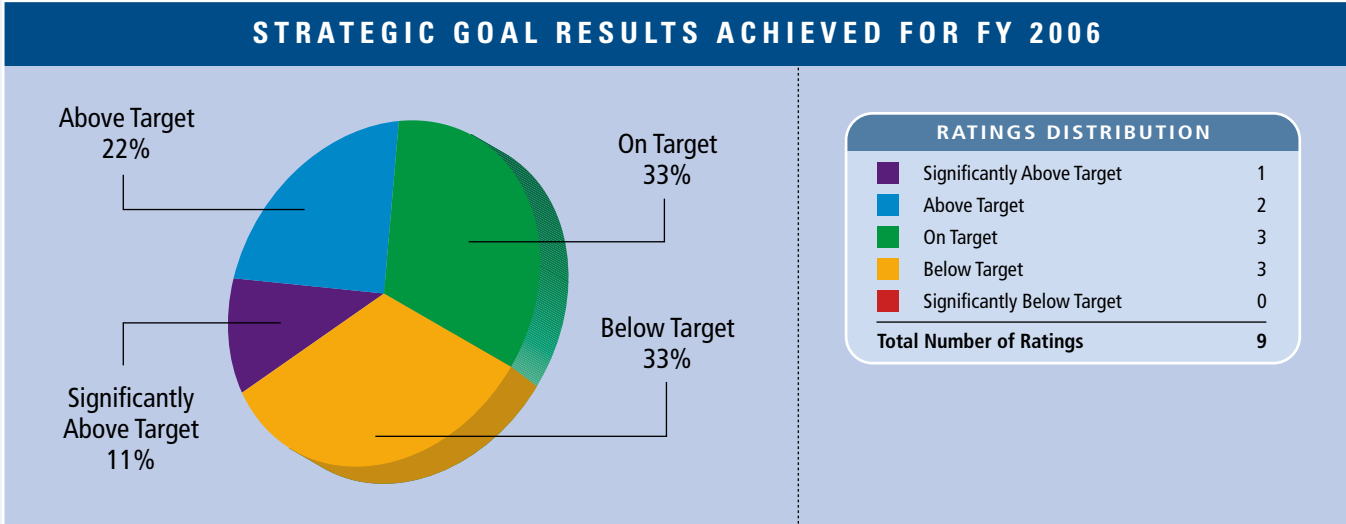
III. Strategic Context

Shown below are the performance goals, initiatives/programs, and the major resources, bureaus and partners that contribute to accomplishment of the Weapons of Mass Destruction strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Weapons of Mass Destruction	Bilateral Measures	Counter the Proliferation of Weapons of Mass Destruction	D&CP, Sanctions	ISN	DOE, DoD, intelligence community, UN, IAEA
		Reduce Vulnerability and Availability of Existing WMD Materials, Equipment, and Expertise	D&CP, NADR, Science Center, Bio-Chem Redirect, Iraq Redirection Program, CIO	ISN	DOE, NRC, DoD, DoT, EPA, IAEA, U.S. nuclear industry, relevant non-governmental organizations.
		Export Controls	D&CP, NADR, Export licensing	ISN	DoD, DOC, DHS, intelligence community
	Multilateral Agreements and Nuclear Safety	Strengthen the Global Nuclear Nonproliferation Regime	D&CP, NADR, CIO, Voluntary Contributions, CPPNM	ISN	DOE, NRC, DoD, IAEA; UN; U.S. nuclear industry
		Multilateral WMD Agreements	D&CP, CIO	ISN, VCI	DoD, DOE, DOC, DoJ, DHS, DHHS, intelligence community, relevant international organizations
	Verification and Compliance	Verification	D&CP, CIO	VCI	Other Federal agencies, including the IC, DOE, NRC, DoD; Commerce; Adherents to the NPT; IAEA; UN; Relevant non-governmental organizations; U.S. nuclear industry. OVP, NSC, Treasury and the EPA
		Compliance Enforcement and Diplomacy	D&CP, CIO	VCI	Other Federal agencies, including the IC, DOE, NRC, DoD, Commerce; Adherents to the NPT; IAEA; UN; relevant non-governmental organizations; U.S. nuclear industry. OVP, NSC, Treasury

IV. Performance Summary

The chart below summarizes Department performance ratings for the Weapons of Mass Destruction strategic goal.



V. Performance Analysis

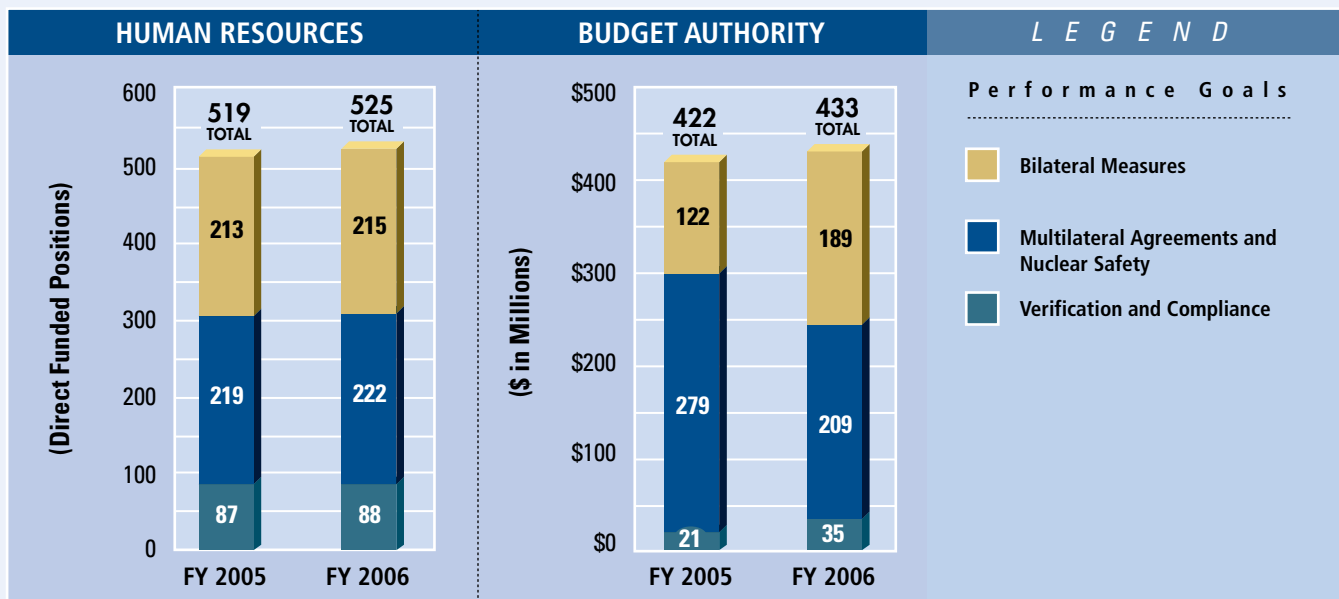
PERFORMANCE TRENDS. For the past several years, the Department of State has demonstrated greater multilateral cooperation in the area of non-proliferation standards and treaties, and in addressing specific proliferation challenges. However, the continued development of nuclear weapons programs in Iran and North Korea provided a counterpoint to these positive multilateral developments.

HIGH-LEVEL RESULTS. Significant progress was made strengthening nonproliferation regimes through expansion of the Export Control and Related Border Security Program, inclusion of U.S. supported proposals in biological weapons control programs, and international enforcement of weapons protocols.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. The number of states that developed and implemented export control systems that conform to international standards exceeded expectations for FY 2006, a positive, welcome development. No performance measures under this strategic goal were rated significantly below target.

KEY INITIATIVES AND PROGRAMS. The Department invested \$196 million in FY 2006 in the Nonproliferation and Disarmament Fund, export controls and border security assistance programs, the nonproliferation of WMD expertise, the U.S. voluntary contribution to the International Atomic Energy Agency, and an international monitoring system for the Comprehensive Nuclear Test Ban Treaty.

VI. Resources Invested



A Look to History: Weapons of Mass Destruction

Negotiations between the United States and the Soviet Union in the 1970s resulted in agreements to limit strategic nuclear weapons. The Strategic Arms Limitation Talks, known as SALT I & II, took place in Helsinki, Vienna and Geneva. A delegation of officials from the Departments of State and Defense, the Intelligence Community, the Joint Chiefs of Staff, and the Arms Control and Disarmament Agency represented the United States. The 1972 Interim Agreement limited the number of offensive intercontinental missiles allowed in each super power's arsenal. The 1972 Anti-Ballistic Missile Treaty sharply limited missile defense systems in each country. President Jimmy Carter signed the SALT II agreement in 1979, but Congress never ratified SALT II. The arms negotiations continued in President Ronald Reagan's administration with the Strategic Arms Reduction Talks.



President Richard Nixon and Soviet Communist Party leader Leonid Brezhnev sign the Strategic Arms Limitation agreement at the Kremlin in May 1972. AP/Wide World

VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.

ANNUAL PERFORMANCE GOAL 1

BILATERAL MEASURES, INCLUDING THE PROMOTION OF NEW TECHNOLOGIES, COMBAT THE PROLIFERATION OF WMD AND REDUCE STOCKPILES.

I/P: COUNTER THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION



INDICATOR: Extent to Which Iran, Syria, DPRK and Other Countries of Concern Are Denied WMD/Missiles and Related Technology, Materials, Equipment and Expertise From Other Countries

Input

JUSTIFICATION: The inability of target countries to acquire WMD is a direct measure of how well U.S. nonproliferation policies and programs are working.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> International Atomic Energy Agency (IAEA) takes effective steps to redress Iranian safeguards concerns. Iran adopts and implements an Additional Protocol. No countries cooperate with Iran's nuclear program. International consensus that Iran should not possess enrichment or reprocessing facilities. Iraq completely and verifiably disarms. China fully implements and effectively enforces its nuclear and missile commitments, and effectively enforces WMD/missile-related export controls. DPRK agrees to verifiably dismantle its nuclear weapons programs. DPRK missile-related exports decrease. 10% increase in interdictions of specific shipments involving programs of concern. Libya continues to cooperate in promoting international nonproliferation norms.
	Results	<ul style="list-style-type: none"> IAEA reported Iran's nuclear program to the UN Security Council (UNSC) February 2006. IAEA reported in August 2006 that Iran failed to comply with UNSCR 1696, which mandated Iranian suspension of enrichment-related and reprocessing activities. All concerns related to Iraq's past possession of WMD have been resolved. China's nonproliferation record has shown improvement over the past several years, but some Chinese entities continue to assist programs of proliferation concern, including in Iran and the DPRK. Since November 2005, the DPRK has refused to return to the Six-Party Talks to find peaceful resolution to security concerns raised by North Korea's nuclear weapons program. In October 2006, the DPRK conducted nuclear tests. With U.S. leadership, the UN Security Council adopted UNSCR 1718 mandating sanctions on the DPRK in response. DPRK continued to test ballistic missiles and export missile-related items. U.S. worked successfully with Proliferation Security Initiative partners on two dozen separate occasions to prevent transfers of equipment and material to WMD and missile programs in countries of concern. Libya continued its cooperation to promote nonproliferation norms.

Continued on next page

I/P: COUNTER THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION (continued)	
INDICATOR: Extent to Which Iran, Syria, DPRK and Other Countries of Concern Are Denied WMD/Missiles and Related Technology, Materials, Equipment and Expertise From Other Countries (continued)	
FY 2005 PERFORMANCE (continued)	Rating ■ Below Target
	Impact Failing to meet our targets increases the possibility that countries or terrorists could acquire WMD. Failing to end Iranian and North Korean nuclear weapons programs threatens global stability and security. U.S. policies and programs have shown success in expanding the Proliferation Security Initiative, and on Iraq and Libya.
	Reason for Shortfall Iran and North Korea continue to refuse to be constructive partners in multilateral negotiations about ending their nuclear weapons programs. China did not take adequate action to implement fully its nuclear and missile nonproliferation commitments.
	Steps to Improve The Department will continue to work with the international community to get Iran to suspend all enrichment- and reprocessing-related activity, and is working on a UN Security Council resolution imposing sanctions on Iran. The U.S. will work with international partners to ensure UNSCR 1718 is effectively implemented and continue to encourage the DPRK to return to the Six-Party Talks. The U.S. continues to urge China to strengthen its export control enforcement.
PERFORMANCE DATA	Data Source Reporting from embassies, consultations with relevant states, intelligence reporting, and UN and IAEA reporting.
	Data Quality (Verification) Some of the information is based on intelligence, which may be limited in quantity and quality. Other information is generally accurate.
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> ● IAEA adopted a resolution finding Iran in noncompliance with its safeguards obligations. IAEA investigations in Iran continued. ● The Iraqi Transitional Government requested assistance in removing remaining nuclear materials. ● China made some progress in the enforcement of its missile commitments, as well as the enforcement of its export controls, but many significant shortcomings remained. ● In March 2005, North Korea said it was no longer bound by the missile testing moratorium. ● The U.S. and 10 Proliferation Security Initiative partners quietly cooperated on 11 successful interdiction efforts. ● U.S. began export control cooperation with Libya.
	2004 <ul style="list-style-type: none"> ● DPRK reiterated a proposal to halt its nuclear weapons program (plutonium) in exchange for assistance and acknowledged this as one step toward the dismantlement. ● DPRK continued to export significant ballistic missile related equipment. ● Although China took steps to educate firms and individuals on the new missile-related export regulations, some Chinese entities continued to engage in transfer activities. ● Continued IAEA investigation and reporting of Iran's nuclear program; international pressure against Iran increased, and Russia, EU and others continued to slowdown trade and cooperation with Iran. ● Verification and dismantlement of Libya's nuclear/chemical weapons program continued and provided information about the A.Q. Khan proliferation network.
	2003 <ul style="list-style-type: none"> ● Unexpected growth in Iranian nuclear program revealed. Iran was pressured through an IAEA board resolution, and the U.S. secured an EU slowdown on Iran trade and cooperation talks pending resolution of Iranian nuclear issues. Iran's noncompliance caused Russia and other potential nuclear suppliers to reconsider cooperation with Iran's program. Shipments of missile-related items to Iran were stopped. ● The Sadaam Hussein regime in Iraq was toppled and disarmed. ● North Korea met with the U.S. in Beijing in late April, and Six Party talks initiated in August. Shipments of chemical weapons precursor elements bound for DPRK were interdicted.

I/P: REDUCE VULNERABILITY AND AVAILABILITY OF EXISTING WMD MATERIALS, EQUIPMENT, AND EXPERTISE




INDICATOR: Progress Toward Implementing Fissile Material Projects

Outcome

JUSTIFICATION: This indicator measures the most important elements of U.S. nuclear and radioactive material disposal programs, which aim to reduce the availability and vulnerability of these materials and thereby prevent misuse.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● Implement U.S.-Russian Plutonium Disposition (PuD) and multilateral financing agreements. ● Proceed with PuD monitoring and inspections and with G-7 and Russian contributions exceeding U.S. support for the program. ● Continue implementing Plutonium Production Reactor Agreement (PPRA); obtain additional international participation commitments. ● Implement transparency arrangements for Mayak Fissile Material Storage Facility (FMSF). ● 90% of Global Partnership (GP) target pledged, actual spending commitments of 50% of target. ● Track and coordinate increasingly effective responses to and follow up on nuclear and radiological smuggling incidents.
	Results	<ul style="list-style-type: none"> ● The Liability Protocol for plutonium disposition was signed in September 2005 and discussions on a new paradigm for cooperation were initiated; however Russia has not yet taken concrete steps to define a plutonium disposition program to which it would commit financially and politically, and will not be prepared to engage on U.S. monitoring and inspection proposals until early 2007. ● PPRA implementation continued smoothly, with replacement fossil fuel plant construction on schedule and monitoring successful. ● Mayak transparency arrangements were de-linked from the successful extension (signed June 2006) of the Cooperative Threat Reduction Umbrella Agreement and the two sides have been engaged in constructive talks since May on a new legal framework for this transparency. ● 86% of the targeted \$20 billion for the Global Partnership has been pledged. Actual spending commitments for all donors are over 28%. ● All significant cases of nuclear smuggling incidents identified by the USG have been closely followed, and prosecution of smugglers has been encouraged and facilitated when possible and as appropriate.
	Rating	■ Below Target
	Impact	Agreement on the Liability Protocol was a necessary, though not sufficient, step for U.S.-Russian PuD cooperation to proceed. The USG has been relatively successful in coordinating effective responses to nuclear or radiological smuggling incidents and is meeting targets related to the Global Partnership Initiative and the PPRA.
	Reason for Shortfall	Russia still needs to define and commit to a program for PuD that would garner international support. USG expects improved results by 2007 for Mayak transparency negotiations based on constructive talks in 2006.
	Steps to Improve	USG continues to work with Russia at senior and expert levels to develop a feasible plan for PuD in which Russia will substantially invest and that U.S. and international donors can support.
	PERFORMANCE DATA	Data Source
Data Quality (Verification)		Intelligence reporting might be limited in terms of the quality or quantity of intelligence. The other information used to measure performance is generally accurate.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● Plutonium disposition: Major progress made in resolving the liability issue and positive movement on multilateral financing. ● Major progress made on Monitoring and Inspection, but two significant issues remain to be resolved in order to conclude agreements. ● Ukraine becomes Global Partnership recipient country.
	2004	<ul style="list-style-type: none"> ● PuD multilateral negotiations and bilateral consultations continued; efforts to resolve liability issues continued. ● PPRA implementation fully underway. ● Mayak transparency negotiations continued. ● For GP: Total pledges remain about 85%, U.S. spending commitment of at least 10%. More donor countries involved. ● Tracked and coordinated responses to, and followed up on known nuclear and radiological smuggling incidents.
	2003	<ul style="list-style-type: none"> ● Negotiations of a multilateral framework to support Russian plutonium disposition launched. ● PPRA Amendment and implementing agreement signed. PPRA monitoring of shutdown reactors and weapon-grade plutonium in storage continued smoothly. ● Negotiations continued on transparency protocol for Mayak FMSF.

I/P: REDUCE VULNERABILITY AND AVAILABILITY OF EXISTING WMD MATERIALS, EQUIPMENT, AND EXPERTISE <i>(continued)</i>		
 INDICATOR: Redirection of Former WMD Experts to Self-Sustaining Civilian Employment		
PART Outcome		
JUSTIFICATION: Redirecting former WMD researchers and institutes into peaceful work has provided a proven incentive against the diversion of WMD know-how to rogue states or terrorists.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● Sustain engagement of critical WMD/missile experts/institutes and continue efforts to gain access to remaining previously inaccessible high-priority biological and chemical weapons institutes in Russia/Eurasia. Engage at least four new WMD institutes in new member states. ● Industrial partner funding of science center projects increased to level between 15-20% of total Science Center project funding. ● Graduate 2-3 institutes or groups of scientists from Science Center funding, and graduate one institute or group of scientists from BW/CW engagement program. ● Begin two new Bio-Industry Initiative conversion and commercialization projects at priority biological weapons production facilities. ● Continue and expand redirection effort in Iraq, with initial emphasis on providing opportunities for greatly increased interaction between Iraqi scientists/engineers and their western peers and colleagues. Identify long-term projects to employ Iraqi WMD personnel. ● Sustain engagement of WMD and missile scientists/engineers in civilian activities that enhance Libya's scientific and economic development.
	Results	<ul style="list-style-type: none"> ● USG engaged 4 new institutes with former WMD personnel in Azerbaijan, Ukraine, and Armenia through the BioIndustry Initiative. The Bio-Chem Redirect program expanded its work in Ukraine, Kyrgyzstan, and Tajikistan. ● In FY 2006, the percentage of non-governmental funding for the Moscow Science Center was 9%, while the Kiev Science Center maintains non-governmental funding at 14%. However, DoS and Moscow Science Center commercialization efforts suggest that private sector funding for institutes engaged through the Center often comes directly from private partners, rather than through the Center. ● USG graduated four institutes from Science Center funding. Of these, three are former BW/CW institutes. ● Three institutes in Russia and Ukraine are in negotiations with U.S. companies, which should enhance their sustainability. USG funded 5 new projects to accelerate drug and vaccine research. ● USG expanded redirection efforts in Iraq. Twenty former WMD personnel gained employment within Iraq's Ministry of Environment. ● USG-funded projects enabled more rapid integration of WMD scientists into existing civilian research organizations and partnerships in the civilian sector.
	Rating	■ Above Target
	Impact	USG scientist redirection program has engaged more than 60,000 former weapons experts and over 700 institutes since its inception. Continued success in FY 2006 reduces the chances that rogue states or terrorists will gain access to WMD expertise.
PERFORMANCE DATA	Data Source	Consultations with and reports from personnel of Science Centers.
	Data Quality (Verification)	The information for measuring this Indicator is generally accurate.

Continued on next page

I/P: REDUCE VULNERABILITY AND AVAILABILITY OF EXISTING WMD MATERIALS, EQUIPMENT, AND EXPERTISE (continued)

INDICATOR: Redirection of Former WMD Experts to Self-Sustaining Civilian Employment (continued)


PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● Access obtained to formerly closed Pavlodar Chemical Plant in Kazakhstan. USG access to an additional 8 bio-chem institutes in Azerbaijan. Engagement of five high-priority institutes in Kyrgyzstan. ● In Iraq, engaged former WMD experts in the pursuit of technology solutions in forensics and law enforcement. ● Three bio institutes and one chemical institute graduated, bringing total of WMD institutes graduated to commercially sustainable ventures to 22. ● Funded over \$2 million in new research in 6 countries through the Iraqi Center; nearly \$3 million in 4 countries through the Ukraine Center. ● The Iraqi Center currently provides monthly stipends to about 120 Iraqi scientists and senior technicians with WMD expertise.
	2004	<ul style="list-style-type: none"> ● Focus for engagement was on approximately 165 institutes of proliferation concern of the 430 involved as lead or supporting institutes in U.S. funded research and on several hundred Iraqi and Libyan scientists and technicians. ● Established Kirov Environmental Monitoring Lab – first mechanism focused on engaging former BW scientists from the top priority Kirov-200 site, which remains closed. ● Identified two new priority bio institutes in Tajikistan. ● BII program developed business, marketing and core competency assessments on 12 biological research institutes. Increased access and transparency with seven biologic production facilities.
	2003	<ul style="list-style-type: none"> ● U.S. private sector industry partners total over sixty. ● Five new projects funded at three newly engaged BW and CW institutes. ● The BioIndustry Initiative has funded long-term commercialization and sustainability programs at large-scale biologic production facilities in Russia and Kazakhstan; developed Russian Bioconsortium of former BW research and production facilities; and developed relationships with Dow Chemical and Eli Lilly.

Bioterror Preparedness

The Department leads the U.S. Government's engagement with the G-8 Bioterrorism Experts Group to protect against deliberate releases of infectious disease and enhance surveillance and response capabilities in the event of natural disease outbreaks. In the spring of 2006, the Department facilitated the participation of G-8 experts in a workshop led by the U.S. Environmental Protection Agency on decontamination issues, leading to the dissemination of U.S. expertise on the matter. The Department is also facilitating a workshop for G-8 experts on forensic epidemiology – an emerging field that includes the coordination of public health and law enforcement expertise in responding to a real or potential threat of bioterrorism.




VaxGen lab technicians demonstrate the development of an anthrax vaccine, September 2006. AP/Wide World

I/P: EXPORT CONTROLS									
	INDICATOR: Number of Countries That Have Developed and Instituted Valid Export Control Systems Meeting International Standards								
PART Output									
JUSTIFICATION: A country's export, border, and strategic trade controls are the first line of defense in preventing proliferation of WMD materials, yet many countries do not have controls that meet international standards. The U.S. assists priority countries to control proliferation and meet international standards.									
FY 2006 PERFORMANCE	<table border="1"> <tr> <td style="background-color: #0056b3; color: white;">Target</td> <td>Cumulatively, seven countries develop and institute export control system and practices that meet international standards.</td> </tr> <tr> <td style="background-color: #0056b3; color: white;">Results</td> <td>The Export Control and Related Border Security (EXBS) program graduated from U.S. assistance six more countries (Malta, Cyprus, Estonia, Latvia, Lithuania, and Slovenia) for a total of 11 countries.</td> </tr> <tr> <td style="background-color: #0056b3; color: white;">Rating</td> <td style="text-align: center;"> <div style="display: inline-block; width: 15px; height: 15px; background-color: #663399; border: 1px solid black;"></div> Significantly Above Target </td> </tr> <tr> <td style="background-color: #0056b3; color: white;">Impact</td> <td>Continued success in 'graduating' states from U.S. assistance means that the global nonproliferation effort is strengthened and resources are made available to assist other countries.</td> </tr> </table>	Target	Cumulatively, seven countries develop and institute export control system and practices that meet international standards.	Results	The Export Control and Related Border Security (EXBS) program graduated from U.S. assistance six more countries (Malta, Cyprus, Estonia, Latvia, Lithuania, and Slovenia) for a total of 11 countries.	Rating	<div style="display: inline-block; width: 15px; height: 15px; background-color: #663399; border: 1px solid black;"></div> Significantly Above Target	Impact	Continued success in 'graduating' states from U.S. assistance means that the global nonproliferation effort is strengthened and resources are made available to assist other countries.
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A mobile radiation detector screens cargo for dirty bombs or terrorist weapons at Port Newark in New Jersey, July 2006. AP/Wide World

ANNUAL PERFORMANCE GOAL 2
STRENGTHENED MULTILATERAL WMD AGREEMENTS AND NUCLEAR ENERGY COOPERATION UNDER APPROPRIATE CONDITIONS.


I/P: STRENGTHEN THE GLOBAL NUCLEAR NONPROLIFERATION REGIME	
	INDICATOR: Status of NPT Regime and IAEA Safeguards
	Outcome
JUSTIFICATION: This indicator tracks the extent to which the global community is prepared to actively support measures to increase the effectiveness of the Nuclear Non-Proliferation Treaty (NPT) and its verification arm, the International Atomic Energy Agency (IAEA).	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> 2005 NPT Review Conference leads to national policies and to multilateral cooperation on specific steps to strengthen the Treaty. Ten additional states negotiate, sign and/or implement the Additional Protocol including all NPT parties with nuclear power reactors. Additional Protocol adopted by supplier states as a condition of nuclear supply. Increase in safeguards funding continues and IAEA applies resources in an efficient manner; Special Committee of the Board makes recommendations on safeguards verification and enforcement. IAEA reports increase in number of countries that it has assisted in establishing a program to strengthen security of nuclear and other radioactive material.
	Results <ul style="list-style-type: none"> NPT Parties responded strongly to Iranian non-compliance, which the IAEA reported to the UN Security Council. UNSC passed Resolution 1696 requiring Iranian action under Chapter VII. G-8 Summit endorsed multilateral approaches to the nuclear fuel cycle to reduce incentives for countries to develop enrichment and reprocessing. Three additional countries signed Additional Protocols and six additional countries brought Protocols into force, bringing the total to 77 countries with Protocols in force. Nuclear Suppliers Group did not yet adopt Additional Protocol as a condition of supply. IAEA continued to approve funding increases for safeguards in accordance with the 2003 budget package. Special Committee began discussions, but has not yet made any recommendations. 14 of the 16 IAEA missions to help member states strengthen control and security for nuclear and other radioactive material were to new countries.
	Rating ■ On Target
	Impact Iran has exposed a major weakness in the global nuclear nonproliferation regime - the ability of states to seek nuclear weapons under the cover of peaceful nuclear energy programs. The USG remains disappointed that the international community has not been more active, including on steps to gain universal adherence to the Additional Protocol and activate the IAEA's Special Committee.
PERFORMANCE DATA	Data Source IAEA reports, reports of NPT meetings, consultations with other governments and IAEA officials.
	Data Quality (Verification) Information is generally accurate. Information about Additional Protocols is available on the IAEA web site.


Continued on next page

I/P: STRENGTHEN THE GLOBAL NUCLEAR NONPROLIFERATION REGIME (continued)		
INDICATOR: Status of NPT Regime and IAEA Safeguards (continued)		
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● The 2005 NPT Review Conference demonstrated continued support for the Treaty and focused on DPRK and Iran NPT violations, but there was no negotiated outcome document. ● Fifteen more Additional Protocols approved, for total of 112 with 70 in force. All NPT parties with nuclear power reactors concluded an Additional Protocol except for Argentina and Brazil. IAEA approved an Additional Protocol for Malaysia, which represented an important step toward broader acceptance of the Additional Protocol by members of the Non-Aligned Movement. ● A Committee on Safeguards and Verification was approved by the IAEA Board, a USG initiative designed to further strengthen safeguards. ● IAEA safeguards budget increased by further \$4 million, enabling U.S. to reduce the voluntary contribution for safeguards equipment and redirect funds to nuclear security and safeguards technical support. ● IAEA's nuclear security program continued to assist states in improving their preparedness to deal with malicious acts involving nuclear or radiological material, enhance radiation monitoring at borders, improve physical security of nuclear materials, and secure vulnerable radioactive sources.
	2004	<ul style="list-style-type: none"> ● PrepCom III for the 2005 NPT Review Conference concluded satisfactorily. ● Six more states signed an Additional Protocol bringing the number to 84; twenty-two more states brought the Protocol into force bringing the total to 61. ● U.S. Senate unanimously approved the U.S.-IAEA Additional Protocol. ● IAEA exposed Iranian violations of its NPT safeguards obligations. ● Libya renounced nuclear weapons and agreed to return to compliance with the NPT.
	2003	<ul style="list-style-type: none"> ● PrepCom II for the 2005 NPT Review Conference concluded successfully. The international community urged Iran to comply with the NPT and North Korea to reverse its position on NPT withdrawal. ● Eleven more states signed an Additional Protocol, bringing the total to seventy-eight. ● Voluntary contributions to the IAEA anti-nuclear terrorism program funding doubled in FY 2003.




Assistant Secretary of State Christopher Hill looks towards the North Korean delegation during the opening session of the fifth round of six party talks in Beijing, November 2005.
AP/Wide World


I/P: MULTILATERAL WMD AGREEMENTS	
 INDICATOR: Status of the Chemical Weapons Convention (CWC)	
Outcome	
JUSTIFICATION: This indicator measures the strength and viability of the CWC, which ensures through inspections that existing chemical weapons stockpiles are destroyed and that civilian chemical industrial facilities do not use chemicals for purposes that are prohibited.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> ● 169 States Parties. ● Continuation of destruction of Albanian chemical weapons, with U.S. assistance. ● OPCW inspection program expands to 235 sites inspected in 61 countries. ● Second Russian destruction facility completed, and construction continues on the third facility. ● All Article VII requirements met by 75% of States Parties.
	Results <ul style="list-style-type: none"> ● 179 States Parties. ● All equipment for destruction of Albanian chemical weapons in place; destruction scheduled to begin in October 2006. ● OPCW inspection program expands to 235 sites inspected in 61 countries. ● Second Russian destruction facility completed; third facility also operating although construction not yet complete. ● All Article VII requirements met by 75% of States Parties.
	Rating ■ On Target
	Impact The increasing number of States Parties demonstrates the CWC's growing influence and universality, and enhances the CWC's effectiveness in reducing the WMD threat. While a great majority of the countries of the world have signed the CWC, many have lagged in implementing it nationally. Progress has been made on destroying Russia's chemical weapons stockpile, the largest in the world.
PERFORMANCE DATA	Data Source CWC States Parties, OPCW reports, and bilateral consultations.
	Data Quality (Verification) Most data are readily available. Data for measuring the number of inspections in the number of countries is not available in a timely fashion and therefore have dropped this measurement.
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> ● 174 States Parties. ● Destruction of Libya's stockpile not completed as targeted due in part to U.S. statutory requirements that limited assistance by U.S. companies. ● OPCW completed 162 inspections worldwide, up from 132 in 2004. ● 79% of all States Parties designated a National Authority, and 65% have implementing legislation enacted or in the review process.
	2004 <ul style="list-style-type: none"> ● A total of 166 Parties to the CWC. ● After the sudden Libyan announcement in December 2003 to forgo WMD, USG assisted Libya ensure rapid submission of an accurate declaration of its chemical weapons stockpile and civilian chemical industry and to begin destruction of CW stockpiles. ● The Department led international support for Albania to accelerate implementation of the CWC. ● Active USG and OPCW efforts to promote effective domestic implementation by CWC member states began, in accordance with an agreed action plan. ● OPCW implemented a tenure policy to promote a steady flow of qualified personnel for inspections and staff functions. ● OPCW ended 2004 executing its full program of inspections, despite U.S. deferred payment of about one-third of the 2004 U.S. assessment until FY 2005.
	2003 <ul style="list-style-type: none"> ● A total of 156 States Parties. ● The first Russian destruction facility started operations in December 2002, and Russia met its revised deadline of destroying 400 agent tons by April 24, 2003. Construction of a second destruction facility began. ● OPCW significantly recovered from the financial and administrative crisis it faced a year ago. Inspections increased by over 15%, while the budget increase was held to less than 10 percent, indicating an increase in efficiency. Inspections were retargeted to focus better on potential chemical weapons (CW) threats.

I/P: MULTILATERAL WMD AGREEMENTS (continued)									
	INDICATOR: Number of States Parties Who Incorporate U.S. Proposals in Their National Approaches to Controlling the Biological Weapons Threat								
Output									
JUSTIFICATION: This indicator measures the success of U.S. diplomacy in persuading other BWC States Parties to follow the U.S. approach for strengthening implementation of the BWC. If all States Parties undertake the desired national actions, it will be much more difficult for terrorists or rogue states to acquire biological weapons.									
FY 2006 PERFORMANCE	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #4a7ebb; color: white; text-align: center;">Target</td> <td>U.S. alternative proposals incorporated by 40-45 BWC States Parties in their national approaches to controlling the BW threat.</td> </tr> <tr> <td style="background-color: #4a7ebb; color: white; text-align: center;">Results</td> <td> <ul style="list-style-type: none"> ● Detailed Codes of Conduct have been endorsed by the 60 preeminent scientific academies that make up the Inter-Academy Panel (IAP). States Parties, universities, scientific institutions, and industry in 60 countries are following suit based in large part in IAP guidelines. ● USG responded to 12 requests for bilateral technical assistance on BWC implementation measures, including penal legislation. ● USG providing on-the-ground training in pathogen security and biosafety to six States Parties in the former Soviet Union, Southeast Asia, and the Middle East. ● The UN Secretary General's Mechanism for Investigations of Alleged Use has been strengthened; experts and laboratories have been provided by 40 States Parties for use should an unusual outbreak or alleged use occur. ● All EU member states and even many in the non-aligned movement are calling for a return to the topics and objectives of the U.S.-inspired 2003-2005 Work Program. </td> </tr> <tr> <td style="background-color: #4a7ebb; color: white; text-align: center;">Rating</td> <td> <div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #0070c0; margin-right: 5px;"></div> Above Target </div> </td> </tr> <tr> <td style="background-color: #4a7ebb; color: white; text-align: center;">Impact</td> <td>The U.S.-inspired Work Program has contributed to focusing international attention on the urgent need to improve national actions and international coordination to control the biological weapons threat, especially bioterrorism. USG works with Interpol to create a database of states' current regulations and identify key gaps, to ensure that all states have the necessary legislation to prevent and punish biological weapons-related activity, including efforts by non-state actors to obtain dangerous pathogens.</td> </tr> </table>	Target	U.S. alternative proposals incorporated by 40-45 BWC States Parties in their national approaches to controlling the BW threat.	Results	<ul style="list-style-type: none"> ● Detailed Codes of Conduct have been endorsed by the 60 preeminent scientific academies that make up the Inter-Academy Panel (IAP). States Parties, universities, scientific institutions, and industry in 60 countries are following suit based in large part in IAP guidelines. ● USG responded to 12 requests for bilateral technical assistance on BWC implementation measures, including penal legislation. ● USG providing on-the-ground training in pathogen security and biosafety to six States Parties in the former Soviet Union, Southeast Asia, and the Middle East. ● The UN Secretary General's Mechanism for Investigations of Alleged Use has been strengthened; experts and laboratories have been provided by 40 States Parties for use should an unusual outbreak or alleged use occur. ● All EU member states and even many in the non-aligned movement are calling for a return to the topics and objectives of the U.S.-inspired 2003-2005 Work Program. 	Rating	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #0070c0; margin-right: 5px;"></div> Above Target </div>	Impact	The U.S.-inspired Work Program has contributed to focusing international attention on the urgent need to improve national actions and international coordination to control the biological weapons threat, especially bioterrorism. USG works with Interpol to create a database of states' current regulations and identify key gaps, to ensure that all states have the necessary legislation to prevent and punish biological weapons-related activity, including efforts by non-state actors to obtain dangerous pathogens.
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ANNUAL PERFORMANCE GOAL 3

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

I/P: VERIFICATION		
	INDICATOR: Status of Verified Elimination of All Elements of North Korea’s Nuclear Program and Develop Plan for Verifiable Chemical, Biological, and Missile Compliance Regime	
Outcome		
JUSTIFICATION: U.S. policy is structured around the dismantlement of DPRK nuclear program.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Complete internal development of the framework for verifiably and irreversibly dismantling North Korea’s nuclear program and press for its acceptance in the Six-Party Talks. Identify all relevant North Korean facilities, equipment and materials, to include any disclosures by North Korea regarding its nuclear program. Continue nuclear-related dismantlement negotiations with North Korea. Use multilateral contacts to encourage DPRK to accede to Chemical Weapons and Biological Weapons Conventions and halt proliferation. Plan for possible negotiations with North Korea on missile export ban and limits on indigenous missile programs.
	Results	Since November 2005, DPRK has refused to return to the Six Party Talks. The U.S. and its partners remain ready to attend a Six-Party session without preconditions, but there is no immediate plan for a meeting or to reconvene a fifth round.
	Rating	■ Below Target
	Impact	Absence of genuine and complete DPRK commitment to denuclearization hampers multilateral coordination and planning of operational requirement of dismantlement and verification activities. Meanwhile, various USG agencies are working together to define and develop actions in which we anticipate significant development so we are fully prepared to support multilateral denuclearization and verification effort.
	Reason for Shortfall	DPRK has refused to return to the Six Party Talks to compete negotiations, putting accomplishment of the FY 2006 Target out of reach.
	Steps to Improve	The Department will continue to work with the international community to pressure North Korea to implement its denuclearization pledge. U.S. interagency process to develop policy options vis-a-vis the North Korean nuclear issue is ongoing, and it also continues to define the process and plan steps for the verifiable dismantlement of the DPRK’s nuclear program.
PERFORMANCE DATA	Data Source	Bi- and multilateral discussions/negotiations.
	Data Quality (Verification)	This data are official, objective, and accurate. Assessment of progress in negotiations and consultations are based on embassy and delegation reporting.
PAST PERFORMANCE	2005	On September 19, 2005, the DPRK committed to abandoning all nuclear weapons and existing nuclear programs and returning, at an early date, to the NPT and to IAEA safeguards. Steps to implement the complete, verifiable, irreversible dismantlement are yet to be initiated.
	2004	<ul style="list-style-type: none"> Developed framework to verifiably dismantle North Korea’s nuclear program. Began draft of the regime to dismantle North Korea’s nuclear program. Full member of the U.S. delegation.
	2003	Developed Department concept paper outlining objectives, strategy, and tactics to achieve the denuclearization of North Korea (agreed). Preliminary exploration with interagency regarding appropriate technical means to denuclearize North Korea and to verify complete and irreversible dismantlement.

I/P: COMPLIANCE ENFORCEMENT AND DIPLOMACY		
	INDICATOR: Extent of Implementation and Enforcement of Compliance with Arms Control, Nonproliferation, and Disarmament Multilateral Treaties, Agreements, and Commitments	
Input		
JUSTIFICATION: This measure tracks USG efforts, in partnership with the international community, to identify noncompliance and implement corrective measures to increase the cost of noncompliance and persuade nations to adopt compliant behavior.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● NPT – Compliance remains a central issue among Nuclear Non-Proliferation Treaty (NPT) parties and at NPT meetings. ● CWC – Multiple bilateral and multilateral discussions and site visits with other States Parties regarding Chemical Weapons Convention (CWC) noncompliance issues. ● CFE – Continue to emphasize importance of compliance at Conventional Armed Forces in Europe (CFE) Treaty consultations. ● Open Skies – Continue to press importance of compliance at Open Skies consultations. ● BWC – Increase compliance focus at Sixth Biological Weapons Convention (BWC) Review Conference; publicly identify States Parties that continue to cause compliance concerns; increase international pressure to comply with BWC commitments. ● Missile Technology Control Regime (MTCR) – Participation in rigorous review of missile and missile proliferation activities and behavior facilitates robust noncompliance reporting, more complete noncompliance determinations, and appropriate and timely enforcement.
	Results	<ul style="list-style-type: none"> ● NPT – Compliance remained a central issue among Nuclear Non-Proliferation Treaty (NPT) parties and at NPT meetings. ● CWC – Conducted multiple bilateral and multilateral discussions and site visits with other States Parties regarding CWC noncompliance, including working with Libya and Albania on chemical weapons destruction. ● CFE – Conducted regular bilateral and multilateral consultations on CFE Treaty implementation in the weekly Joint Consultative Group meetings, and monthly with Allies at NATO. Obtained Allied support for compliance objectives. ● Open Skies – Conducted regular multilateral consultations on Treaty implementation in the Open Skies Consultative Commission, and bilaterally with Russia. Substantial progress was made on a key compliance issue with Russia. ● BWC – Conducted multiple bilateral and multilateral discussions with other States Parties regarding BWC compliance, including strategic planning leading up to the Sixth BWC Review Conference. ● MTCR – Engaged adherents in bilateral and multilateral consultations to prevent the proliferation of missile-related equipment and know-how to countries of proliferation concern.
	Rating	■ On Target
	Impact	This effort has contributed to focusing international attention on the urgent need to improve national actions and international coordination to encourage compliance with arms control, nonproliferation, and disarmament agreements and commitments. The USG works with other States Parties to identify key gaps in compliance enforcement, induce compliance and deny proliferators the benefit of their noncompliance, and deter others from such activities.
PERFORMANCE DATA	Data Source	NPT, CWC, CFE, Open Skies, BWC, and MTCR-related reporting (and BWC annual submission of confidence and security-building data and reports from international health-related organizations). Bilateral consultations with Allies.
	Data Quality (Verification)	Data for assessing compliance is derived from multiple sources. Consequently, the assessment is only as good as the information available to address noncompliance concerns.

Continued on next page

I/P: COMPLIANCE ENFORCEMENT AND DIPLOMACY (continued)

INDICATOR: Extent of Implementation and Enforcement of Compliance with Arms Control, Nonproliferation, and Disarmament Multilateral Treaties, Agreements, and Commitments. (continued)

PAST PERFORMANCE	2005	<p>Libya - Destruction of its category two chemical weapons precursors continued. U.S. agreed in principle to assist Libya in the destruction of its CW agent and remaining precursors, provided three requirements are met. Conversion of production facilities to non-WMD use continued. Dismantlement of its declared weapons-related nuclear program concluded.</p> <p>Throughout 2005, Department officials focused international attention on instances of noncompliance with arms control and nonproliferation agreements and commitments, remedial steps necessary to bring the offending party back into compliance, and the impact of failure by parties to take corrective action on international norms of compliance.</p>
	2004	<ul style="list-style-type: none"> ● NPT – Compliance remained a central issue among Nuclear Nonproliferation Treaty (NPT) parties and at NPT meetings. ● CWC – Multiple site visits conducted within Libya. Site visit to Albania to resolve noncompliance concerns. Bilateral consultations on noncompliance issues conducted with several CWC States parties. ● CFE – Compliance issues pressed in bilateral and multilateral meetings in Vienna. Ensured that verification equities were preserved at NATO consultations on CFE implementation. ● Open Skies – Efforts to resolve compliance issues during early implementation were successful. ● BWC – Three-year working program continued. Public diplomacy highlighted noncompliant States. ● MTCR – Participated in rigorous review of missile and missile proliferation activities that facilitated robust noncompliance reporting, noncompliance determinations, and timely enforcement. Sanctions applied to foreign entities that transferred MTCR-controlled items.
	2003	<ul style="list-style-type: none"> ● CWC – Sought clarification and resolution of U.S. compliance concerns related to the CWC through visits conducted under Article IX of the CWC. ● BWC – Three-year program continued, with focus on strengthening national compliance legislation within States Parties, and increasing Bio-security measures to prevent non-compliance. Public diplomacy efforts highlight non-compliant States. ● MTCR – Participated in rigorous review of missile and missile proliferation activities to determine responses to noncompliance.



Indian Prime Minister Manmohan Singh, right, talks to Undersecretary of State for Political Affairs, R. Nicholas Burns, in New Delhi, India, February 2006. AP/Wide World

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 5: INTERNATIONAL CRIME AND DRUGS

Minimize the Impact of International Crime and Illegal Drugs on the United States and its Citizens

I. Public Benefit

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

International crime groups also threaten U.S. and global partner interests in a stable world system. International trafficking in persons, smuggling of migrants and contraband, money laundering, cyber crime, theft of intellectual property rights, trafficking in small arms, and other offenses cost U.S. taxpayers and businesses billions of dollars each year and undermine rule of law in both developing and developed nations.

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

To meet these challenges, the Department of State and USAID support a robust and comprehensive range of programs that foster international cooperation to help stop these threats before they reach U.S. soil, and to mitigate these threats within the borders of our global partners. The Department and USAID work 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.



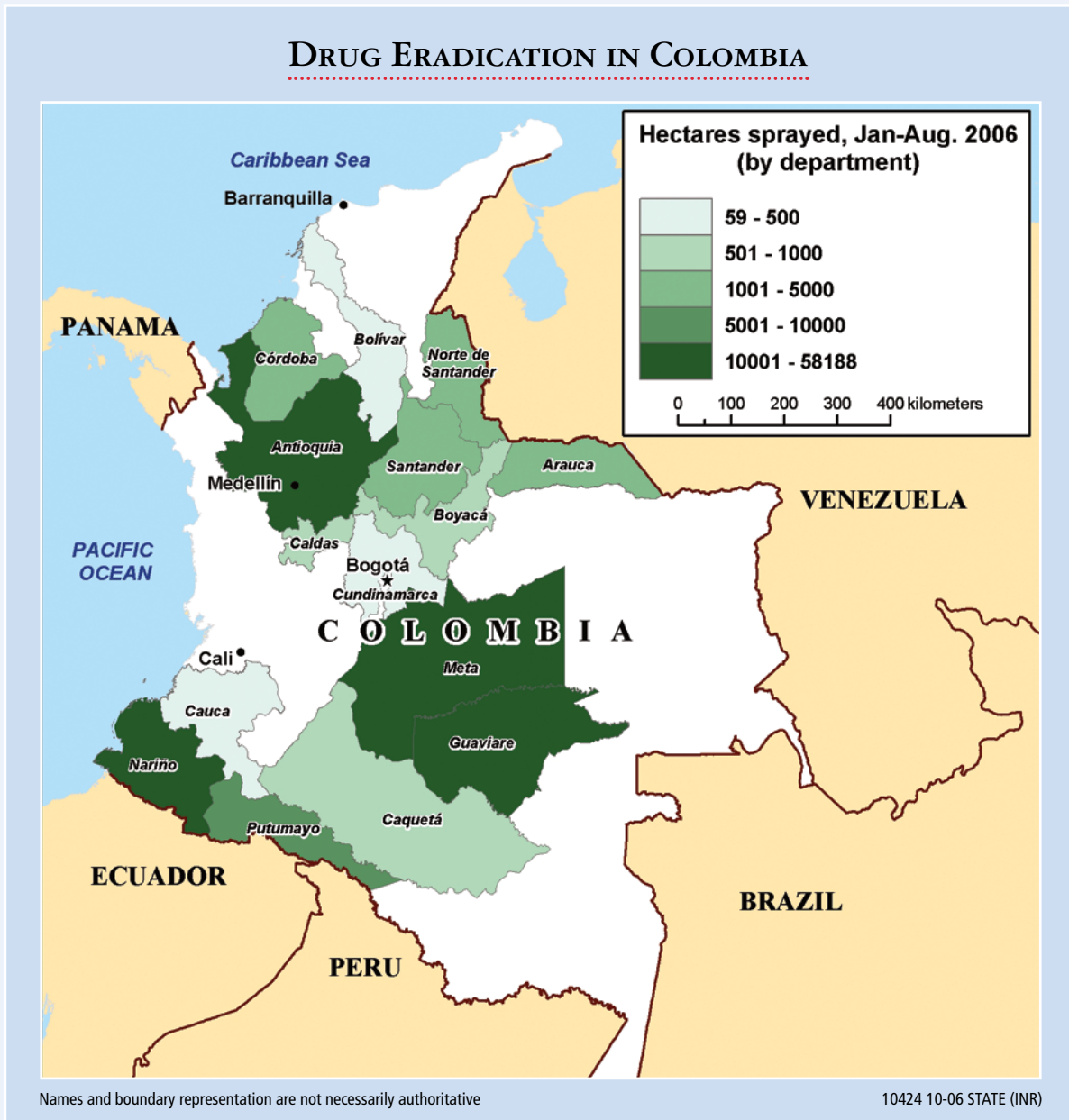
On the diplomatic level, the Department works with the United Nations, the European Union, the Organization of American States, the Group of Eight Industrialized States, and other international and regional bodies to

A female police officer chats about her experience as a member of the Afghan Police's Family Response and Domestic Violence Unit with Assistant Secretary for International Narcotics and Law Enforcement Affairs Anne Patterson, August 2006.

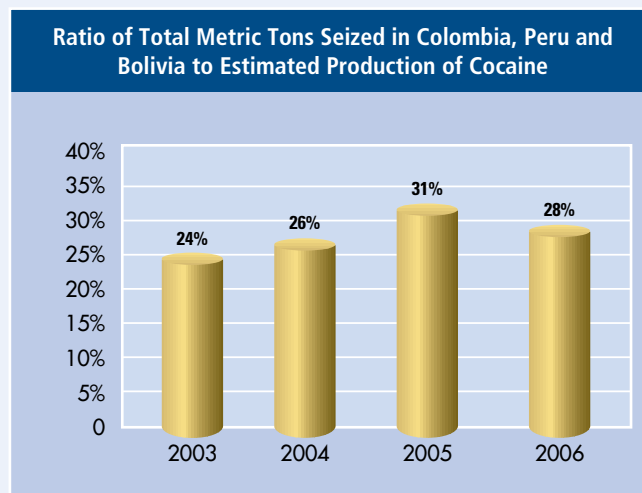
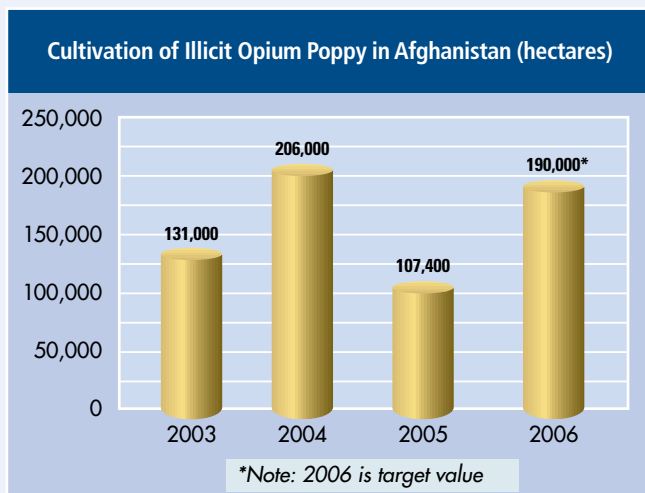
Photo courtesy of DynCorp

set international counter-drug, anti-crime and counter-terrorist standards, foster cross-border law enforcement cooperation, and deny safe havens to crime, drug and terrorist groups.

To expand the reach of government and help establish the rule of law, which is critical to political stability in source countries struggling against narco-terrorists, the Department and USAID strengthen courts and prosecutorial offices, create less corrupt and more transparent national and local government structures, and improve civil society advocacy. In addition, the Department provides American civilian police and police experts to UN, regional, or other peacekeeping operations to establish or rebuild democratic and professional police forces in countries emerging from violent conflict.



II. Selected Performance Trends



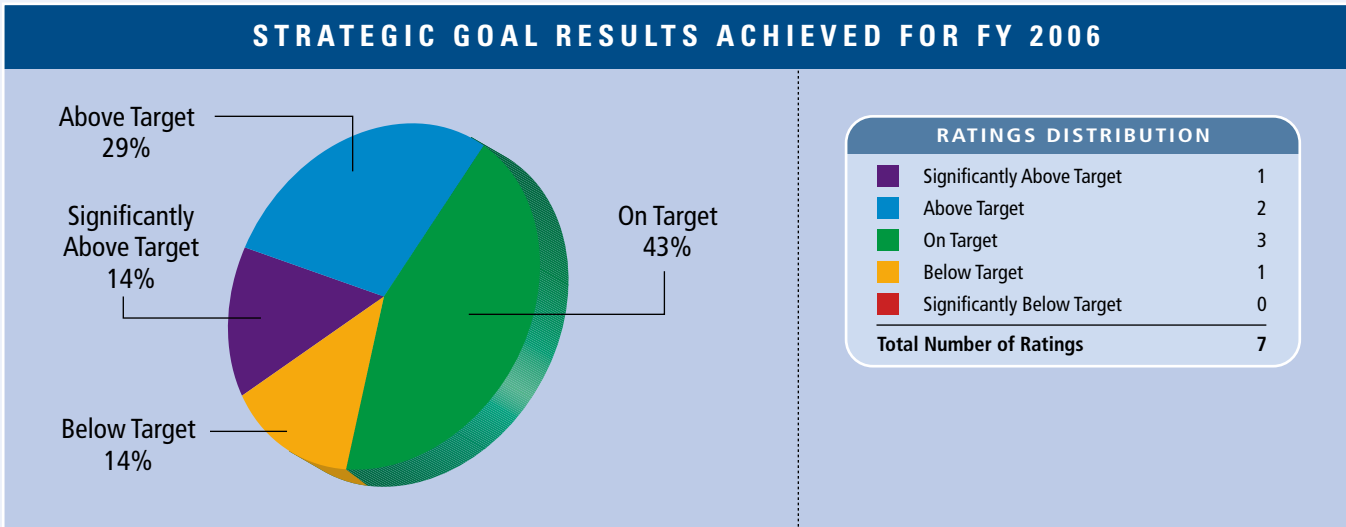
III. Strategic Context

Shown below are the performance goals, initiatives/programs, and the major resources, bureaus and partners that contribute to accomplishment of the International Crime and Drugs strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Major Resources	Lead Bureau(s)	External Partners
International Crime and Drugs	Disruption of Criminal Organizations	Andean Counterdrug Initiative	ACI, CIO, D&CP, DA	INL, WHA, LAC	DoD, DEA, DOJ, ONDCP, CNC
		Global Poppy Cultivation	ACI, CIO, D&CP, DA	INL, WHA, LAC	DoD, DEA, DOJ, ONDCP, CNC
		Improve Anti-Trafficking Prosecutorial and Protection Capacities	CIO, D&CP, DA, ESF, FSA, INCLE, MRA, SEED	G/TIP, PPC	DOJ, DOL, DHS, UN, IOM, ILO, Asia Foundation, OAS, OSCE, Stability Pact, SECI, ASEAN, ECOWAS, SADC
	Law Enforcement and Judicial Systems	International Law Enforcement	CIO, D&CP, FSA, INCLE, SEED	INL	FBI, DEA, DHS, Treasury, UN
		Justice Sector Reconstruction in Iraq	DA, IRRF, TI	NEA, INL	DoD, DOJ

IV. Performance Summary

The chart below summarizes the performance ratings for Department of State and USAID results for the International Crime and Drugs strategic goal.



V. Performance Analysis

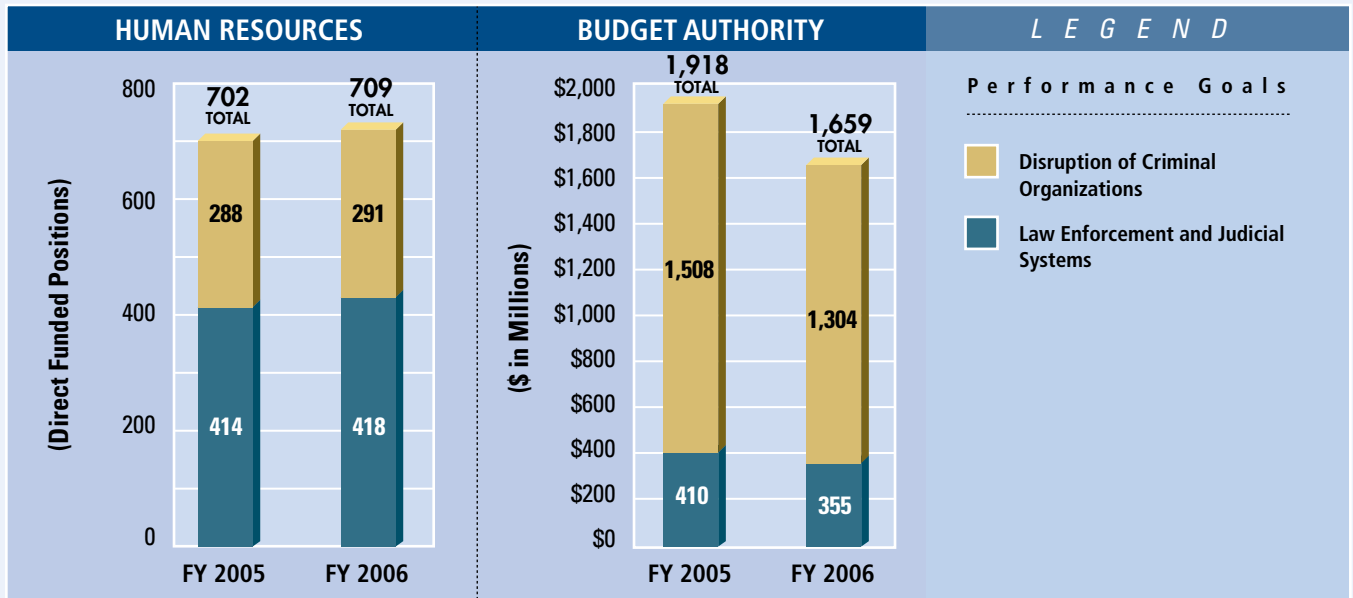
PERFORMANCE TRENDS. There were a number of positive trends under the Andean Counterdrug Initiative: hectares sprayed, shipments seized, and licit crop production increased. In addition, host government law enforcement partners have become stronger and more effective, capturing an increasing share of the cocaine produced in the Andean region. Unfortunately, the four-year trend in Afghanistan shows an increase in illicit opium poppy cultivation, despite U.S. Government efforts to discourage planting, eradicate the crop and promote alternative development.

HIGH-LEVEL RESULTS. The Department and USAID have demonstrated results toward disrupting criminal organizations through programs that seize cocaine shipments, eradicate poppy crops, and strengthen prosecution of individuals and groups that traffic in persons. In addition, both agencies have had success with programs to strengthen the justice sector and related institutions in other countries, most notably Iraq.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. Efforts to strengthen anti-trafficking laws significantly exceeded FY 2006 targets. Forty-one countries took action to strengthen legislation to combat trafficking in persons. No indicator under this Strategic Goal was rated significantly below target.

KEY INITIATIVES AND PROGRAMS. In FY 2006, Congress appropriated \$734.5 million to the Department of State to carry out the Andean Counterdrug Initiative, of which approximately \$229 million was earmarked to USAID for alternative development and institution building, including \$131 million for assistance to Colombia. An additional \$477 million was appropriated in FY 2006 to fund international narcotics and law enforcement activities, including \$16 million to fund International Law Enforcement Academies.

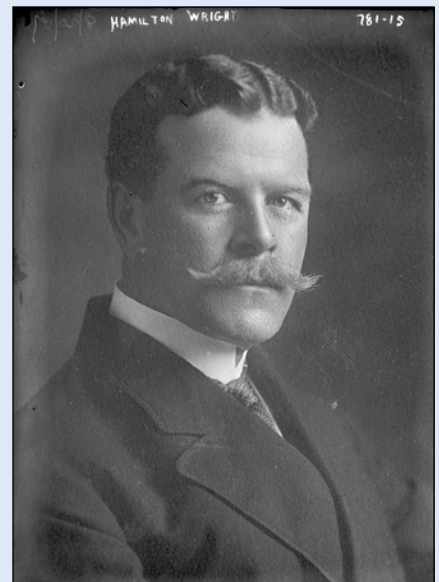
VI. Resources Invested



A Look to History: International Crime and Drugs

The 1909 Shanghai Opium Commission was the first international meeting to address the problem of drugs and the question of drug control. Dr. Hamilton Wright represented the United States in the Commission's negotiations to diminish the East Asian opium trade that had caused a significant public health crisis in China and elsewhere. In his efforts to impose limitations on legal opium use, Hamilton clashed with some imperial powers as they benefited from the opium trade. Though the Commission did not reach any concrete resolutions, it raised important questions related to international drug trade and consumption and marked the inception of drug control as an international issue.

Dr. Hamilton Wright. AP/Wide World



VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.

ANNUAL PERFORMANCE GOAL 1

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

I/P: ANDEAN COUNTERDRUG INITIATIVE




INDICATOR: Ratio of Total Metric Tons Seized in Colombia, Peru, and Bolivia to Estimated Production of Cocaine



PART Outcome

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

FY 2006 PERFORMANCE	Target	Seizure Rate: at least 28% of total net production.
	Results	Although actual data for metric tons produced or actual metric tons seized is not expected to be distributed until April 2007, based on results for 2005 and past experience, it is reasonable to forecast that the seizure rate will remain on target.
	Rating	■ On Target
	Impact	The seizure rate measures the effectiveness of U.S. Government assistance to law enforcement capacity building in Colombia, Peru, and Bolivia. The upward trend from 2003 to 2005 indicates that the host government law enforcement, working together with the U.S. Government, continue to capture an increasing share of the cocaine produced in the Andean region.
PERFORMANCE DATA	Data Source	Seizure statistics are provided by post and the host government and are included annually in the International Narcotics Control Strategy Report. The quality of the data varies by government. Estimates of cocaine production are provided by the CIA's Crime and Narcotics Center.
	Data Quality (Verification)	The quality of the seizure data varies by government. Estimates of cocaine production as provided by the CIA's Crime and Narcotics Center are regarded as the U.S. Government's most reliable information regarding cocaine production.
PAST PERFORMANCE	2005	31%.
	2004	26%.
	2003	24%.

I/P: GLOBAL POPPY CULTIVATION		
INDICATOR: Cultivation of Illicit Opium Poppy in Hectares in Afghanistan		
Outcome		
JUSTIFICATION: The level of cultivation is the single best indicator of poppy and therefore heroin production. It has the added advantage of pinpointing poppy-growing areas so they can be targeted for eradication and other counter-narcotics programs.		
FY 2006 PERFORMANCE	Target	190,000 hectares under cultivation. USG-supported program eradicates 15,000 hectares.
	Results	In September 2006, the U.N. Office of Drugs and Crime released its opium poppy cultivation estimate of 165,000 hectares for Afghanistan, indicating a cultivation level below the 2006 target of 190,000. The 2006 estimate was initially set against the official U.S. Government estimate provided by the CIA's Crime and Narcotics Center and the official estimate will not be available until December 2006.
	Rating	■ On Target
	Impact	Reducing the level of opium poppy under cultivation will deny destabilizing forces in Afghanistan the revenue with which to continue their operations and reduce the global supply of heroin.
PERFORMANCE DATA	Data Source	CIA Crime and Narcotics Center provides the estimates.
	Data Quality (Verification)	Data provided by the CIA's Crime and Narcotics Center are regarded as the most reliable U.S. Government information on narcotics cultivation and production.
PAST PERFORMANCE	2005	107,400 hectares under cultivation.
	2004	206,000 hectares under cultivation.
	2003	131,000 hectares under cultivation.

		
INDICATOR: Number of Hectares Devoted to Legitimate Agricultural and/or Forestry Products Developed or Expanded in Areas Receiving USAID Assistance		
Output		
JUSTIFICATION: This indicator measures the impact of USAID programs in Afghanistan, Bolivia, Colombia, Ecuador and Peru to expand production of licit crops and forestry products, thereby expanding legitimate economic opportunities.		
FY 2006 PERFORMANCE	Target	344,160 Hectares.
	Results	382,286 Hectares, 11% above the FY 2006 target.
	Rating	■ Above Target
	Impact	USAID programs educate growers, provide alternative seeds, and agricultural inputs, and promote the production of licit crops in areas where poppy has been grown.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	Verification and validation of the Agency's performance data are accomplished by periodic reviews, certifications and audits, including Data Quality Assessments (DQAs) and PART assessments, as well as annual certification of operating units' strategic objectives and their relationship to the Agency's strategic goals. Data validation and verification are also supported by extensive automated systems and external expert analyses.
PAST PERFORMANCE	2005	310,281 hectares in licit production formerly in illicit poppy production, 1,141% above the FY 2004 baseline.
	2004	25,000 hectares in licit production formerly in illicit poppy production.
	2003	N/A.


I/P: IMPROVE ANTI-TRAFFICKING PROSECUTORIAL AND PROTECTION CAPACITIES		
	INDICATOR: Number of Countries Strengthening and Enforcing New or Existing Anti-Trafficking Laws to Come Into Compliance with International Standards	
	Outcome	
JUSTIFICATION: Strengthened laws requiring strong penalties for traffickers and comprehensive assistance for victims indicate concrete efforts to prosecute and convict traffickers and to protect victims.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Ten countries move up a tier or off the Tier 2 Watch List classification based on fulfillment of country strategies. Two additional countries receiving USG assistance successfully adopt comprehensive anti-trafficking law(s).
	Results	<ul style="list-style-type: none"> In the past year, 16 countries moved up a tier or off the Tier 2 Watch List. Of these 16 countries, eight moved up from Tier 3 to Tier 2 Watch List or Tier 2. Eight additional countries moved from the Tier 2 Watch List to Tier 2. Forty-one countries adopted new legislation or amended existing legislation to combat trafficking in persons.
	Rating	 Significantly Above Target
	Impact	Concrete actions taken by governments to fight trafficking result in more prosecutions, convictions, and prison sentences for traffickers and comprehensive assistance for victims.
PERFORMANCE DATA	Data Source	Annual Department of State <i>Trafficking in Persons Report</i> .
	Data Quality (Verification)	Information from the 2006 <i>Trafficking in Persons Report</i> is from U.S. embassies, foreign government officials, NGOs and international organizations, published reports, research trips to every region, and information submitted to tipreport@state.gov . U.S. diplomatic posts reported on the trafficking situation and governmental action based on thorough research, including meetings with a wide variety of government officials, local and international NGO representatives, international organizations, officials, journalists, academics, and survivors.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> With USG assistance, 39 countries adopted anti-trafficking legislation. The United States was the ninety-seventh country to ratify the UN Trafficking in Persons Protocol on November 5, 2005.
	2004	<ul style="list-style-type: none"> Tier rating targets for 2004 TIP Report: Tier 1: 31; Tier 2: 80; Tier 3: 12. Thirty additional countries, including the U.S., ratified UN Trafficking in Persons Protocol.
	2003	<ul style="list-style-type: none"> Forty-two percent of Tier 2 and Tier 3 countries use Department assistance to develop or further anti-trafficking initiatives. Forty-two countries ratified UN Trafficking in Persons Protocol, which entered into force.

U.S. Andean Counterdrug Initiative

The U.S. multi-year investment in the Andean Counterdrug Initiative to combat narco-terrorism in the Andean Region of 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, civil violence such as terrorist attacks, kidnappings, and homicides have dropped dramatically. Virtually all 30,000 members of a local terrorist organization have been demobilized with U.S. help. Drug seizures in 2006 reached a record high for the third consecutive year and the Colombian Government continues to extradite record numbers of traffickers to the United States. Despite these gains, the fight against narco-terrorism continues; Colombia continues to supply approximately 90% percent of the cocaine and heroin entering the United States.



Police officers escort Eduardo Restrepo Victoria at the National Police headquarters in Bogota, Colombia, July 2006. Restrepo was arrested on charges of smuggling cocaine to the United States. AP/Wide World

I/P: IMPROVE ANTI-TRAFFICKING PROSECUTORIAL AND PROTECTION CAPACITIES (continued)		
 INDICATOR: Number of Stakeholders and Survivors Assisted Through USAID-Supported Anti-Trafficking in Persons Programs		
Output		
JUSTIFICATION: By training stakeholders on the legal and human rights aspects of trafficking, and by providing support services to the survivors of trafficking, USAID will reduce the number of people trafficked and the consequences of trafficking. Stakeholders include government officials, non-governmental organizations, journalists, private sector participants, community leaders and members, and religious organization leaders.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> 280,638 stakeholders (police, ministry of justice personnel, journalists, school children, at-risk trafficking survivors, etc) educated or trained. 50,265 survivors of trafficking receive counseling and other support services.
	Results	<ul style="list-style-type: none"> 222,332 stakeholders (police, ministry of justice personnel, journalists, school children, at-risk trafficking survivors, etc) educated or trained. FY 2006 data for the number of survivors of trafficking receiving counseling and other support services are not available.
	Rating	 Below Target
	Impact	A decrease in the number of stakeholders trained or educated equates to a general decline in the overall awareness of the dangers of trafficking. In turn, this may indirectly impact USAID's effort to reduce the numbers of people trafficked.
	Reason for Shortfall	The explanation for this program's shortfall is pending and will be obtained once the final FY 2006 results are reported.
	Steps to Improve	The necessary steps for this program's improvement are pending and will be obtained once the final FY 2006 results are reported.
	PERFORMANCE DATA	Data Source
Data Quality (Verification)		Verification and validation of the Agency's performance data are accomplished by periodic reviews, certifications and audits, including Data Quality Assessments (DQAs) and PART assessments, as well as annual certification of operating units' strategic objectives and their relationship to the Agency's strategic goals. Data validation and verification are also supported by extensive automated systems and external expert analyses.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> 267,275 officials educated or trained. 61,534 survivors of TIP received counseling and other support services.
	2004	<ul style="list-style-type: none"> 47,483 officials educated or trained. 434,318 survivors of TIP received counseling and other support services.
	2003	Baselines: <ul style="list-style-type: none"> 3,737 officials educated or trained. 362 survivors of TIP receive counseling and other support services.

A farmer inspects his coffee shrub, planted in fields that once grew illegal crops, with his son near Turbó, in Colombia's Urabá region. USAID photo



ANNUAL PERFORMANCE GOAL 2

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

I/P: INTERNATIONAL LAW ENFORCEMENT



INDICATOR: Number of Officials Trained at International Law Enforcement Academies (ILEAs)

Output

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


FY 2006 PERFORMANCE	Target	2,800.
	Results	3,110.
	Rating	■ Above Target
	Impact	ILEA graduates raise the professional standards and skill levels of foreign law enforcement officials and foster operational cooperation between U.S. and foreign law enforcement officials, as well as promoting regional cooperation among participating governments.
PERFORMANCE DATA	Data Source	ILEA academies in Bangkok, Budapest, Gaborone, Roswell, San Salvador, and Lima monitor and report training data.
	Data Quality (Verification)	The Department of State and other agencies involved in training cross-check and validate the training data.
PAST PERFORMANCE	2005	2,856.
	2004	2,400.
	2003	2,200.

Combating Trafficking in Persons & Migrant Smuggling

Trafficking in persons is a crime that particularly targets the most vulnerable members of society, women and children, who are subjected to economic, sexual and other forms of exploitation and abuse. Although trafficking in persons has increased in tandem with economic globalization, many governments have only recently begun to recognize it as a crime and to begin taking steps to prevent and break up trafficking operations and to punish those involved. The Department uses its annual *Trafficking in Persons Report*, which assesses the anti-trafficking efforts of nearly 150 countries, to spur governments to take action by threat of sanctions and through offers of anti-trafficking assistance.



An elementary school student reads a brochure about the dangers of trafficking. USAID Photo

I/P: JUSTICE SECTOR RECONSTRUCTION IN IRAQ		
		
INDICATOR: Viability of Iraqi Justice and Law Enforcement Sectors		
Outcome		
JUSTIFICATION: Given the uncertain political and security environment, a measure of the capacity and professionalization of the police force is extremely relevant and useful to program planning and decision-making.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● Large-scale basic police training ramps down to accommodate normal personnel management. ● New phase of training focuses on organizational development leadership. ● Training increasingly emphasizes transparency, accountability, anti-corruption, and respect for human rights. ● Specialized training intensifies. ● Special anti-corruption units created within Justice Ministry and police internal accountability units (i.e., internal affairs) created. ● Revision of criminal code completed and enacted by National Assembly. ● Personal and operational equipment and infrastructure provided to supplement similar support provided by Coalition military forces.
	Results	<ul style="list-style-type: none"> ● The Coalition Police Advisory Training Team plans to conclude large-scale basic police training by December 31, 2006. To date, 39,826 Iraqi students have graduated from the Jordan International Police Training Center. ● Police Transition Teams that include over 600 International Police Liaison Officers are assessing and mentoring Iraqi police. ● Advanced and specialized police training includes basic criminal investigations (3,400 total graduates to date), advanced criminal investigations (240 graduates), interviews and interrogation (1,313 graduates), violent crimes investigation (1,151 graduates), criminal intelligence (596 graduates). ● An internal affairs unit has been established at the Ministry of Interior, over 285 internal affairs investigators have been trained, and the Ministry is providing mentoring. Internal controls training has been provided to 837 Iraqi Police Service graduates.
	Rating	■ On Target
	Impact	Strengthening the law enforcement and justice sectors in Iraq is essential to restoring public confidence in the Iraqi government. Improvements in the accountability and transparency of the police, courts, and prisons systems are critical to the success of the U.S. mission in Iraq.
PERFORMANCE DATA	Data Source	Department of Defense (Coalition Police Advisory Training Team), Embassy Baghdad, U.S. contractor.
	Data Quality (Verification)	Data are gathered by U.S. Embassy teams, verified at post, and validated by State Department employees of the Bureau of International Narcotics and Law Enforcement.
PAST PERFORMANCE	2005	Police training facilities expanded operations in Jordan and Baghdad, where police training experts delivered two classes to 1,750 new Iraqi police recruits each.
	2004	Police training facilities established in Jordan and Baghdad, where an international staff of police experts provides eight weeks of basic training and some specialized training. Approximately 7,000 police completed basic training and deployed to the field in Baghdad and some other key urban areas. Approximately 400 international police liaison officers provide follow-on mentoring and guidance for the newly deployed units.
	2003	N/A.

STRATEGIC OBJECTIVE #1: ACHIEVE PEACE AND SECURITY

STRATEGIC GOAL 6: AMERICAN CITIZENS

Assist American Citizens to Travel, Conduct Business, and Live Abroad Securely

I. Public Benefit

The Department of State has no more vital responsibility than the protection of U.S. citizens while they are overseas. Approximately 4 million Americans reside abroad, and Americans make about 60 million trips outside the United States each year.

Through Passport Services, the Department of State provides the American public with the world's premier travel, citizenship and identity document. The Department continues to enhance the integrity of the U.S. passport, while maintaining the highest standards for excellence in customer service. The Biometrics collection program for U.S. passports leads the way toward the next generation of international travel documents – e-passports that contain a chip on which biometric and biographic information is recorded. These improvements will further strengthen international border security by ensuring both that the document is authentic and that the person carrying the e-passport is the American citizen to whom that document was issued. In addition, to alert Americans to conditions that may affect safety and travel abroad, the Department of State disseminates threat assessments to posts around the world and announcements to the public as quickly as possible, using all available means. The Department uses websites, its Consular Information Program, a global Internet-based registration system, its overseas American citizen warden program, and the Overseas Security Advisory Council, a government-private sector partnership, to foster creative solutions to security related issues affecting U.S. private sector interests.

U.S. embassies and consulates offer a broad range of services to U.S. citizens abroad, such as assistance to U.S. citizens in case of death, illness, destitution, arrest, imprisonment, and falling victim to a crime. The Department must plan for the unexpected and be prepared to respond to crises abroad, such as transportation or natural disasters, and other situations in which U.S. citizens need assistance, including incidents of terrorism and serious crimes such as hostage taking, homicide, assault, domestic violence, child abuse, and international parental child abduction. The Department actively encourages host governments to adopt measures to protect Americans from crime and social and political unrest and works to ensure that Americans are equitably treated by the host country criminal justice system. The Department assists host governments to develop effective investigative, prosecutorial, and other judicial capabilities

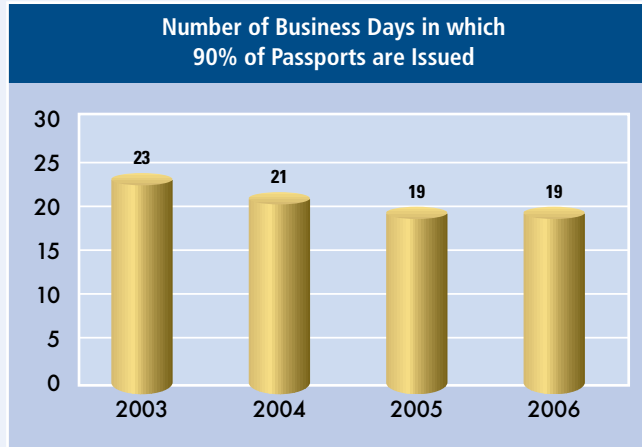
to respond to American victims of crime, and expand their cooperation and information sharing with the United States in order to prevent terrorist attacks on U.S. citizens. The Department also works with foreign governments, other USG agencies and international organizations on transportation security initiatives and encourages countries to implement intercountry adoption systems that protect the interests of children, birth parents, and U.S. adoptive parents.



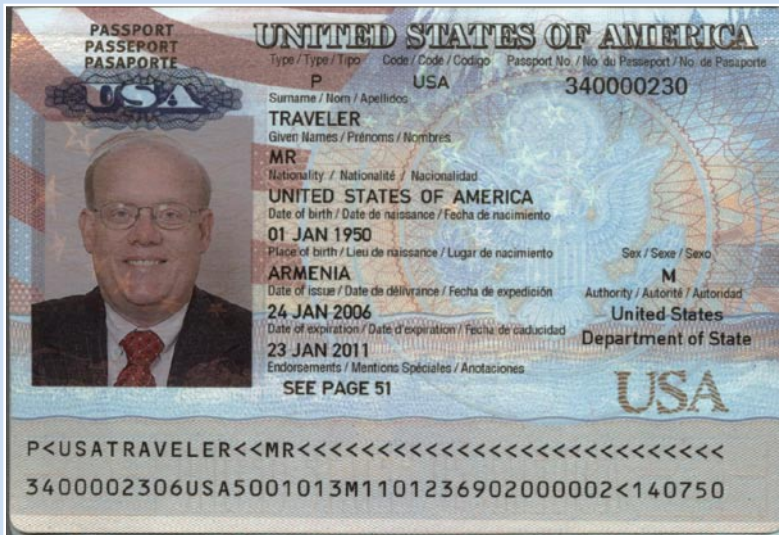
An American citizen with his luggage on top of his head waits with hundreds of fellow Americans to enter the processing center in order to be evacuated from a beach north of the capital Beirut, Lebanon, July 2006.

AP/Wide World

II. Selected Performance Trends



E-PASSPORT FEATURES



New Features: The data page, now on page two, has thicker paper than other pages and a watermark; the Great Seal and flag design is new; and all pages now have random fibers that fluoresce under UV.

The book **inventory number**, on inside back cover, will also be the passport number. In contrast to the 1998 version, the **data descriptors** (e.g., "Sex/Sexe/Sexo") are not pre-printed, but rather printed at the same time as the personalized data when the book is issued. Therefore, this text will be black for all passports – diplomatic, official and tourist.



"USA" is printed in green-to-gold color-shifting **optically variable security ink**. The color seen depends upon the viewing angle.



Pre-printed text in the passport will match the cover color: black, maroon or blue.



Microprinting in the background design.

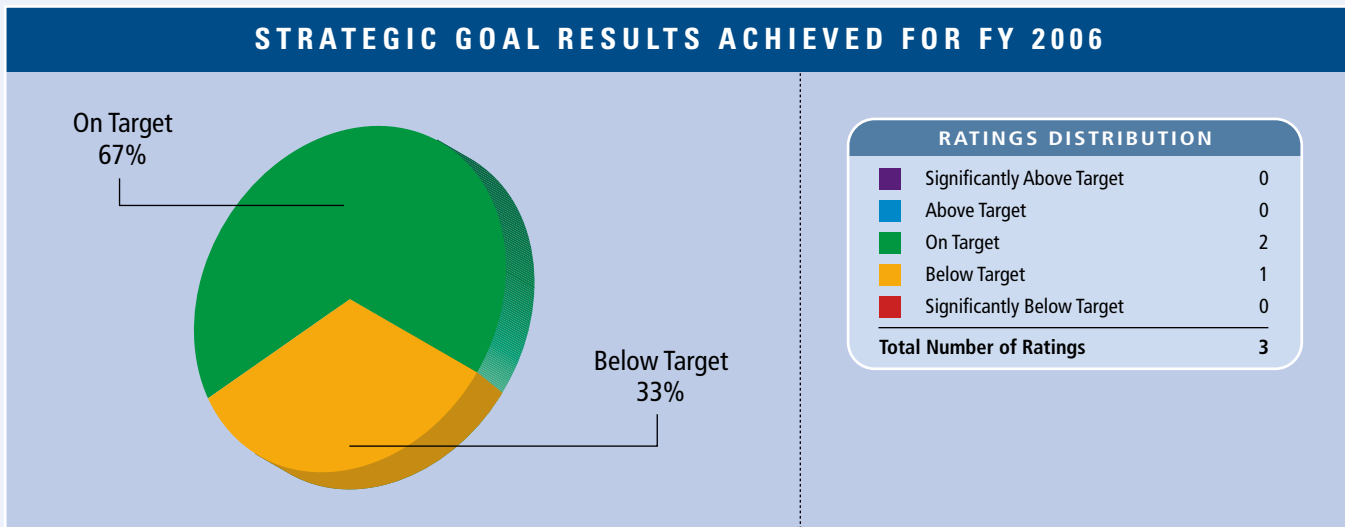
III. Strategic Context

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

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

IV. Performance Summary

The chart below summarizes Department performance ratings for the American Citizens strategic goal.



V. Performance Analysis

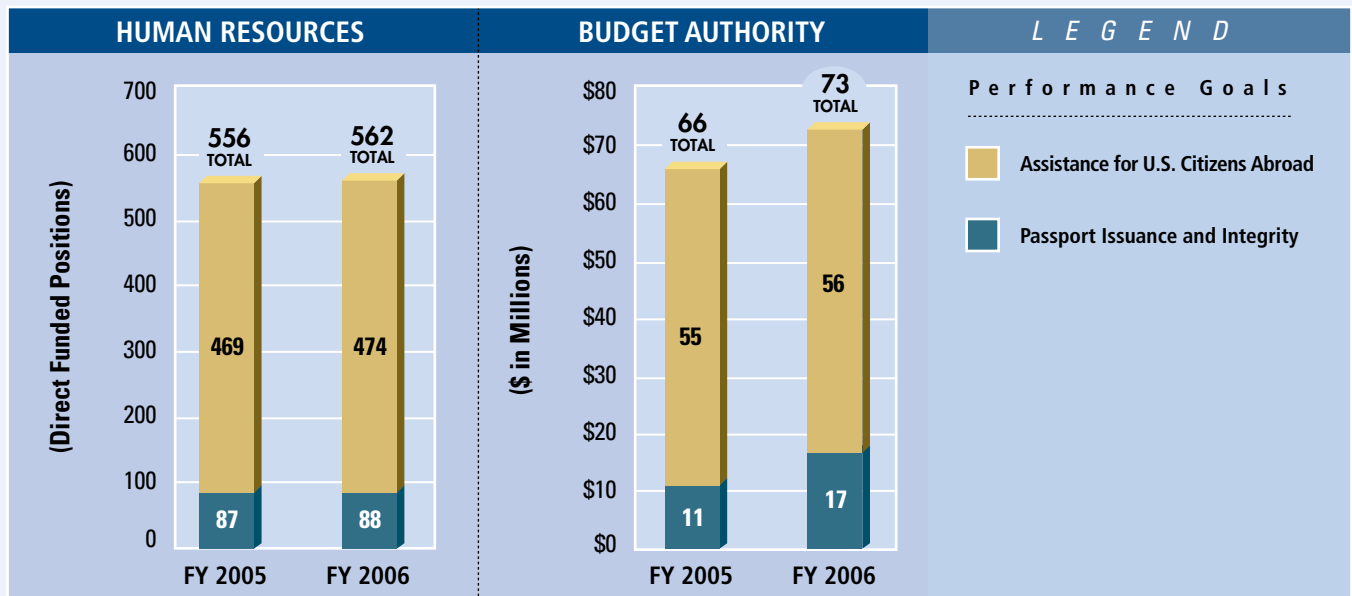
PERFORMANCE TRENDS. The clear trend is toward a more sophisticated, automated system to support and protect Americans living and traveling abroad. For example, over the past four years, the Department has designed, developed, tested, and deployed an online database that contains the names of more than 500,000 U.S. citizens living abroad.

HIGH-LEVEL RESULTS. The Department has maintained a steady focus on delivering information, services and protection to U.S. citizens. Nowhere was this better demonstrated than with the evacuation of 15,000 U.S. citizens from Lebanon in August 2006.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. No results were reported significantly above or below target.

KEY INITIATIVES AND PROGRAMS. The Department of State appropriation act provides the critical operating resources and support necessary to fulfill the Department’s range of mandates. For example, FY 2006 appropriations includes funding for the repatriation loan program available to U.S. citizens abroad. These programs – together with other initiatives such as machine readable visas, expedited passport issuance, enhanced border security and visa fraud prevention – support the people, platform, and processes required to achieve the objectives of transformational diplomacy.

VI. Resources Invested





VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.

ANNUAL PERFORMANCE GOAL 1

U. S. CITIZENS HAVE THE CONSULAR INFORMATION, SERVICES AND PROTECTION THEY NEED TO RESIDE, CONDUCT BUSINESS, AND TRAVEL ABROAD.

I/P: AMERICAN CITIZEN SERVICES	
	INDICATOR: Access to Online Registration System
	Output
<p>JUSTIFICATION: Global access to an online registration system with a database maintained and protected behind the Department’s firewalls provides easily accessible, secure registration and management of U.S. citizen contact data, and enables efficient delivery of travel information and consular emergency services anywhere in the world.</p>	
FY 2006 PERFORMANCE	<p>Target A mature online registration database and fully deployed American citizen services case management system application together maintain a warden system for American citizen travelers that can be managed locally or remotely.</p>
	<p>Results By the end of FY 2006, more than half a million U.S. citizen travelers have registered in the Department’s online database in response to a publicity campaign and continued international security concerns. Travel information, such as Consular Information Program documents, is automatically delivered to all registrants. The deployment of new software in Washington and at overseas consular posts provides for efficient delivery of registrants’ travel information to the appropriate posts’ case management systems.</p>
	<p>Rating ■ On Target</p>
	<p>Impact As the number of registrants continues to rise and more posts receive the new application, the Bureau of Consular Affairs has an increasing ability to locate, contact, and assist American citizens during an emergency.</p>
PERFORMANCE DATA	<p>Data Source Data come from Bureau of Consular Affairs records, American Citizen Services units at posts, and the database itself.</p>
	<p>Data Quality (Verification) Registration data are gathered and verified by the Bureau of Consular Affairs.</p>
PAST PERFORMANCE	<p>2005 Registration in the online database passed the 300,000 mark spurred on by security concerns after events such as the Asian tsunami in December 2004 - during which the online registration system was used for the first time by a Consular Affairs task force. The website’s public availability became more reliable with greater experience in managing the system’s servers and application. Down time and problem reports dropped substantially by the end of the year. Posts learned to access the system through the Consular Consolidated Database and began to use data as a part of warden management.</p>
	<p>2004 Launched a worldwide global Internet-based registration system that allows U.S. citizens access to secure online U.S. citizen registration system. The system became operational, allowed American citizens to receive timely information, and enabled Embassies and Consulates to track and assist American travelers and overseas residents.</p>
	<p>2003 Contract to manage the online registration system was on schedule and 90-Day Notice of Proposed Information Collection was published in the Federal Register on September 9, 2003.</p>


I/P: AMERICAN CITIZEN SERVICES (continued)	
INDICATOR: Status of Hague Convention on Intercountry Adoption	
Output	
	
JUSTIFICATION: Demonstrates essential tasks that must be completed prior to U.S. ratification of the Convention in order for the United States to meet the Convention's responsibilities.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> Authorize designated accrediting entities with signed agreements to accredit/approve all adoption service providers. Draft, publish for comment, and promulgate regulations governing how the Hague Convention on Intercountry Adoption and the Intercountry Adoption Act of 2000 will be implemented. U.S. instrument of ratification to be deposited at The Hague in 2007.
	Results <ul style="list-style-type: none"> Final regulations on accreditation of adoption service providers and preservation of Convention records were published in the Federal Register on February 15, 2006. The proposed rule on issuance of Hague certificates and declarations in Convention adoption cases was published in the Federal Register on June 16, 2006. The proposed rule on orphan visa processing was published in the Federal Register on June 22, 2006. Proposed rule jointly with the Department of Homeland Security on reporting requirements for both Convention and non-Convention emigrating adoption cases. On June 29, 2006, the Department signed a Memorandum of Agreement (MOA) with the State of Colorado regarding performance of duties as an accrediting entity for adoption service providers seeking Hague Convention accreditation. The Department also signed a separate MOA with the Council on Accreditation.
	Rating ■ On Target
	Impact Performance directly supports and advances the Department's ability to ratify the Hague Convention on Intercountry Adoption, with its stated goal "to establish safeguards to ensure that intercountry adoptions take place in the best interests of the child and with respect for his or her fundamental rights as recognized in international law."
PERFORMANCE DATA	Data Source Bureau of Consular Affairs records; Federal Register.
	Data Quality (Verification) Data are compiled directly by the Bureau of Consular Affairs, which checks for accuracy and completeness.
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> Adoption accreditation regulations were finalized; Proposed adoption visa processing regulations were drafted. Development of an adoption case registry and tracking software testing begun. Negotiations with potential accrediting entities about signing agreements begun.
	2004 Published in Federal Register proposed regulations on the accreditation and approval of adoption service providers. Three non-profit accreditors and nine states expressed interest in becoming accrediting entities.
	2003 A proposed rule on the implementation of the Hague Convention on Intercountry Adoption and the Intercountry Adoption Act of 2000 was published in the Federal Register on September 15, 2003.



Children waiting for adoption play in Guatemala City, Guatemala, June 2006. AP/Wide World

ANNUAL PERFORMANCE GOAL 2

EFFECTIVE AND TIMELY PASSPORT ISSUANCE, WITH DOCUMENT INTEGRITY ASSURED.

I/P: SECURE PASSPORT ISSUANCE	
	INDICATOR: Development of a Biometrics Collection Program for U.S. Passports
	Outcome
JUSTIFICATION: Introducing biometrics into passports and other travel documents represents a major advance in the international effort to prevent imposter fraud. The U.S. Enhanced Border Security and Visa Reform Act requires nations participating in the Visa Waiver Program to incorporate biometrics into their passports. The United States has incorporated biometrics collection into the development and production of the new e-passport.	
FY 2006 PERFORMANCE	Target All new passports issued domestically contain biometric data by end of fiscal year.
	Results The Department redesigned the U.S. passport and added electronic security features such as Public Key Infrastructure, anti-skimming material, as well as Basic Access Control, Random Unique Identifier and WORM (write once, read many) technologies. In the new U.S. e-passport, the digital image of the passport photograph is the biometric identifier that will be used with facial recognition technology to verify the identity of the passport bearer. The National Institute of Standards and Technology has conducted a series of tests analyzing the durability and electronic security of the e-passport. On August 15, 2006, the Department began issuing to the general public full validity tourist e-passports at the Colorado Passport Agency, which has been fully converted to e-passport production.
	Rating ■ Below Target
	Impact Incorporating biometrics into the U.S. passport strengthens U.S. border security by ensuring that the person carrying the passport is the individual to whom that passport was issued. These measures make the U.S. passport less susceptible to manipulation and more difficult to counterfeit, making it one of the most valuable identity and citizenship documents in the world.
	Reason for Shortfall Various factors influenced the Department's results in FY 2006 including a lengthy delay caused by a vendor protest and ensuing litigation in FY 2005, as well as continuing record demand for U.S. passports. As a result, the Department experienced insufficient supply of blank e-passport books from the GPO.
	Steps to Improve The Department has worked with our USG suppliers to ensure that adequate supply of e-passport books is available. We are distributing and installing equipment necessary for e-passport production on a schedule designed to minimize any potential for disruption to passport services for American citizens, particularly in light of the new passport requirement of the Western Hemisphere Travel Initiative. By November 2006, the Department will have the capability to issue e-passports at all 17 domestic passport facilities. All agencies are scheduled to convert to full e-passport production by the end of the first quarter of CY 2007.
PERFORMANCE DATA	Data Source Bureau of Consular Affairs data.
	Data Quality (Verification) Bureau of Consular Affairs collects and checks data for accuracy.
PAST PERFORMANCE	2005 The Department began issuing diplomatic e-passports at the Special Issuance Agency in December 2005.
	2004 Procurement for biometric passport began. Initial awards for procurement were made on October 8, 2004. Additional awards were made on January 12, 2005. Software for biometric passport issuance was developed and tested. Public Key Infrastructure Certificate Authority was established in the Department for digitally signing passports.
	2003 The International Civil Aviation Organization established standards for the integration of biometric identification information into passports and other Machine Readable Travel Documents in May, enabling the Department to begin implementing the standards in U.S. passports. Initial planning and requirements definition were underway. In July 2003, the Department issued a Request for Information relating to the integration of a chip with integrated circuit technology into the traditional paper-based passport booklet.

**STRATEGIC OBJECTIVE #2:
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS**

The strategic goals for democracy and human rights, economic prosperity and security, and social and environmental issues are integral to the strategic vision of the Department of State and USAID. It is no coincidence that conflict, chaos, corruption, environmental degradation, and humanitarian crisis often reign in the same places.

The broad aim of our diplomacy and development assistance is to turn vicious circles into virtuous ones, where accountable governments, political and economic freedoms, investing in people, and respect for individuals leads to prosperity, healthy and educated populations, and political stability.

STRATEGIC GOAL 7: DEMOCRACY AND HUMAN RIGHTS

Advance the Growth of Democracy and Good Governance, Including Civil Society, the Rule of Law, Respect for Human Rights, and Religious Freedom

I. Public Benefit

In his second National Security Strategy, in March 2006, President Bush affirmed the conviction that promotion of democracy is the best long-term strategy for ensuring stability and prosperity in the U.S. and abroad. Nations that respect human rights, respond to the need of their people, and govern by rule of law are also responsible partners in the international community.

Protecting human rights and building democracy are thus cornerstones of a U.S. foreign policy that seeks to end tyranny, combat terrorism, champion human dignity, and enhance homeland security. As President Bush affirmed in his 2006 State of the Union Address, "Democracies replace resentment with hope, respect the rights of their citizens and their neighbors, and join the fight against terror. Every step toward freedom in the world makes our country safer."

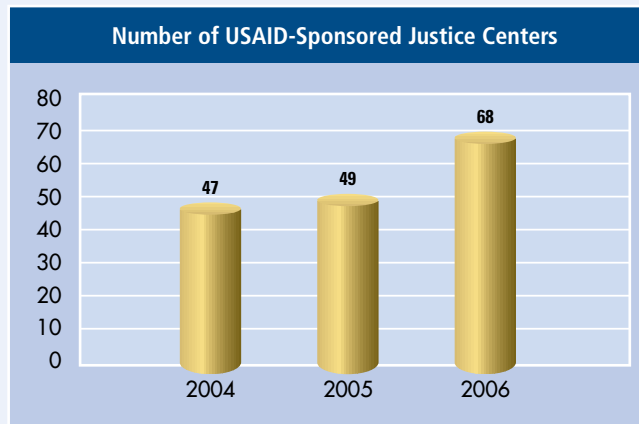
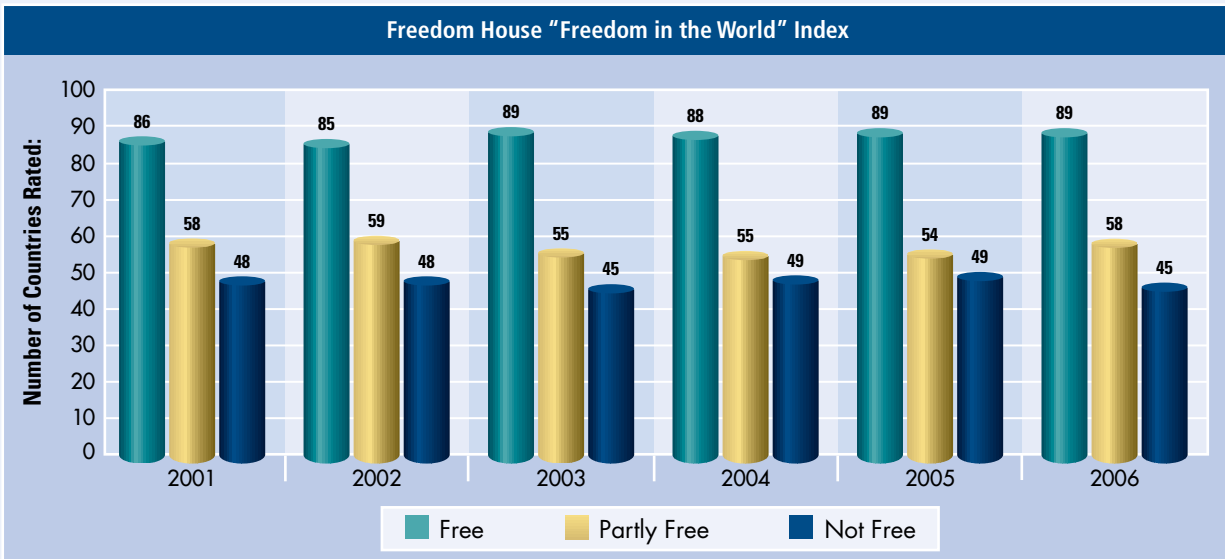


In order for democratization to be successful and sustainable, the process must be driven by the people. The Department and USAID take a holistic approach to democracy promotion, engaging both governments and civil society, and exemplifying Secretary Rice's goal of transformational diplomacy: "Using America's diplomatic power to help foreign citizens to better their own lives, and to build their own futures."

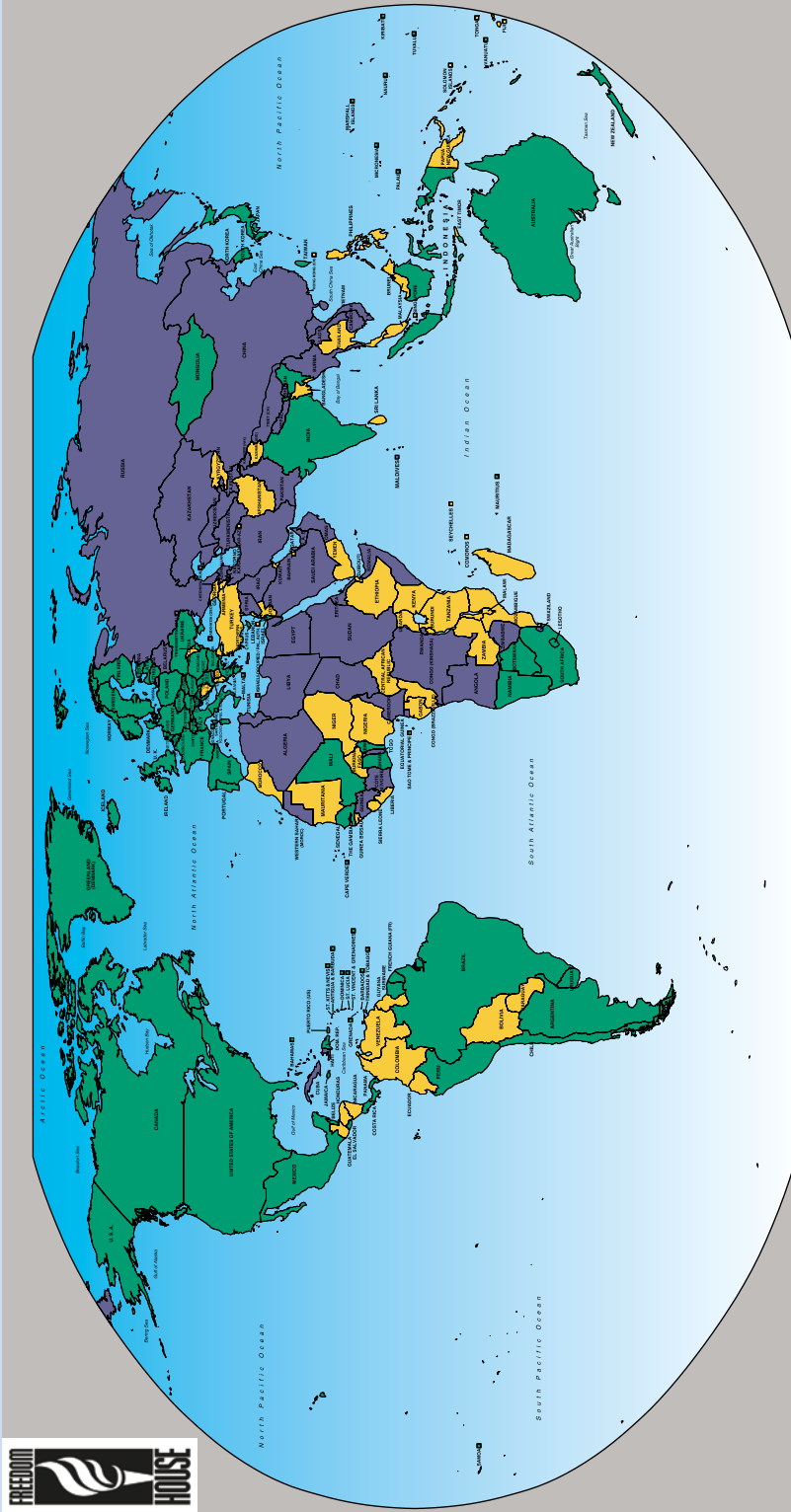
Indian Foreign Secretary Shyam Saran greets Under Secretary Paula Dobriansky at the Indian Ministry of External Affairs before the opening session of the Global Issues Forum, February 2006. AP/Wide World

We bolster and support human rights defenders and pro-democracy non-governmental organizations (NGOs) in countries that routinely ignore or violate international human rights. We reach out to all aspects of civil society - NGOs, the private sector, labor, media, and religious and community leaders – to encourage their activism in ensuring their governments are responsive to their needs. We persist in a dialogue with foreign policy makers to persuade them to enact necessary changes to strengthen democracy and respect human rights.

II. Selected Performance Trends



MAP OF FREEDOM 2006



GLOBAL TRENDS IN FREEDOM			
Year Under Review	1995	2000	2006
Free	76	86	89
Partly Free	62	58	58
Not Free	53	48	45
Total	191	192	192

 FREE
 PARTLY FREE
 NOT FREE

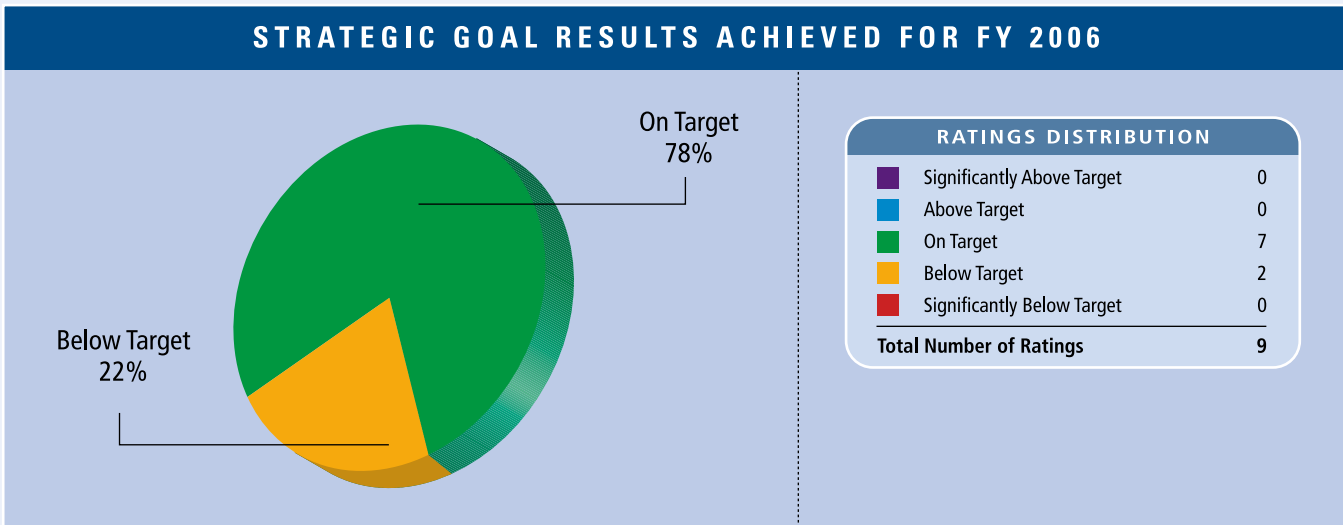
III. Strategic Context

Shown below are the performance goals, initiatives/programs, and the major resources, bureaus and partners that contribute to accomplishment of the Democracy and Human Rights strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Democracy and Human Rights	Democratic Systems and Practices	Engagement to Advance Democracy	ACI, DA, D&CP, ESF	DRL, DCHA, AFR	DoD, DOJ, NGOs, UN, other int'l orgs, NGOs
		Democratic Stability in South Asia's Frontline States	D&CP	DRL, SCA, DCHA	NGOs, UN, other int'l orgs, NGOs
		Democracy and Governance in the Near East	D&CP, ESF	NEA, DCHA	DOJ, NGOs
		Support of Women's Political and Economic Participation	D&CP, ESF, DA	DRL, G/IWI, DCHA, AFR	NGOs
	Universal Human Rights Standards	Bilateral and Multilateral Diplomacy	CIO, D&CP, IO&P	DRL, IO	UN, other int'l orgs, NGOs
		Promote International Religious Freedom	D&CP	DRL	NGOs, other int'l orgs
		Labor Diplomacy and Advocacy for Workers' Rights	CIO, DA, D&CP	DRL, DCHA	DOL, USTR, OPIC, DOC, NGOs, IFIs, ILO, other int'l orgs

IV. Performance Summary

The chart below summarizes the performance ratings for Department of State and USAID results for the Democracy and Human Rights strategic goal.



V. Performance Analysis

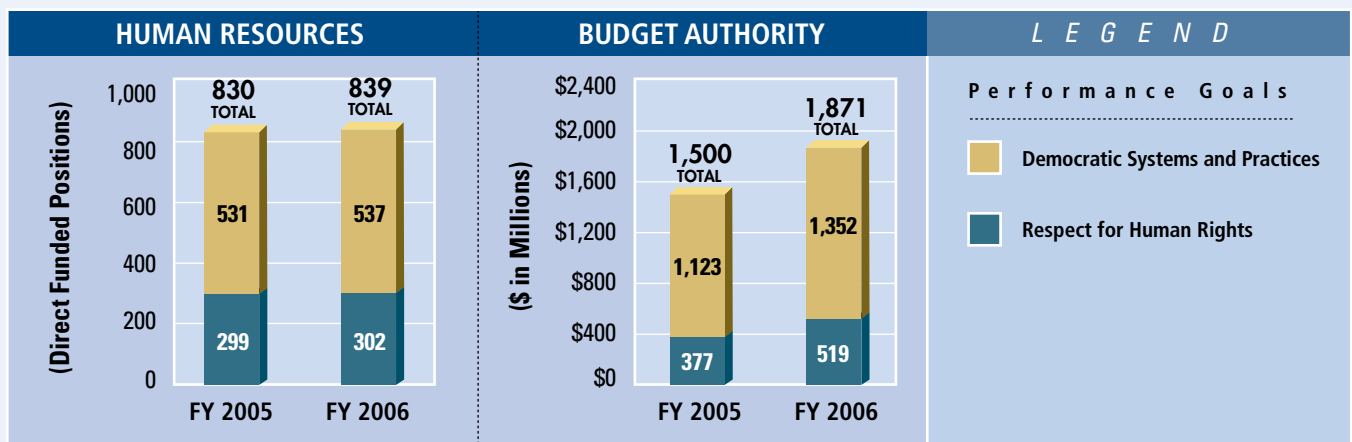
PERFORMANCE TRENDS. The Department and USAID have been able to demonstrate progress in developing democratic institutions, supporting free and fair elections, upholding religious freedom, and increasing women’s participation in the economy and politics, particularly in Afghanistan and the countries of the Middle East.

HIGH-LEVEL RESULTS. The contextual indicator on freedom in the world developed by Freedom House demonstrates that the number of countries designated “free” or “partly free” has increased slightly over the past four years. At a country level, both Afghanistan and Iraq have made progress toward building the institutions necessary to support constitutional democracy.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. No results were rated significantly above or significantly below target.

KEY INITIATIVES AND PROGRAMS. The Department and USAID invested significant resources to promote democracy and human rights in FY 2006. For example, a new Human Rights and Democracy Fund was established with an appropriation of \$94 million, of which \$15 million was earmarked for the National Endowment for Democracy (NED) and \$6.5 million was set aside for the advancement of democracy in Iran and Syria. Under a separate appropriation, an additional \$74 million was earmarked to NED for democracy grants. Using Economic Support Funds, the Department invested \$50 million for democracy, human rights and governance programs in Egypt; \$56 million for democracy, governance and rule of law programs in Iraq; and \$20 million for labor and environmental capacity building activities in support of the free trade agreement with the countries of Central America and the Dominican Republic. In FY 2006, USAID received \$15 million for programs to improve women’s leadership capacity in developing countries and \$40 million to support the transition to democracy and long-term development of countries in crisis.

VI. Resources Invested



VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.

ANNUAL PERFORMANCE GOAL 1

MEASURES ADOPTED TO DEVELOP TRANSPARENT AND ACCOUNTABLE DEMOCRATIC INSTITUTIONS, LAWS, AND ECONOMIC AND POLITICAL PROCESSES AND PRACTICES.

I/P: ENGAGEMENT TO ADVANCE DEMOCRACY



INDICATOR: Extent to Which Legal Systems Support Democratic Processes and Uphold Human Rights

Outcome

JUSTIFICATION: This indicator measures the efficiency and effectiveness of judicial systems to establish justice and resolve disputes.

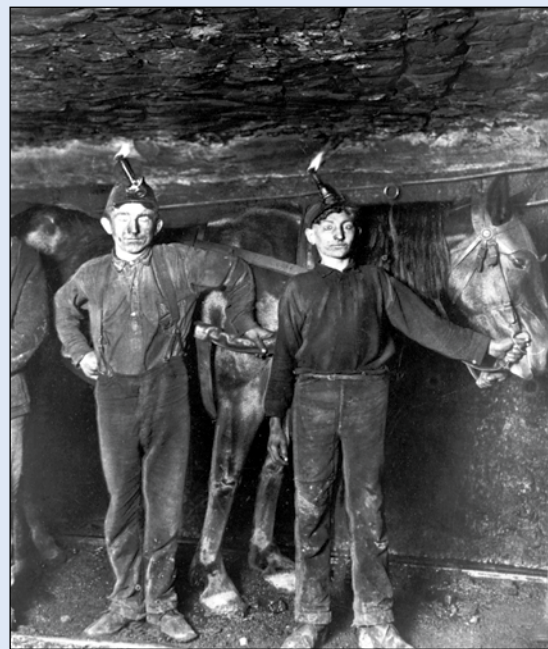
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> • Average number of days to process a case: 202. • Number of USAID-sponsored mediation centers: 109. • Number of USAID-sponsored justice centers: 56. • Average pre-trial detention in days: 98.75.
	Results	<ul style="list-style-type: none"> • Average number of days to process a case: 566, 180% below from the FY 2006 target (Results for four USAID-assisted countries). • Number of USAID-sponsored mediation centers: 192, 76% above the FY 2006 target (Results for nine USAID-assisted countries). • Number of USAID-sponsored justice centers: 68, 21% above the FY 2006 target (Results for five USAID-assisted countries). • Average pre-trial detention in days: 180, 82% below the FY 2006 target (Results for three USAID-assisted countries).
	Rating	 Below Target
	Impact	Shortfalls in the effectiveness of legal systems in the surveyed countries suggest that citizens do not have effective mechanisms available to them to prevent the abuse of their rights and obtain remedies when their rights are abused.
	Reason for Shortfall	The explanation for this program’s shortfall is pending and will be obtained once the final FY 2006 results are reported.
	Steps to Improve	The necessary steps for this program’s improvement are pending and will be obtained once the final FY 2006 results are reported.
	PERFORMANCE DATA	Data Source
Data Quality (Verification)		The Agency’s performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID’s Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).

Continued on next page

I/P: ENGAGEMENT TO ADVANCE DEMOCRACY (continued)		
INDICATOR: Extent to Which Legal Systems Support Democratic Processes and Uphold Human Rights (continued)		
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● Average number of days to process a case after USAID assistance: 224, an 8% decrease from the FY 2004 baseline. ● Number of USAID-sponsored mediation centers (200, a 127% increase). ● Number of USAID-sponsored justice centers (49, a 4% increase) in target areas. ● Average pre-trial detention in days after USAID assistance: 141, a 1.4% decrease from the FY 2004 baseline.
	2004	<p>Baselines:</p> <ul style="list-style-type: none"> ● Average total time it took to process a legal case before USAID assistance was 661.2 days. After USAID assistance began in 2004, the average number of days dropped to 244.3. ● Number of USAID-sponsored mediation centers: 88. ● Number of USAID-sponsored justice centers: 47. ● Average pre-trial detention prior to USAID assistance: 479.25 days. After USAID assistance began in 2004, the average pre-trial detention was 143 days.
	2003	N/A.


A Look to History: Democracy and Human Rights


In 1919, parties to the Paris Peace Conference established the International Labor Organization (ILO), and in 1946, it became part of the United Nations. Although the United States was an original ILO member, and Samuel Gompers of the American Federation of Labor its first chairman, the United States withdrew from the ILO in 1978 under protest that the organization's agenda focused too heavily on labor issues pertaining to the Arab-Israeli conflict and not on labor issues in communist countries. The United States rejoined in 1980.



Two young boys work as drivers in a West Virginia underground coal mine in 1908. AP/Wide World

I/P: ENGAGEMENT TO ADVANCE DEMOCRACY (continued)	
INDICATOR: Freedom House Index	
Outcome	
<p>JUSTIFICATION: Freedom House ratings include raw scores, with the tables for each country indicating three possible changes: a) status, b) trend (positive or negative), and c) score in either political rights or civil liberties. All three compilations permit multi-year comparisons; the Department seeks an increase in the number of countries with a higher status from the previous year as an indication of whether the Department's goals are being achieved.</p>	
FY 2006 PERFORMANCE	<p>Target Freedom House 2006 Report Net Progress: Positive change from previous year. Net Change in Status: Positive change from previous year.</p>
	<p>Results Freedom House 2006 Report Free: 89. Partly Free 58. Not Free 45. Net Change +4.</p>
	<p>Rating ■ On Target</p>
	<p>Impact A net change of +1 in countries that are rated as "free" indicates improvement in democratic conditions around the world.</p>
PERFORMANCE DATA	<p>Data Source Freedom House "Freedom in the World" annual survey.</p>
	<p>Data Quality (Verification) Freedom House rating allows multi-year comparisons that demonstrate advances in democratic reform worldwide. Freedom House ratings are publicly available and widely regarded as reliable quantitative data to verify movement toward greater democracy.</p>
PAST PERFORMANCE	<p>2005 Freedom House 2005 Report Free: 89. Partly Free: 54. Not Free: 49. Net Change: +1.</p>
	<p>2004 Freedom House 2004 Report Free: 88. Partly Free: 55. Not Free: 49. Net Change in Status: -1. Improved Countries: 25. Declined Countries: 10. Net Progress: +15.</p>
	<p>2003 Freedom House 2003 Report Free: 89. Partly Free: 55. Not Free: 48. Net Change in Status: +4. Improved Countries: 29. Declined Countries: 11. Net Progress: +18.</p>

I/P: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES									
	INDICATOR: Progress Toward Constitutional Democracy in Afghanistan								
	Outcome								
JUSTIFICATION: Achieving progress towards meeting political objectives laid out in the Afghanistan Compact will effectively establish democratic rule in Afghanistan.									
FY 2006 PERFORMANCE	<table border="0"> <tr> <td style="vertical-align: top;">Target</td> <td> <ul style="list-style-type: none"> Parliament produces constructive legislation, approves responsible budgets, and oversees appropriate government operations, such as combating corruption and narcotics activity. Civil liberties provisions remain intact and receive strong support from legal and executive institutions. Citizens throughout the country have access to the Afghan Independent Human Rights Commission for resolution of human rights complaints. Human rights education becomes part of primary school education curriculum. Courts in Kabul begin to hold trials in criminal cases. Women are active political participants and hold public positions in Kabul and the central, regional and provincial government levels. </td> </tr> <tr> <td style="vertical-align: top;">Results</td> <td> <ul style="list-style-type: none"> Parliament adopted a law on the duties and responsibilities of the Provincial Councils; adopted the budget; and confirmed the President's cabinet and the members of the Supreme Court. Provisions on civil liberties are intact and the Afghan Independent Human Rights Council remains active. Religious freedom became an issue due to an apostasy case that was eventually dismissed. Afghan Independent Human Rights Commission continues to expand to the provinces and is more accessible and active. In most schools human rights are a primary part of the curriculum, but the extent to which this is true varies by class. There are 68 female members in the National Assembly, one female cabinet member and one female provincial governor. Approximately 35% students attending school are female. Approximately 60% of primary age girls are in school. For the lower secondary level (grades 7-9) it is about 9% and for the upper secondary level (10-12) approximately 3% of girls attend school. </td> </tr> <tr> <td style="vertical-align: top;">Rating</td> <td style="text-align: center;"> ■ On Target </td> </tr> <tr> <td style="vertical-align: top;">Impact</td> <td>A democratically elected president and government are essential to ensuring Afghanistan's progress toward democracy.</td> </tr> </table>	Target	<ul style="list-style-type: none"> Parliament produces constructive legislation, approves responsible budgets, and oversees appropriate government operations, such as combating corruption and narcotics activity. Civil liberties provisions remain intact and receive strong support from legal and executive institutions. Citizens throughout the country have access to the Afghan Independent Human Rights Commission for resolution of human rights complaints. Human rights education becomes part of primary school education curriculum. Courts in Kabul begin to hold trials in criminal cases. Women are active political participants and hold public positions in Kabul and the central, regional and provincial government levels. 	Results	<ul style="list-style-type: none"> Parliament adopted a law on the duties and responsibilities of the Provincial Councils; adopted the budget; and confirmed the President's cabinet and the members of the Supreme Court. Provisions on civil liberties are intact and the Afghan Independent Human Rights Council remains active. Religious freedom became an issue due to an apostasy case that was eventually dismissed. Afghan Independent Human Rights Commission continues to expand to the provinces and is more accessible and active. In most schools human rights are a primary part of the curriculum, but the extent to which this is true varies by class. There are 68 female members in the National Assembly, one female cabinet member and one female provincial governor. Approximately 35% students attending school are female. Approximately 60% of primary age girls are in school. For the lower secondary level (grades 7-9) it is about 9% and for the upper secondary level (10-12) approximately 3% of girls attend school. 	Rating	■ On Target	Impact	A democratically elected president and government are essential to ensuring Afghanistan's progress toward democracy.
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I/P: DEMOCRATIC STABILITY IN SOUTH ASIA'S FRONTLINE STATES (continued)	
	INDICATOR: Degree to Which Democratic Principles and Institutions are Established and Maintained in Pakistan
	Outcome
JUSTIFICATION: Institutions that promote democratic principles and habits in civil society are prerequisites to a democratic polity	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> ● Pakistani political parties accept and implement civil society recommendations. Civil society organizations are increasingly well managed and self-sustaining. ● More effective and accountable electoral preparations put in place. ● National and Provincial Assemblies perform constitutional roles in transparent and effective manner. National Assembly debates, legislates, and appropriates funds. ● More effective judiciary and enhancements in efficiency, transparency, and equity of Pakistan's legal system. ● Polls show that people feel government attempts to be responsive to their needs.
	Results <ul style="list-style-type: none"> ● Government began devolution of selected powers to provincial and local levels bringing new players into the grass roots political dialogue. ● The government permitted all existing political parties to function. Local elections were marred by voter buying, voter list fraud, intimidation, and bribery. ● National and provincial assemblies initiated policy debates in key areas of women rights. ● The government did not directly or indirectly censor the media. Media outlets, however, continued to practice self-censorship. The government arrested, harassed, and intimidated journalists during the year. ● Stability is maintained but the head of state remains the head of the military. The military is not subject to civilian control.
	Rating ■ On Target
	Impact As a populous and influential Muslim country, Pakistan's progress toward building and sustaining democratic principles and institutions is critical to the Administration's goal of supporting democracy globally.
PERFORMANCE DATA	Data Source Government data and publications, press reports, nongovernmental reports, polling data.
	Data Quality (Verification) Data are reliable and regularly vetted through the U.S. Embassy.
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> ● Stability was maintained but the head of state remained the head of the military. The military was not subject to civilian control. ● The range of national security and foreign policy issues open for genuine debate remained circumscribed. ● Politicians and press were increasingly free to publicly criticize the army and the establishment, although the government continued to exercise some control over the media by offering "recommendations" on editorial content and by allocating advertising that serves as a critical subsidy.
	2004 <ul style="list-style-type: none"> ● Both houses freely debated the President's message to Parliament; standing committees were announced; and various key pieces of legislation were passed, including a bill authorizing the formation of a National Security Council. The parliamentary debate over the President's address included national security issues. ● Conducted national public opinion survey on a range of subjects (including familiarity with national and provincial representatives, the political process, and political engagement). ● The arrest and conviction of opposition leader Javed Hashmi was a setback for political freedom.
	2003 <ul style="list-style-type: none"> ● Elections occurred October 10, 2002, and parties accept the outcome but with credible allegations of flaws regarding their conduct. ● Pakistani military returned to the barracks as civilian rule resumes. ● Corrupt patronage continued to dominate political parties but reformers were identified. ● Civil society organizations began to organize, grow in size and activity, and gain a voice. ● Reasonably free political party activity and press. Limited investigative/prosecutorial capacity.

I/P: DEMOCRACY AND GOVERNANCE IN THE NEAR EAST	
INDICATOR: Status of Democracy in the Near East	
Outcome	
<p>JUSTIFICATION: Successful elections (held as scheduled and free and fair) indicate fundamental movement toward democratic, representative government. A free and independent media is an imperative for democratic, transparent governance. It provides essential information to the people, both informing their voting decisions and acting as a means for the people to express dissent between elections.</p>	
FY 2006 PERFORMANCE	<p>Target</p> <ul style="list-style-type: none"> • Municipal elections in Yemen are held as scheduled and are free and fair. • Elections in Bahrain held as scheduled and are free and fair. • Media Freedom: Two additional Near Eastern Affairs (NEA) countries move into the "Partly Free" category and no other states lower their rankings.
	<p>Results</p> <ul style="list-style-type: none"> • Free, fair and competitive elections took place in Yemen (municipal and Presidential); Egypt (Parliamentary); Qatar (legislative); Bahrain (municipal council). • No countries saw a decline in their Media Freedom scores. No countries moved from "Not Free" to "Partly Free". • In Iraq, a draft permanent Constitution was successfully adopted in October 2005. Political parties formed coalitions, registered and campaigned for December 2005 elections.
	<p>Rating ■ On Target</p>
	<p>Impact Holding free, fair, competitive elections and adopting a Constitution are first steps in achieving participatory democracy and open opportunities for increased democracy programming including political party and civil society strengthening.</p>
PERFORMANCE DATA	<p>Data Source Freedom House analysis based on Democracy Scores—an average of the ratings for all six categories covered by Nations in Transit (e.g. electoral process, civil society, independent media, governance, constitutional/legislative/judicial framework, and corruption). Ibn Khuldun Center in Cairo regional report on democracy and civil society. IREX Media Sustainability Index used to assess trend lines in freedom and sustainability of local media. ABA/CEELI indicators used to assess judicial qualification and preparation, continued legal education, judicial review of legislation, and judicial oversight of administrative practice. Independent monitors (UN, NGOs, political party observers) and U.S. Mission reporting. The Department does not make public declarations regarding freedom or fairness of elections.</p>
	<p>Data Quality (Verification) The International Republican Institute and the National Democratic Institute are non-governmental organizations working internationally with extensive experience supporting democratic activities overseas. Performance data provided by them are widely regarded as reliable and authoritative and are reviewed by U.S. Embassy personnel.</p>
PAST PERFORMANCE	<p>2005</p> <ul style="list-style-type: none"> • Elections scheduled to have occurred were free, fair and competitive. Saudi Arabia held its first municipal elections. Other countries scheduled elections and through Middle East Partnership Initiative, the Department worked to ensure they were 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. • Algeria – Elections were generally judged as fair and open. • Lebanon – Municipal elections were held in April 2004. • Tunisia – Elections were scheduled in the fall.
	<p>2004</p> <ul style="list-style-type: none"> • Bahrain – Parliamentary and municipal elections held as scheduled; judged by international community to be generally free and fair. • Yemen – National elections as scheduled; judged to be generally fair. • Jordan and Kuwait – Parliamentary and National Assembly elections, respectively, held as scheduled. • Oman and Morocco – Consultative Assembly and Municipal elections, respectively, held as scheduled.
	<p>2003</p> <ul style="list-style-type: none"> • Bahrain – Parliamentary and municipal elections held as scheduled; judged by international community to be generally free and fair. • Yemen – National elections as scheduled; judged to be generally fair. • Jordan and Kuwait – Parliamentary and National Assembly elections, respectively, held as scheduled. • Oman and Morocco – Consultative Assembly and Municipal elections, respectively, held as scheduled.

**I/P: SUPPORT OF WOMEN'S POLITICAL AND ECONOMIC PARTICIPATION
IN TRANSITIONAL AND POST CONFLICT SOCIETIES**



INDICATOR: Level of Women's Participation in the Economy and Politics

Outcome

JUSTIFICATION: Empowering women politically and economically is a critical objective of transformational diplomacy efforts and feeds directly into the State Department's global goal of promoting democratization. Women must have equal opportunity and ability to participate fully in all aspects of civic and political life. Entrepreneurship among women contributes to poverty reduction; when women have income their children also tend to be healthier and better educated.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● Afghanistan: Women's Teachers Training Institute to train Afghan teachers. The Afghan Literacy Initiative will raise literacy levels of Afghan women in rural areas. 50% of girls attend school. ● Iraq: Women appointed or elected to political office. Women occupy 25% of elected positions. Judicial training enables officers of the court to share best practices and craft new legal remedies to protect women's human rights. Permanent constitution guarantees equality for women. ● Broader Middle East: Women establish professional associations and develop advocacy skills on public policy issues and pro-women, pro-business practices. All-Women's radio stations expand the number of on-air hours and programs for women.
	Results	<ul style="list-style-type: none"> ● Afghanistan: USG built or rehabilitated 585 schools. Afghan Literacy Initiative reached 9600 students, 50% are female. 34% of 5 million children enrolled in school are female. USG completed 17 Women's Resource Centers deeded to Ministry of Women's Affairs to provide outreach and training to provincial women. ● Iraq: Political and economic training delivered, with emphasis on NGO sustainability in rural areas. Began partnerships with universities, establishing centers to be run by Iraqi women. Worked with women leaders to ensure rights upheld in Constitutional amendment process. Expanded media training with youth emphasis. Provided microcredit to women, built economic empowerment through skills training. ● Broader Middle East: Literacy and vocational training programs inaugurated. Developed and obtained approval for one project for the economic empowerment of women.
	Rating	■ On Target
	Impact	Especially in Iraq, women are gaining economic and political traction through programs such as the Iraqi Women's Democracy Initiative. The impact of these programs is clear: democracies cannot survive without the full political and economic participation of all members.
PERFORMANCE DATA	Data Source	USAID reports. U.S. Embassy reporting. Bureau of International Women's Issues. NGO and grantee reports.
	Data Quality (Verification)	Data are gathered by USAID implementing partners and reviewed and analyzed by U.S. Government officials at post. U.S. Embassy officials draft reports which are then reviewed by colleagues in Washington.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● Iraq: Iraqi women trained in democracy, political participation, media, and economics, including 25 of 87 women elected to national assembly. ● Afghanistan: Over 8,000 women and girls received literacy and health education; 80 women judges and lawyers trained in Afghan civil law, international conventions. ● Broader Middle East: Women's priority economic issues defined and corresponding program mechanisms established.
	2004	<ul style="list-style-type: none"> ● Afghanistan: 1,000 women received microcredit loans and started businesses; 250 women received job skills training; 500-1,000 women benefited from literacy programs. ● Iraq: Training provided in political, economic and media skills, as well as in trauma and stress reduction programs. Women entrepreneurs attended Global Summit of Women (1,000 women from 85 countries) for entrepreneurial training. ● Post-Conflict: Riga Women Business Leaders Summit partnered Baltic region women with U.S. counterparts, sharing experience and best practices, and promoted private enterprise in the Baltic Sea region. Mentoring programs with women entrepreneurs and women business interns from the Middle East. Mentoring programs with women political and business leaders from Kosovo.
	2003	<ul style="list-style-type: none"> ● Afghanistan: Grants awarded for microfinance, job skills training, political participation, literacy and other educational programs in Women's Resource Centers. ● Post-Conflict: Big Idea Mentoring Initiative began with Afghanistan. Security Council Resolution 1325: Women and peace and security (adopted Oct. 31, 2000) led to enhanced involvement of women as planners, implementers, and beneficiaries of peace-building processes.

ANNUAL PERFORMANCE GOAL 2

UNIVERSAL STANDARDS PROTECT HUMAN RIGHTS, INCLUDING THE RIGHTS OF WOMEN AND ETHNIC MINORITIES, RELIGIOUS FREEDOM, WORKER RIGHTS, AND THE REDUCTION OF CHILD LABOR.

I/P: BILATERAL AND MULTILATERAL DIPLOMACY



INDICATOR: Percent of U.S.-Supported Resolutions Adopted at UN Commission on Human Rights/Human Rights Council (UNCHR/HRC)

Output

JUSTIFICATION: As the UN's primary forum on human rights, CHR/HRC's actions on country-specific resolutions demonstrate how the international community deals with the most serious human rights abusers. CHR/HRC resolutions on democracy reinforce the interrelationship between human rights and democracy and strengthen the legitimacy of human rights and democracy development efforts in non-democratic countries.

FY 2006 PERFORMANCE	Target	The Human Rights Council (HRC) adopts 85% of U.S.-supported resolutions. Secretary-General replaces the Commission on Human Rights (CHR) with an action-oriented Human Rights Council, whose membership should not include states with the most egregious record of abuse.
	Results	HRC replaced the discredited Commission on Human Rights, a key USG objective. Resolution included several USG priority elements, including: individual voting for Member States, an exhortation to UN Member States to consider the human rights record when voting for the Council, a universal peer review mechanism, and an agreement to review all the Council's special procedures, working groups, and the Subcommission with a view to eliminating redundant or politicized bodies. The HRC adopted no U.S.-supported resolutions in its first regular and first two special sessions. The HRC's first two special sessions were devoted exclusively to issues related to Israel and each adopted anti-Israel resolutions.
	Rating	■ Below Target
	Impact	The HRC was formed. It has a strong mandate that has yet to be fully implemented. In its first session it was unable to address pressing global human rights issues, resulting in a negative impact on USG efforts to achieve our human rights goals.
	Reason for Shortfall	The first session of the HRC was meant to focus on procedural issues only – not pass any specific country issues. However, the HRC ran two resolutions against Israel. The regional allocation of seats in the HRC is a major factor behind the HRC focus on Israel and away from other countries.
	Steps to Improve	Strive to make the HRC a credible body by pressing for constructive and positive results from the mandate review process and the process to set up the Universal Peer Review mechanism. Seek the passage of country specific resolutions on countries other than Israel, and press for cooperation by states on human rights issues.
PERFORMANCE DATA	Data Source	U.S. cables, United Nations High Commissioner for Human Rights reporting, and the Council's voting record on issues important to the protection and promotion of human rights.
	Data Quality (Verification)	Data quality depends on reporting cables by U.S. embassies, especially the U.S. Mission in Geneva, and reporting by the UNHRC. Council votes are a matter of public record.
PAST PERFORMANCE	2005	The USG achieved virtually all of its priority objectives at the UN Commission on Human Rights (predecessor to the Council) in 2005. Together with our allies, we defeated all efforts to pass no-action motions, which end debate on a resolution without a vote.
	2004	Eighty percent of key U.S.- supported resolutions were adopted.
	2003	CHR passed U.S.-sponsored resolutions on Cuba, North Korea, Belarus, Turkmenistan, Burma, and Iraq. However, resolutions on Chechnya, Sudan and Zimbabwe were defeated. The Department took a strong stand against Libya's chairmanship of the CHR, and succeeded in blocking a special sitting on Iraq, despite a strong anti-U.S. block of Muslim countries and some EU states.

I/P: PROMOTE INTERNATIONAL RELIGIOUS FREEDOM




INDICATOR: Status of Religious Freedom

Outcome

JUSTIFICATION: Congress established the broad policy goals and reporting requirements in the International Religious Freedom Act. The performance indicators chosen follow from the mandates of the law. Meetings, agreements and documented movement by countries toward greater religious freedom are concrete examples of progress toward International Religious Freedom goals.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Undertake at least two additional bilateral or regional International Religious Freedom initiatives, laying the groundwork for significant policy changes in those countries or regions. Establish a working coalition of allies focused on problem countries, working bilaterally and multilaterally to improve or establish religious freedom laws, practices and accountability in problem countries. Revise and streamline the format of the Annual Country Reports and the <i>International Religious Freedom Report</i>, maintaining high standards and making the reports more user friendly.
	Results	<ul style="list-style-type: none"> Focused intensive diplomatic efforts on consolidating religious freedom improvements in Saudi Arabia and Vietnam. As a result, Saudi Arabia confirmed policies to revise school textbooks to eliminate intolerant language, to protect the right to private worship and to import religious materials for private use, and to enforce controls over the actions of the religious police. Vietnam released all remaining religious prisoners, speeded registration of churches, and took action against officials who violated the right to worship. Worked with international partners to successfully press for countries not to establish anti-conversion laws (e.g., India and Sri Lanka) and to release religious prisoners (e.g., Saudi Arabia, China, and Indonesia). Began revising and streamlining the format of the <i>International Religious Freedom Report</i>.
	Rating	■ On Target
	Impact	Advanced Department's objectives of promoting religious freedom and human rights, strengthening civil society.
PERFORMANCE DATA	Data Source	Department of State's <i>International Religious Freedom Report</i> and Country Reports on Human Rights Practices. On-the ground assessments of embassy and consulate officers, Bureau of Democracy, Human Rights and Labor officers and meetings with members of religious groups, NGOs, and other knowledgeable observers. Embassy and bureau reporting. Third-country laws, court decisions, and other legal provisions.
	Data Quality (Verification)	Data and methodology are available to the public for verification. Reporting from U.S. embassies, State Department analysts, and non-governmental entities is cross-checked to ensure accuracy.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> Initiative begun with Saudi Arabia on religious freedom issues; efforts on Uzbekistan and Eritrea as part of broader international efforts on human rights in those countries; continued religious freedom dialogue with China. Religious prisoners were released in Vietnam, Saudi Arabia, China, and other countries. Intensive diplomacy with Vietnam resulted in a binding agreement on religious freedom.
	2004	<ul style="list-style-type: none"> Constitutional guarantees for religious freedom achieved in Afghan Constitution and Iraqi Transitional Administrative Law. Religious prisoners freed in Laos, Vietnam, China, Egypt, Eritrea, Turkmenistan and other countries.
	2003	Posts showed an increased engagement on religious freedom issues, producing, for the most part, excellent country reports for the <i>International Religious Freedom Report</i> to Congress.

I/P: LABOR DIPLOMACY AND ADVOCACY FOR WORKERS' RIGHTS	
 INDICATOR: Improvement in Respect for Workers' Rights	
Outcome	
JUSTIFICATION: Tracking the existence of independent and democratic worker organizations will measure a country's respect for basic worker rights.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> Improved compliance with internationally recognized labor standards. Continued progress in worker rights in countries specified in the Department of State's operating plans.
	Results <ul style="list-style-type: none"> Successful conclusion of trade agreement with Oman, passage by Congress, and implementation. Oman government issues decree amending law and formally establishing unions. Implementation of Central America Free Trade Agreement (CAFTA) began. International Labor Organization (ILO) began verification and benchmarking activities. Programs to strengthen labor ministries, labor courts, and to fight discrimination in the maquilas began. Negotiations with UAE and Thailand were on-going. Negotiations began with Korea and Malaysia on labor chapters of free trade agreements.
	Rating ■ On Target
	Impact The progress in advancing labor rights abroad furthers key aspects of U.S. foreign policy related to human rights, democracy promotion, and trade. Stronger labor laws and enforcement allow workers and employers to organize themselves, build democratic institutions, and ensure that the gains of trade are distributed more equitably across societies.
PERFORMANCE DATA	Data Source Country Reports on Human Rights Practices, ILO reports, International Confederation of Free Trade Union reports, other governmental and non-governmental reports, and the Department's WebMILS database (when fully operational). USAID Reports.
	Data Quality (Verification) Data and methodology available to the public for verification. Reporting from U.S. Embassies, other government and non-governmental sources are crosschecked for accuracy.
PAST PERFORMANCE	2005 New labor codes in Oman and formation of first worker's committee. New child labor law in the United Arab Emirates. Election of first workers' committee in Bangladesh export processing zones.
	2004 Creation of trade unions in Bahrain. Expanded cooperation on labor issues with China. Conclusion of CAFTA negotiations and the inauguration of the U.S. Department of Labor's \$6.75 million project "Strengthening Labor Systems in Central America." Parliamentary approval of a law in Bangladesh allowing workers in export processing zones to organize. Changes in law and practice leading to the rebirth of independent trade unions in Iraq.
	2003 <ul style="list-style-type: none"> Significant Department of State and Department of Labor projects conducted to improve worker rights begun in China. Notable improvements in worker rights in Cambodia. Continuing evolution in Bahrain and Saudi Arabia. Labor clauses in all initial versions of trade agreements under negotiation: Central American Free Trade Agreement, other free trade agreements with Australia, Morocco, and South African Customs Union.

Labor Rights in China

In southern China, many migrant workers facing poor workplace conditions and unjust compensation are unaware of their basic labor rights. As part of its overall efforts to improve labor conditions in China, the Department of State has funded information booklets and training seminars so that workers can learn how to defend their rights. In one instance, two workers directly applied what they learned in the trainings to take action against wage and hour violations affecting thousands of their co-workers. They successfully used their knowledge of the law to negotiate better working conditions with their employer, who was illegally allowing only one day off per month. The company agreed to the legal four days off per month and reduced work shifts from nine to eight hours, adjustments that were made without a reduction in pay.



Chinese female construction workers applaud as they attend the groundbreaking ceremony for the Beijing 2008 Olympics, December 2005.

AP/Wide World

**STRATEGIC OBJECTIVE #2:
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS**

STRATEGIC GOAL 8: ECONOMIC PROSPERITY AND SECURITY

Strengthen World Economic Growth, Development, and Stability, While Expanding Opportunities for U.S. Businesses and Ensuring Economic Security for the Nation

I. Public Benefit

National security and global economic prosperity are inextricably linked. Continued economic prosperity for the U.S. depends on the expansion of prosperity, freedom, and economic opportunity worldwide.

As the war against terrorism has become central to U.S. foreign policy, the Department and USAID have increased U.S. economic security by reducing terrorist financing, increasing energy security, improving the security of transportation and information networks, and building international coalitions to deny financial support to terrorists and their supporters. In December 2005, the Department received the highest marks of any Federal counterterrorism effort by the 9/11 Commission's Public Discourse Project's report on U.S. counterterrorism activities.



Under Secretary Josette Sheeran pumps a well during a March 2006 visit to Capotille, Haiti as part of a United Nation Development Programme sponsored project. AP/Wide World

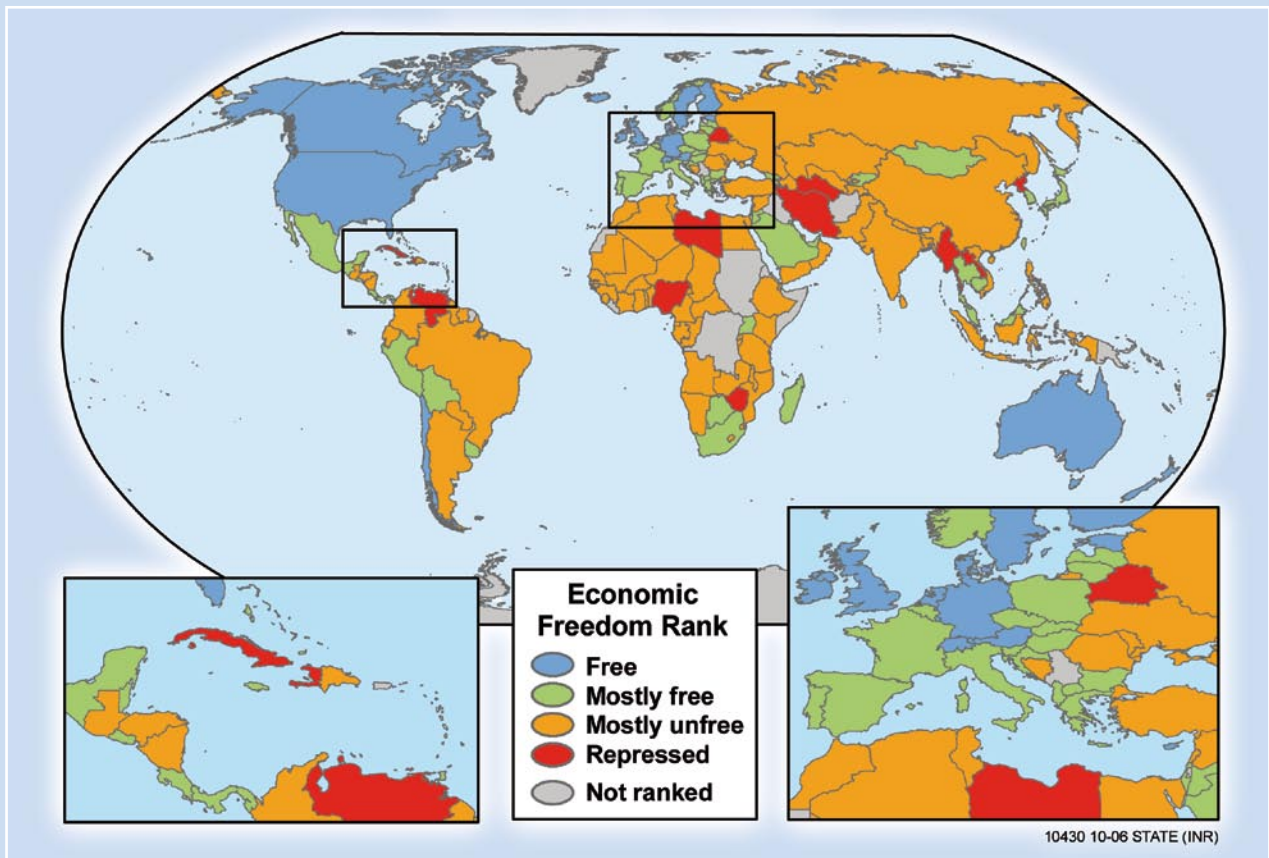
The U.S. Government promotes prosperity at home and abroad by opening markets through ambitious trade and investment agendas, strengthening development efforts through private sector participation and recipient country accountability, and supporting U.S. businesses through outreach and advocacy. Working with other agencies, businesses, labor groups, and NGOs, the Department of State and USAID contribute to a stronger, more dynamic international economic system that creates new opportunities for American business, workers, and farmers.

The U.S. Government coordinates with allies and major donors to assist countries recovering from conflict and natural disasters. U.S. relief and reconstruction efforts following the Indian Ocean Tsunami and the South Asia Earthquake, in partnership with the private sector, strongly reinforced public efforts to restore positive attitudes toward the U.S. in several Muslim countries.

The Department and USAID partner with countries around the world to protect intellectual property rights, combat bribery, and support flexible energy and financial markets. USAID's economic growth initiatives play an important role in helping countries on the road to economic prosperity, political stability, and self-sufficiency. Deep and comprehensive economic engagement with developing countries enhances the prosperity and security of those countries, and therefore our own.

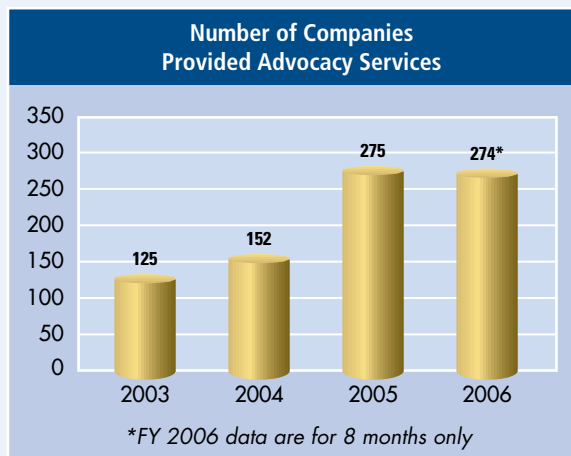
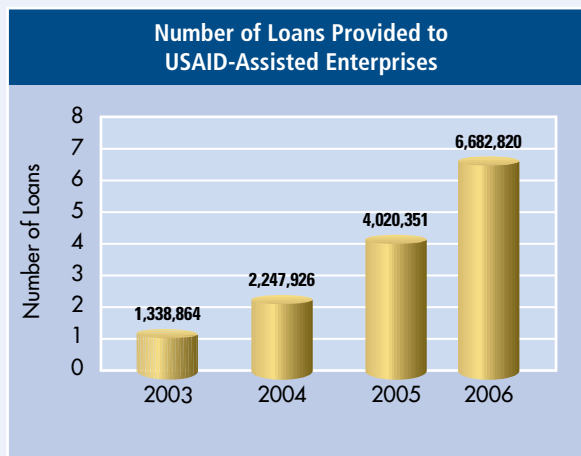
Finally, the Department of State leads the U.S. representation at the International Energy Agency, the primary mechanism for maintaining oil market stability in times of crisis. The Department was able to secure the release of up to 60 million barrels of emergency petroleum stockpiles when prices increased due to Hurricane Katrina, saving American taxpayers hundreds of millions of dollars per day.

ECONOMIC FREEDOM IN THE WORLD 2006



Source: Heritage Foundation

II. Selected Performance Trends



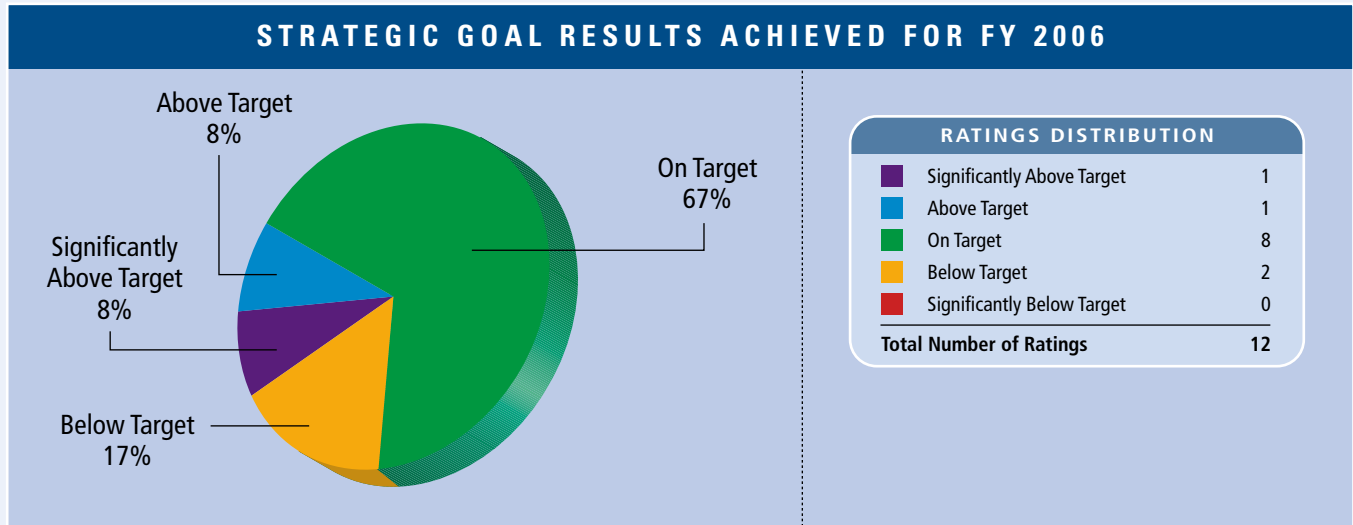
III. Strategic Context

Shown below are the performance goals, initiatives/programs, and the major resources, bureaus and partners that contribute to accomplishment of the Economic Prosperity and Security strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Major Resources	Lead Bureau(s)	External Partners
Economic Prosperity and Security	Economic Growth and Development	Growth and Development Strategies	CIO, DA, D&CP, ESF, FSA, IO&P, MCA, SEED	EB, EUR, IO, PPC	Treasury, DOC, MCC, USDA, EXIM, OPIC, TDA, USTR, IMF, World Bank, Reg'l Devl Banks, UNDP, ILO, WTO, OECD, UNCTAD, UNICEF, FAO, G-8
		International Organizations and Economic Development Policy	CIO, D&CP, IO&P	EB, IO	Treasury, DOC, USDA, EXIM, OPIC, TDA, USTR, Multilateral Orgs and Development Banks, FAO, G-8
		United Nations Development Program (UNDP)	D&CP, IO&P	IO	EPA, DOL, DOJ, Treasury, DOC, USDA, TDA, Multilateral Development Banks
		Private Sector Capacity	DA, ESF, FSA, SEED	PPC	Multilateral Orgs/Development Banks, FAO, G-8, EU
	Trade and Investment	Create Open and Dynamic World, Regional and National Markets	DA, D&CP, ESF	EB, PPC, EGAT	USTR, Treasury, DOC, DOT, USDA, TDA, WTO, OECD, NGOs
		Support for U.S. Businesses	D&CP	EB, PPC, AFR	USTR, Treasury, DOC, DOT, USDA, TDA, WTO, OECD, NGOs
	Secure and Stable Markets	Secure Energy Supplies	D&CP	EB, EGAT	DOE, IEA, foreign governments, NSC
		Stable Financial Markets	D&CP	EB	Treasury, Multilateral and Reg'l Devl Banks
	Food Security and Agricultural Development	Agriculture-led Income Opportunities Expanded	DA, PL480, CIO	EGAT, AFR	USDA, NGOs, FAO, WB

IV. Performance Summary

The chart below summarizes the performance ratings for Department of State and USAID results for the Economic Prosperity and Security strategic goal.



V. Performance Analysis

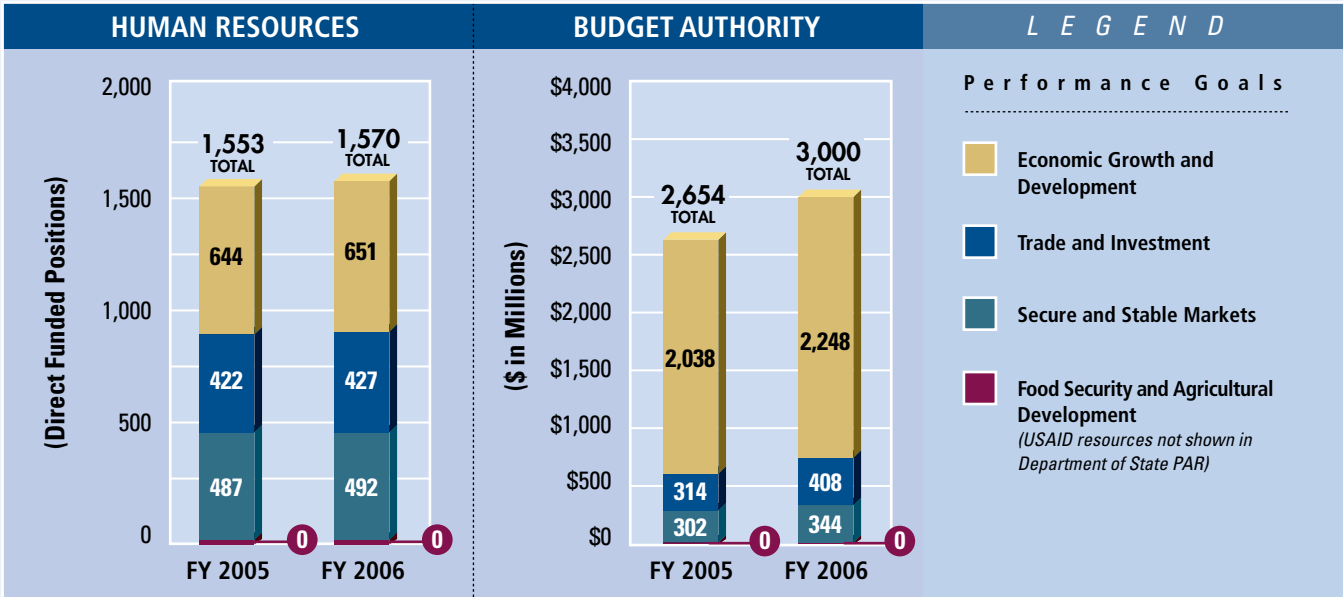
PERFORMANCE TRENDS. There are a number of positive trends in this strategic goal area. For example, USAID extension assistance has reached more than one million farmers, a tenfold increase over the 2003 baseline, and USAID programs disbursed more than six million microfinance loans, a fivefold increase over the 2003 baseline.

HIGH-LEVEL RESULTS. There has been significant progress toward economic growth and development through firm-level assistance, support to financial institutions, development of targeted sectors, and use of UN resolutions, programs and activities. These interventions have had a demonstrable impact on incomes, economic stability, food security, and private sector development. In addition, trade and investment have increased dramatically in areas where State and USAID have active programs.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. USAID significantly exceeded targets in the number of agricultural technologies made available for transfer through USAID programs. The total increased by 240% over the FY 2005 result.

KEY INITIATIVES AND PROGRAMS. The Department and USAID received more than \$2.6 billion in Economic Support Funds. More than \$200 million in FY 2006 funds was earmarked to USAID for trade capacity building and Congress also authorized USAID to spend up to \$21 million for loan guarantees in support of micro and small enterprise programs.

VI. Resources Invested



A Look to History: Economic Prosperity and Security

In July 1944, representatives of non-Axis governments met at Bretton Woods, New Hampshire to discuss the future of the international economy and postwar reconstruction. This meeting set the terms for an international economic system, known as the Bretton Woods System, that would allow for economic growth and liberalized trade. The conference also adopted the Articles of Agreement for the International Bank for Reconstruction and Development, later known as the World Bank, and the International Monetary Fund. The World Bank would oversee funds to rebuild postwar Europe and to develop newly emerging countries in Africa, Asia, and Latin America. The International Monetary Fund focused on the stabilization of the currencies of those nations suffering from high trade deficits and other internal economic problems.



Delegates to the Bretton Woods Conference, representing 44 nations, pose for an official photo, July 1944. AP/Wide World

VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.

ANNUAL PERFORMANCE GOAL 1
INSTITUTIONS, LAWS, AND POLICIES FOSTER PRIVATE SECTOR-LED ECONOMIC GROWTH, MACROECONOMIC STABILITY, AND POVERTY REDUCTION.

I/P: GROWTH AND DEVELOPMENT STRATEGIES		
INDICATOR: Progress of Rural Economic Opportunity Expansion in Afghanistan		
Outcome		
JUSTIFICATION: This indicator measures USAID’s efforts to create jobs and strengthen overall rural growth programs throughout the country.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● 10% increase over the cumulative number of farmers (FY 2005 result) served by extension through USAID assistance. ● 10% increase over the cumulative number of microfinance loans (FY 2005 result) disbursed to farmers.
	Results	<ul style="list-style-type: none"> ● 25% increase over the cumulative number of farmers (FY 2005 result) served by extension through USAID assistance (cumulative total = 1,015,769). ● <1% increase over the cumulative number of microfinance loans (FY 2005 result) disbursed to farmers (cumulative total = 28,136).
	Rating	■ On Target
	Impact	As a result of USAID programs, Afghanistan is making significant progress in strengthening its rural economy. This has spurred overall economic growth, created jobs, increased incomes, raised standards of living, and reduced poverty.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID Afghanistan mission.
	Data Quality (Verification)	The Agency’s performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID’s Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● 815,769 (cumulative) farmers served by extension through USAID assistance, a 44% increase over FY 2004. ● 28,118 (cumulative) microfinance loans disbursed to farmers, a 235% increase over the FY 2004 baseline.
	2004	<ul style="list-style-type: none"> ● 567,806 (cumulative) farmers served by extension through USAID assistance, a 468% increase over the FY 2003 baseline. ● Baseline: 8,400 (cumulative) microfinance loans disbursed totaling \$1.26 million.
	2003	Baseline: <ul style="list-style-type: none"> ● 100,000 (cumulative) farmers served by extension through USAID assistance.

**I/P: INTERNATIONAL ORGANIZATIONS AND ECONOMIC DEVELOPMENT
POLICY AND OPERATIONAL ACTIVITIES**




INDICATOR: Incorporation of Millennium Challenge Account Principles into UN Resolutions, Programs, and Activities

Outcome

JUSTIFICATION: This indicator was chosen because the language in UN economic development resolutions reflects prevailing policy norms. The types of UN programs and the nature of recipients' requests for assistance will demonstrate the degree of acceptance of MCA principles.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> • U.S.-inspired Economic Freedom Caucus at UN fosters consultation among like-minded nations on economic and development issues in the UN General Assembly and Economic and Social Council. • UN resolutions adopted clearly affirming the value of good governance, economic freedom, free and open trade, and competitive markets to development throughout the world. • Active program of UN workshops encourages sound economic, aid, and investment policies conducive to market-led economic growth and poverty reduction. • UN agencies, funds, and programs mainstream initiatives to follow up on the recommendations of the UN Commission on the Private Sector and Development.
	Results	UN Development Program has followed up on recommendations of the UN Commission on the Private Sector and Development, including working with major corporations to establish partnerships with small business. Like-minded nations have succeeded in gaining some support for the principles of economic freedom, though the Economic Freedom Caucus has been hindered by a prolonged and contentious debate in the General Assembly on the respective roles and responsibilities of developed and developing countries.
	Rating	■ On Target
	Impact	Many UN Members recognize that good governance, rule of law, and economic freedom play a crucial role in economic development, although there is still some resistance, especially to the idea that the Millennium Challenge Account principles could serve as a guide for designing UN initiatives.
PERFORMANCE DATA	Data Source	United Nations reports and publications.
	Data Quality (Verification)	Content of UN reports is reviewed by Department staff in Washington and New York for accuracy. Contents of resolutions are publicly available.
PAST PERFORMANCE	2005	During 2005, the United States sponsored 6 events and participated in 6 others on the MCA, entrepreneurship and poverty reduction, economic freedom, commercial law reform, regulatory reform, women's property rights, good governance, and other topics at the 60th General Assembly. Language on economic freedom and Millennium Challenge Account principles was incorporated in the UN General Assembly, the UN Economic and Social Council and UN Commission on the Status of Women resolutions. The September 2005 UN Summit Outcome Document reaffirmed the recommendations for policy at the national level on fighting corruption and improving the investment climate for private business.
	2004	UN adopted a Ministerial Declaration on Least Developed Countries that laid the foundation for economic freedom language in other UN resolutions, including language on improving the enabling environment for the private sector; promoting the efficiency of markets; and developing financial sectors within transparent regulatory and legal systems.
	2003	<ul style="list-style-type: none"> • Discussions on UN economic development resources and Monterrey follow-up focused less on developed country obligations towards developing countries and more on developing country responsibilities for their own development, highlighting good governance, economic freedom, and investing in people as means to maximize effective use of resources. • UN funds and programs introduced new programs, within their mandates, focused on improving governance, economic policy formulations, sustainable development, public-private partnerships, making health and education systems more accessible, all within framework of enhanced climate to attract private investment and development assistance, including MCA.

I/P: UNITED NATIONS DEVELOPMENT PROGRAM (UNDP)		
	INDICATOR: Percentage of Countries Receiving UN Development Program (UNDP) Support Where Annual Targets Were Fully Achieved	
	Outcome	
JUSTIFICATION: This indicator was chosen because it provides a measure of progress toward achieving goals related to public administration, anti-corruption, conflict prevention, and peace building.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Public Administration and Anti-Corruption: 68%. Conflict Prevention and Peace Building: 67%.
	Results	Final 2006 results are not yet available, although UN progress reports indicate steady progress toward the target. UNDP collects data at the end of the calendar year and will publish final results in 2007.
	Rating	■ On Target
	Impact	UNDP contributes toward the Department's goal of fostering and strengthening stability, development, and economic growth throughout the world, for example, in developing a country's ability to engage in successful public administration reform and anti-corruption efforts.
PERFORMANCE DATA	Data Source	UNDP progress and accountability reports submitted to the Department of State.
	Data Quality (Verification)	The reliability of some reported data has been questioned. The Department of State continues to assist UNDP to improve consistency and reliability of data, and reporting methodology.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> Public Administration and Anti-Corruption: 95%. Conflict Prevention and Peace Building: 95%.
	2004	<ul style="list-style-type: none"> Public Administration and Anti-Corruption: 93%. Conflict Prevention and Peace Building: 90%.
	2003	<ul style="list-style-type: none"> Public Administration and Anti-Corruption: 78%. Conflict Prevention and Peace Building: 66%.

President Bush and Chinese President Hu Jintao present a joint statement in the Great Hall of the People on the edge of Tiananmen Square, in Beijing, China, November 2005. AP/Wide World



I/P: PRIVATE SECTOR CAPACITY	
INDICATOR: Enterprise Level Competitiveness	
Output	
<p>JUSTIFICATION: Providing loans and other types of assistance to strengthen enterprise competitiveness and productivity promotes economic expansion and poverty reduction.</p>	
FY 2006 PERFORMANCE	<p>Target</p> <ul style="list-style-type: none"> ● 4,422,386 loans provided as a result of USAID assistance. ● \$3,400,000,000 in loans provided as a result of USAID assistance.
	<p>Results</p> <ul style="list-style-type: none"> ● 6,682,820 loans provided as a result of USAID assistance, 51% above the FY 2006 target. ● \$4,826,395,165 in loans provided as a result of USAID assistance, 42% above the FY 2006 target.
	<p>Rating</p> <p style="color: blue; font-weight: bold;">■ Above Target</p>
	<p>Impact</p> <p>Firms in developing countries typically lack access to credit for expansion through the formal financial system. Providing credit directly or mobilizing bank financing for such firms is critical to achieving economic growth and associated job creation.</p>
PERFORMANCE DATA	<p>Data Source</p> <p>Preliminary result data from USAID operating units.</p>
	<p>Data Quality (Verification)</p> <p>The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).</p>
PAST PERFORMANCE	<p>2005</p> <ul style="list-style-type: none"> ● 4,020,351 loans provided as a result of USAID assistance, a 79% increase over FY 2004. ● \$3,054,122,019 in loans provided as a result of USAID assistance, a 278% increase over FY 2004.
	<p>2004</p> <ul style="list-style-type: none"> ● 2,247,926 loans provided as a result of USAID assistance, a 68% increase over the FY 2003 baseline. ● \$809,037,380 in loans provided as a result of USAID assistance, a 123% increase over the FY 2003 baseline.
	<p>2003</p> <p>Baselines:</p> <ul style="list-style-type: none"> ● 1,338,864 loans provided as a result of USAID assistance. ● \$363,054,541 in loans provided as a result of USAID assistance.



Farmers negotiate seed prices with vendors at a USAID-sponsored seed fair in the south-central Zinder district of Niger. USAID photo

ANNUAL PERFORMANCE GOAL 2
INCREASED TRADE AND INVESTMENT ACHIEVED THROUGH MARKET-OPENING INTERNATIONAL AGREEMENTS AND FURTHER INTEGRATION OF DEVELOPING COUNTRIES INTO THE TRADING SYSTEM.

I/P: CREATE OPEN AND DYNAMIC WORLD, REGIONAL AND NATIONAL MARKETS

INDICATOR: Status of Negotiations on Open Markets for Services, Trade, and Investment
Outcome

JUSTIFICATION: These agreements expand the international framework to create a dynamic, free and open trade system, which contributes directly to the prosperity of the United States.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> World Trade Organization (WTO) Doha round and Free Trade of the Americas negotiations completed. Andean Countries Free Trade Agreement (FTA) and South African Customs Union (SACU) implemented. Two FTAs concluded. Central American Free Trade Agreement (CAFTA), Dominican Republic, Morocco and Australia FTAs enter into force. Three new Bilateral Investment Treaties (BITs) concluded.
	Results	<ul style="list-style-type: none"> WTO and FTAA negotiations were not completed. Implementation of Andean Countries Free Trade Agreement progressing; South African Customs Union postponed. Two FTAs concluded. Oman FTA ratified. Korea and Malaysia FTAs launched. CAFTA, Bahrain and Morocco FTAs entered into force. The Australia FTA went into force in January 2005 (see below). Three new BITs concluded.
	Rating	 Below Target
	Impact	Although the suspension of the Doha Round will hinder U.S. efforts to open markets, excellent progress was achieved on liberalizing trade and opening markets through free trade agreements and bilateral investment treaties. Trade Promotion Authority is scheduled to expire in mid-2007, so the Department will make every effort to restart the Doha Round in FY 2007.
	Reason for Shortfall	The WTO Doha Round was suspended due to lack of agreement on major issues. The United States prioritized expanded agricultural market access, the EU tried to link agricultural subsidy and tariff reductions to cross-sector reciprocal improvements in market access for manufactured goods and services, and developing countries sought the elimination of agricultural subsidies and industrial tariffs.
	Steps to Improve	At the December 2005 WTO ministerial in Hong Kong, WTO members were able to set 2013 as the date to end agricultural export subsidies and agree to a number of important development initiatives. Expanded market access, particularly in agriculture, is key to a final agreement. In Hong Kong, the U.S. announced a doubling of annual trade-related assistance from \$1.34 billion in 2005 to \$2.7 billion by 2010. The U.S. is the largest single-country donor of trade capacity building assistance, which helps countries build the necessary legal, administrative, and physical infrastructure to participate fully in the market openings that will be created by a successful conclusion of the Doha Round.

PERFORMANCE DATA	Data Source	Information from Department of State and U.S. Trade Representative (USTR) negotiators.
	Data Quality (Verification)	Data on the status of the Doha Round is publicly available and widely reported. Details are available through WTO and USTR. Information is vetted by trade and investment officers at the Department of State and is publicly available.

PAST PERFORMANCE	2005	Doha Round progressing with members actively engaged in negotiations. Negotiations with Pakistan underway; initial consultations held with Saudi Arabia and Algeria. Negotiations continued on free trade agreements with Andean countries, Oman, and United Arab Emirates. Central American-Dominican Republic FTA and Bahrain enactment expected. Australia FTA entered into force January 2005. Morocco FTA entry into force expected. U.S. and EU regulatory agencies work to share information and harmonize regulatory systems.
	2004	<ul style="list-style-type: none"> Successful WTO Doha Round framework agreement July 2004. One BIT, with Uruguay, concluded by October 2004. Concluded 4 FTAs (Australia, Bahrain, Morocco, Central America). Free Trade Agreement of the Americas negotiations continued. Launched FTA negotiations with Thailand, countries of the Andean region, and Panama.
	2003	<ul style="list-style-type: none"> Two FTAs (Chile, Singapore) concluded. WTO and FTAA negotiations continued. FTA negotiations began with CAFTA, Morocco, SACU, and Australia.

I/P: CREATE OPEN AND DYNAMIC WORLD, REGIONAL AND NATIONAL MARKETS (continued)



INDICATOR: Number of Countries Allowing Commercial Use of Agricultural Biotechnology and Global Acreage of Biotech Crops under Cultivation

Output

JUSTIFICATION: Countries that commercialize biotechnology-derived crops are most likely to permit entry of biotechnology-derived products from other countries.


FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> • Three more countries commercialize agricultural biotechnology. • Acreage of agricultural biotechnology crops increases 12 percent.
	Results	In CY 2005, four additional countries planted biotech crops. Portugal and France resumed planting of biotech corn in 2005, while the Czech Republic planted it for the first time; this brings the total of EU countries commercializing biotech corn to five. In Iran, biotech rice was grown in 2005 by several hundred farmers, who initiated commercialization and produced seed supplies for full commercialization in 2006. Based upon full year data for CY 2005, agricultural biotech acreage was trending at a 15-20% rate of growth in the first 3 months of FY 2006.
	Rating	■ On Target
	Impact	Global acreage continues to grow at a tremendous rate. More than 90 percent of farmers benefiting from biotech crops now reside in the developing world.
PERFORMANCE DATA	Data Source	Statistics gathered by the International Service for the Acquisition of Ag-biotech Applications, the internationally recognized source for information on the commercialization of crops derived through modern biotechnology.
	Data Quality (Verification)	Information is publicly available, gathered through primary data collection, and cross-referenced by economics officers with other sources for accuracy.
PAST PERFORMANCE	2005	Based upon full year data for CY 2004, ag biotech acreage was trending at a 15-20% rate of growth in the first 3 months of FY 2005. China nears commercialization of biotech rice variety. French farmers plant biotech corn in relatively large quantities for the first time. The Spanish interministerial biotechnology commission approved Roundup Ready biotech corn seed for cultivation in Spain.
	2004	<ul style="list-style-type: none"> • Australia approved commercialization of transgenic canola, Malaysia and Thailand took initial steps toward commercializing agricultural biotechnology. • Growth grate for CY 2004 was 20% which includes first quarter of FY 2005.
	2003	<ul style="list-style-type: none"> • The Philippines commercialized agriculture-biotech, and Brazil approved the sale of agriculture-biotech. • Biotech acreage continued to expand.

Business Advocacy and Commercial Diplomacy

The Department of State regularly advocates for U.S. companies to ensure fair play, assist with regulatory and investment problems, and maximize commercial opportunities. U.S. Diplomatic Missions are prepared and equipped to assist U.S. companies by partnering with the Commerce Department and managing the commercial diplomacy programs at 140 overseas posts without a Commerce Department presence. In FY 2006, the Department provided support for 300 commercial advocacy cases, including a recent \$2 billion contract win for a U.S. company. Business outreach efforts also target opportunities tied to U.S. foreign policy.

Assistant Secretary for Economic, Energy and Business Affairs Daniel Sullivan speaks to senior business executives and government officials during the 13th Annual U.S.-APEC (Asia-Pacific Economic Cooperation) Roundtable in Washington, D.C, June 2006. State Department Photo




I/P: CREATE OPEN AND DYNAMIC WORLD, REGIONAL AND NATIONAL MARKETS <i>(continued)</i>		
 INDICATOR: Progress in WTO accession in USAID-Assisted Countries		
Output		
JUSTIFICATION: Participation and membership in the WTO indicates a commitment to trade and its economic benefits and an active engagement with other countries regarding trade agreements and integration.		
FY 2006 PERFORMANCE	Target	15 USAID-assisted countries in some level of WTO accession prior to full membership.
	Results	10 USAID-assisted countries at some level of WTO accession prior to full membership.
	Rating	■ Below Target
	Impact	WTO accession means access to markets is more open and predictable, developing country commercial law regimes are aligned with international norms, the international rule of law is expanded, transparency and economic governance is improved, and opportunities for corruption are reduced.
	Reason for Shortfall	The explanation for this program's shortfall is pending and will be obtained once the final FY 2006 results are reported.
	Steps to Improve	The necessary steps for this program's improvement are pending and will be obtained once the final FY 2006 results are reported.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	14 USAID-assisted countries at some level of WTO accession prior to full membership.
	2004	29 USAID-assisted countries at some level of WTO accession prior to full membership.
	2003	Baseline: 28 USAID-assisted countries at some level of WTO accession prior to full membership.

Under Secretary Josette Sheeran speaks to reporters about the National Strategy to Internationalize Efforts Against Kleptocracy, or high-level corruption, during a news conference at the State Department in Washington, D.C., August 2006.

AP/Wide World





I/P: SUPPORT FOR U.S. BUSINESSES	
	INDICATOR: 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
Output	
JUSTIFICATION: This indicator measures the direct support provided to U.S. business in exporting goods and services as well as managing overseas investments.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> • Advocacy services provided for 195 companies. • 95 advocacy success stories.
	Results For the first 8 months of FY 2006, provided advocacy services for 274 companies and generated 44 advocacy success stories.
	Rating ■ On Target
	Impact Advocacy support ensures transparency and fair play so that U.S. companies can compete on a level playing field.
PERFORMANCE DATA	Data Source Information from U.S. businesses, the Bureau of Economic, Energy, and Business Affairs Advocacy Databases, and Department of Commerce Advocacy Center Databases.
	Data Quality (Verification) Reliability and completeness of performance data is ensured through primary collection of data and extensive cross-referencing by economics officers with other sources where necessary.
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> • Advocacy services provided for 386 companies. • 44 advocacy success stories.
	2004 <ul style="list-style-type: none"> • Advocacy services provided for 152 companies. • 48 advocacy success stories.
	2003 <ul style="list-style-type: none"> • Advocacy services provided for 125 companies. • 45 advocacy success stories.



A Vietnamese basket vendor walks along a street of electronics shops in downtown Hanoi, Vietnam, January 2006, as U.S. trade officials arrived for talks on Vietnam's accession to the World Trade Organization.
AP/Wide World


ANNUAL PERFORMANCE GOAL 3
SECURE AND STABLE FINANCIAL AND ENERGY MARKETS.

I/P: SECURE ENERGY SUPPLIES		
 INDICATOR: World Emergency Oil Stocks		
Output		
JUSTIFICATION: Oil is the major energy import for the U.S. and an adequate supply is key for the U.S. and global economies. Increasing world oil stocks increases ability to withstand possible oil shocks.		
FY 2006 PERFORMANCE	Target	International Energy Agency (IEA) and non-IEA Emergency oil stocks at or above FY 2005 stock levels equivalent to 114 days of imports.
	Results	115 days of import coverage.
	Rating	■ On Target
	Impact	Healthy oil stock allowed for a robust response to oil supply disruptions caused by Hurricane Katrina, calming markets ensuring continued supplies of oil.
PERFORMANCE DATA	Data Source	International Energy Agency data.
	Data Quality (Verification)	International Energy Agency data are publicly available and reviewed annually by economics officers with the Department of State's Bureau of Economic and Business Affairs.
PAST PERFORMANCE	2005	International Energy Agency members held stocks of 114 days of imports, prior to emergency release of stocks to counter supply disruptions of Hurricane Katrina.
	2004	IEA members held stocks of 113 days of imports.
	2003	IEA stocks were 116 days of imports. China (a non-IEA member) actively engaged with the IEA, APEC, and the United States to create emergency oil stock reserves and has formulated a plan for holding significant stocks.

 INDICATOR: Energy Sector Management Capacity		
Output		
JUSTIFICATION: This indicator examines whether countries are capable of managing the energy sector to achieve greater energy efficiency.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● 357 energy institutions with improved capacity to reform and manage their sector. ● 95 energy policy reforms (e.g. decrees, policies, laws, technical standards etc.) drafted as a result of USAID programs. ● 58 energy policy reforms adopted as a result of USAID programs. ● 15 energy policy reforms implemented as a result of USAID programs.
	Results	<ul style="list-style-type: none"> ● 357 energy institutions with improved capacity to reform and manage their sector. ● 74 energy policy reforms drafted as a result of USAID programs. ● 29 energy policy reforms adopted as a result of USAID programs. ● 31 energy policy reforms implemented as a result of USAID programs.
	Rating	■ On Target
	Impact	Sound energy policies and efficient, capable energy institutions are crucial structural elements for development.

Continued on next page

I/P: SECURE ENERGY SUPPLIES (continued)		
INDICATOR: Energy Sector Management Capacity (continued)		
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> Energy institutions with improved capacity to reform and manage their sector: 337. Energy policy reforms drafted as a result of USAID programs: 87. Energy policy reforms adopted as a result of USAID programs: 53. Energy policy reforms implemented as a result of USAID programs: 11. <p>The indicator was changed effective 2005 in order to more specifically measure impact, as the previous wording of "interventions" was judged to be too general. This explains the decrease in numbers between the 2004 baseline and 2005.</p>
	2004	<p>Baseline:</p> <ul style="list-style-type: none"> Energy institutions with improved capacity to reform and manage their sector: 216. New energy policy interventions accomplished as a result of USAID programs: 183.
	2003	N/A.

I/P: STABLE FINANCIAL MARKETS		
	INDICATOR: Percentage of Debt Crisis Countries on International Monetary Fund (IMF) Programs Successfully Reforming	
	Outcome	
JUSTIFICATION: Successful completion of reform programs is key to nations achieving long-term financial stability.		
FY 2006 PERFORMANCE	Target	60% of countries facing financial crisis that have sought and received Paris Club sponsored debt relief are successfully implementing economic reforms that will promote long-term financial stability.
	Results	A total of 84% of countries receiving help from the United States and the international community to overcome financial crises are successfully implementing economic reforms that promote long-term financial stability. As of September 30, 2006, 69 countries facing financial crises had active Paris Club agreements. Of these, 36 countries were successfully implementing an IMF-sponsored reform program and an additional 22 countries had completed their reform programs. A total of 11 countries had abandoned their IMF program and were not pursuing sound macroeconomic policies. This result can be explained, in part, by the benign global economic environment that has helped to improve macroeconomic performance, reducing the risk of financial crises and generally making it easier to comply with IMF program goals.
	Rating	■ On Target
	Impact	U.S. Government debt relief program has provided effective leverage to encourage countries in financial crisis to adopt solid fiscal and monetary policies that have resulted in individual country and international financial stability.
PERFORMANCE DATA	Data Source	International Monetary Fund and Paris Club.
	Data Quality (Verification)	Information is publicly available and is validated by economics officers with the Department of State's Bureau of Economic and Business Affairs. Results are based on the percentage of countries which have a) active agreements with the "Paris Club" of major creditor nations, and b) an active International Monetary Fund economic reform program or have successfully graduated from one.
PAST PERFORMANCE	2005	83% of countries facing financial crisis that sought and received Paris Club sponsored debt relief are effectively following or have successfully completed an IMF program. (Based on IMF and Paris Club status as of September 30, 2005).
	2004	78% of 69 countries with an active Paris Club agreement were successfully reforming.
	2003	74% of 73 countries with an active Paris Club agreement were successfully reforming.

ANNUAL PERFORMANCE GOAL 4
ENHANCED FOOD SECURITY AND AGRICULTURAL DEVELOPMENT.

I/P: AGRICULTURE-LED INCOME OPPORTUNITIES EXPANDED		
INDICATOR: Level of Agricultural Sector Capacity		
Outcome		
JUSTIFICATION: This indicator measures agricultural productivity through a variety of technologies and efficiencies, which are crucial for ensuring a stable and adequate food supply and sufficient earning potential from agricultural activities.		
FY 2006 PERFORMANCE	Target	505 agricultural technologies made available for transfer through USAID programs.
	Results	1,718 agricultural technologies made available for transfer through USAID programs.
	Rating	 Significantly Above Target
	Impact	The transfer of agricultural technologies and assistance to producers increases crop production which in turn enhances economic development and reduces food insecurities.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	511 agricultural technologies made available for transfer through USAID programs.
	2004	172 agricultural technologies made available for transfer through USAID programs.
	2003	N/A.



A Peruvian farmer tends to his high-value artichoke crop at his farm in the Mantaro Valley in central Peru.
 USAID Photo

STRATEGIC OBJECTIVE #2: ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS

STRATEGIC GOAL 9: SOCIAL AND ENVIRONMENTAL ISSUES

Improve Health, Education, Environment, and Other Conditions for the Global Population

I. Public Benefit

Disease, poverty, displacement, irregular migration, lack of education, and environmental degradation destroy lives, ravage societies, destabilize regions, and cheat future generations of prosperity. By supporting over ten Presidential Initiatives and numerous programs that integrate economic growth with social development and environmental stewardship, the Department and USAID are extending the basic values American citizens hold dear: prosperity, sustainable management of natural resources, good health, and knowledge-based society.

U.S. investments have stimulated the rapid expansion of HIV/AIDS treatment, prevention, and care in high-priority countries, along with improved quality of life for affected persons. More couples are able to decide the number and spacing of their children and have access to skilled childbirth care. More children are being immunized and survive common childhood illnesses. Access to effective



Chad Country Manager for Ambassadors Girls' Scholarship Program, Alexandra Zekas, talks to girls in a school in Chad, February 2006.

AP/Wide World

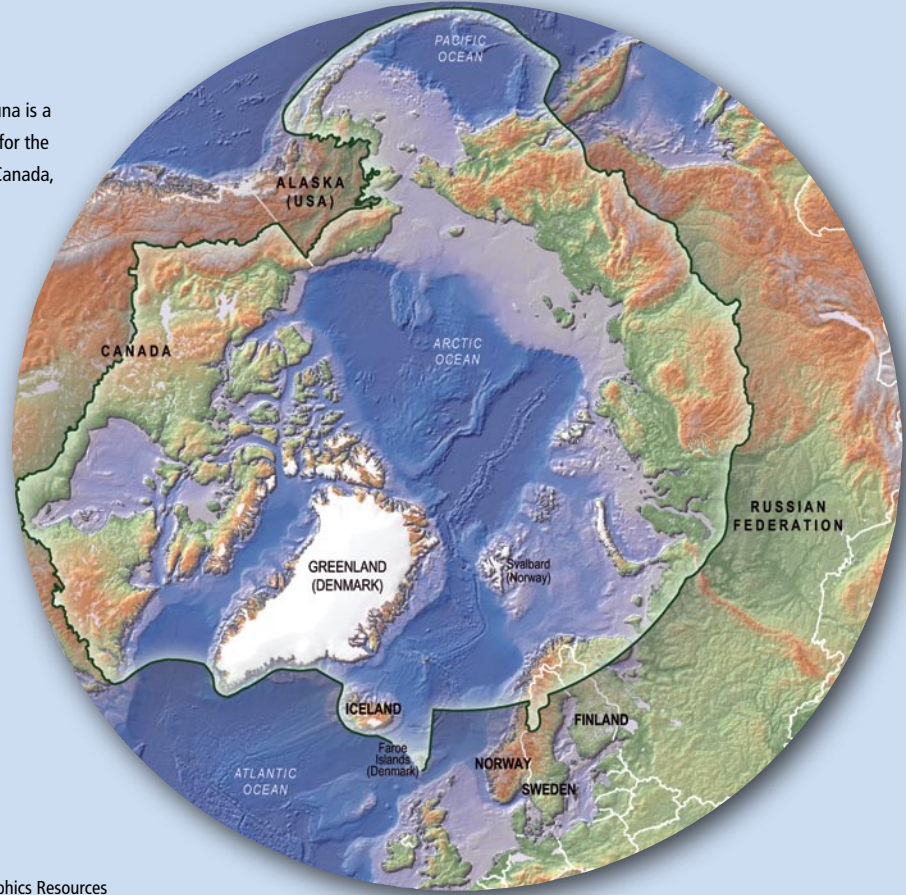
prevention and treatment for malaria and tuberculosis has expanded, as has international engagement to address Avian Influenza, eradicate polio, improve health systems, and understand chronic disease. Through regional dialogues and protection and assistance to vulnerable migrants, the Department and USAID promote effective and humane international migration policies and systems.

Nearly 24% of adults in the developing world are non-literate. Investments in basic education are critical to provide millions with the literacy and numeracy skills needed to live productively in today's world. Improved higher education promotes stable, skilled work forces, economic betterment, and an informed society that demands and participates constructively in democratic institutions.

Sound governance of natural resources not only protects the planet, it is a key attribute of democratic governance and sustainable growth. Conservation of biodiverse ecosystems provides income, sustainable livelihoods and a healthy foundation for human well-being. By promoting access to clean drinking water and clean, modern energy, by sustainably managing fisheries, forests, and other flora and fauna, by keeping dangerous chemicals and other pollutants out of terrestrial and marine environments, by increasing resilience to climate variability and change, and by improving the environmental capacity of trade partners, the U.S. is promoting economic prosperity in sustainable harmony with nature. By building broad partnerships among U.S. Government agencies, foreign governments, international organizations, and the private sector, all of these initiatives reduce the strains on society that lead to conflict and even terrorism, while inculcating democratic values of participatory decision-making, rule of law, and transparency.

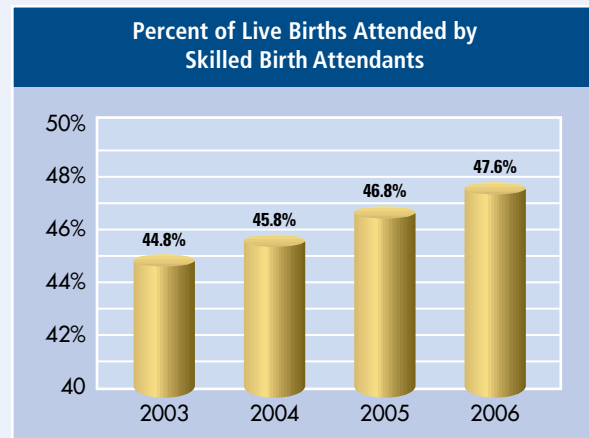
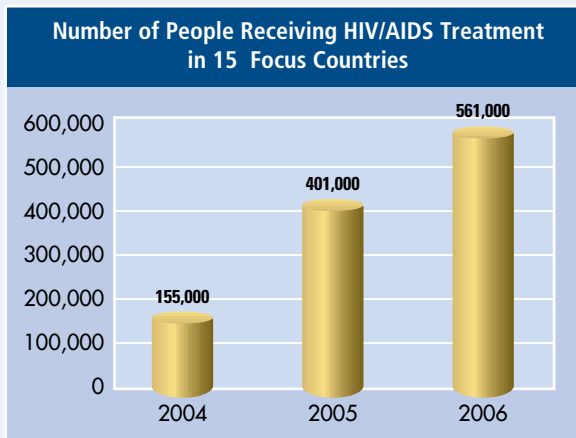
ARCTIC CONSERVATION AREA TOPOGRAPHIC MAP

The Conservation of Arctic Flora and Fauna is a working group under the Arctic Council for the countries of the U.S., Russia, Denmark, Canada, Sweden, Iceland, Norway and Finland and indigenous peoples. Monitoring, assessment, protected areas and conservation strategies are all tasks under this working group. The area that the working primarily addresses is presented in the map below.



Source: UNEP/GRID-Arendal Library of Graphics Resources

II. Selected Performance Trends



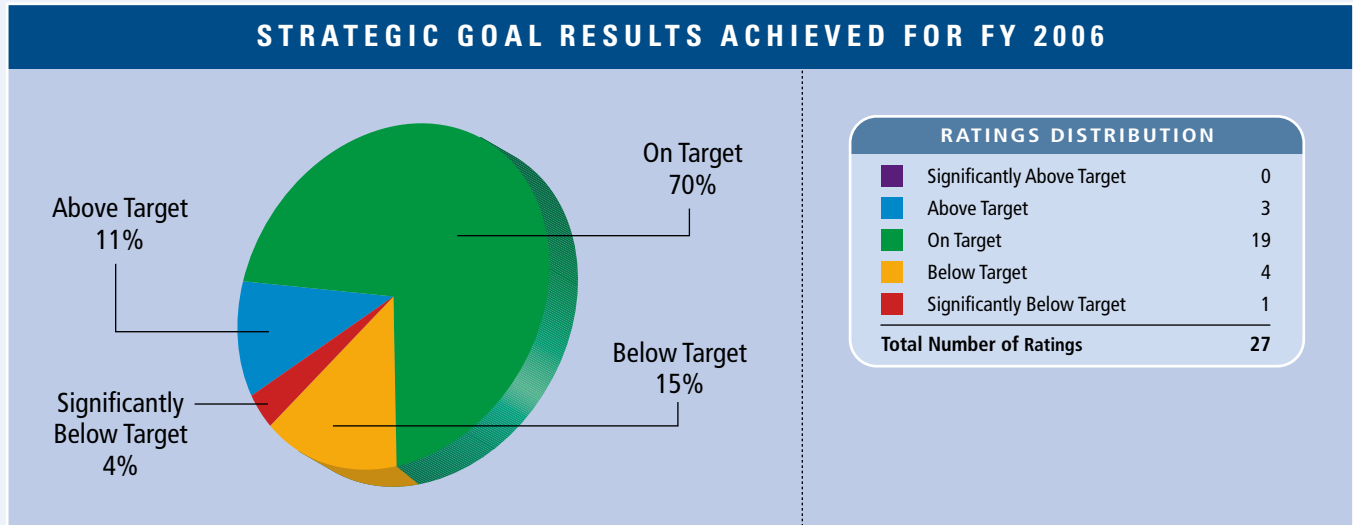
III. Strategic Context

Shown below are the performance goals, initiatives/programs, and the major resources, bureaus and partners that contribute to accomplishment of the Social and Environmental Issues strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Major Resources	Lead Bureau(s)	External Partners
Social and Environmental Issues	Global Health	HIV/AIDS	GHAI, CS&H, ESF, FSA, SEED, FMF, PL480 Title II	S/GAC, GH	HHS, DoD, DOL, Commerce, Peace Corps, NSC, UNAIDS, WHO, UNICEF, Global Fund to Fight AIDS, TB, and Malaria, host country governments, private sector entities
		Infectious Diseases	CIO, CS&H, D&CP, ESF, GAI, IO&P	OES, IO, S/GAC, G/AIAG, GH	UNICEF, HHS, CDC, UN, WHO, private sector entities
		Maternal and Reproductive Health	CIO, CS&H, D&CP, IO&P	PRM, GH	UNICEF, HHS, UN, WHO, private sector entities
		Child Health	CIO, D&CP, IO&P, CS&H	GH	UNICEF, HHS, UN, WHO, private sector entities
	Environmental Protection	Institutionalizing Sustainable Development	D&CP, ESF	OES, PPC	EPA, USDA, NOAA, DOE, Smithsonian Institution, civil society and private sector entities
		Coastal and Marine Resources	D&CP, ESF, IO&P	OES, EGAT	NOAA, USFWS, EPA, NSF, NRC, NASA, DoD, USTR, USCG, NGOs, International Organizations, and International Coral Reef Initiative Partners
		Conservation of Biological Diversity, Protected Areas, Forests, and Other Natural Resources	D&CP, ESF, DA	AF, OES, WHA, EGAT, AFR	USDA, Treasury Department, USDA-Forest Service, NGOs, International Organizations
		Global Climate Change	D&CP, IO&P, ESF	OES, STAS, EGAT	DOE, EPA, CEQ, CEA, NOAA, NASA, Treasury, USDA, NSF, DOC, DOI, DOT, DoD
	Access to Quality Education	Improved Access to Quality Education	D&CP, DA	EGAT, AFR	World Bank, UNESCO, OPIN
	Migration Policies and Systems	Effective and Humane Migration Policies and Systems	ERMA, MRA	PRM	IOM, DHS

IV. Performance Summary

The chart below summarizes the performance ratings for Department of State and USAID results for the Social and Environmental Issues strategic goal.



V. Performance Analysis

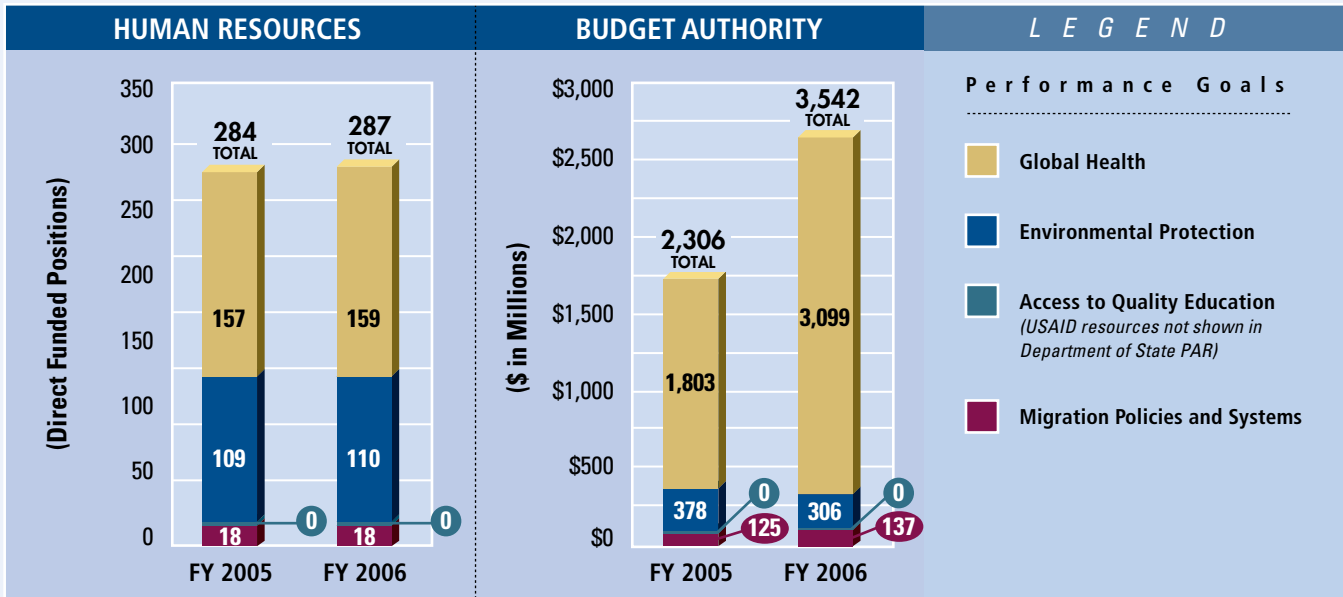
PERFORMANCE TRENDS. Performance under the President’s Emergency Program for AIDS Relief (PEPFAR) continued the favorable trend to prevent the spread of AIDS in particularly vulnerable countries and treat those afflicted with the illness. The percentage of the world’s population with access to tuberculosis care and treatment continued its steady multiyear upward trend. There was also sustained progress toward more effective implementation of treaties and agreements on natural resources management.

HIGH-LEVEL RESULTS. The Department and USAID continued making 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. Sustained commitment to working bilaterally and with multilateral organizations strengthened cooperation on international environmental issues such as marine species management and biodiversity conservation.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. The effectiveness of USAID-sponsored higher education and workforce development programs was evaluated using preliminary data, and was significantly below target. USAID will review this indicator when final performance data is received.

KEY INITIATIVES AND PROGRAMS. In FY 2006, the Department and USAID continued to demonstrate leadership and commitment to the U.S. Government’s social and environmental goals. For example, \$1.58 billion was programmed for child survival and health initiatives, \$2.5 billion was set aside for HIV/AIDS prevention and treatment programs, \$365 million was allocated for basic education activities, and \$200 million was made available for drinking water supply projects, including \$50 million for programs in Africa.

VI. Resources Invested





A villager from Navobod in Tajikistan's Sughd Province collects water from a USAID-funded pump located steps away from his home.
 Mercy Corps Photo

VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.


ANNUAL PERFORMANCE GOAL 1
IMPROVED GLOBAL HEALTH, INCLUDING CHILD, MATERNAL, AND REPRODUCTIVE HEALTH, AND THE REDUCTION OF ABORTION AND DISEASE, ESPECIALLY HIV/AIDS, MALARIA, AND TUBERCULOSIS.

I/P: HIV/AIDS		
	INDICATOR: Number of People Receiving HIV/AIDS Treatment in the 15 Focus Countries of the President's Emergency Plan for AIDS Relief	
PART Output		
JUSTIFICATION: The Emergency Plan targets \$10 billion in funding for HIV/AIDS prevention, care, and treatment in 15 of the most affected countries: Botswana, Cote d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Vietnam, and Zambia. One of the core goals of the Emergency Plan is to support treatment for 2 million people.		
FY 2006 PERFORMANCE	Target	665,000 individuals receiving HIV/AIDS treatment across the 15 focus countries.
	Results	As of March 31, 2006, the Emergency Plan supported anti-retroviral treatment for 561,000 men, women, and children. Of those treated, 61 percent were female. This mid-year result represents 84% of the goal of treating 665,000 individuals by October 2006. End-of-FY 2006 data will be available with the release of the Third Annual Report to Congress on the Emergency Plan, on or around January 31, 2007.
	Rating	■ On Target
	Impact	HIV/AIDS, with its implications for security, economic stability, and overall development, is one of the biggest threats facing nations today. Providing treatment to persons living with HIV/AIDS dramatically increasing their well-being and thereby helps address these threats. Lives are extended, families are held intact, productivity of working age persons continues, and nations move forward with development.
PERFORMANCE DATA	Data Source	<ul style="list-style-type: none"> ● Annual and semi-annual progress reports from each of the focus countries reporting numbers of people receiving treatment in each country. ● Annual reports by UNAIDS and the WHO identifying numbers of people receiving treatment.
	Data Quality (Verification)	The Office of the Global AIDS Coordinator reviews and evaluates the accuracy and quality of results submitted through the progress reports.
PAST PERFORMANCE	2005	401,000 individuals received HIV/AIDS treatment across the 15 focus countries.
	2004	155,000 individuals received HIV/AIDS treatment across the 15 focus countries.
	2003	The President's Emergency Plan for AIDS Relief was announced in January 2003; the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, consolidating all U.S. Government HIV/AIDS programs under the Office of the Global AIDS Coordinator, was signed into law in May.

I/P: HIV/AIDS (continued)		
	INDICATOR: Estimated Number of HIV Infections Prevented in the 15 Focus Countries of the President's Emergency Plan for AIDS Relief	
PART Output		
JUSTIFICATION: Slowing the rate of new HIV infections is the most difficult challenge in the fight against HIV/AIDS, but it is critical to winning the fight. One of the core goals of the Emergency Plan is to support prevention of 7 million new infections.		
FY 2006 PERFORMANCE	Target	An estimated 1.9 million HIV infections prevented across the 15 focus countries.
	Results	The Census Bureau model that will allow estimation of cases averted (other than infant infections) is expected to be available in late 2006. With respect to prevention of mother-to-child transmission through March 31, 2006, the Emergency Plan supported services for women during more than 4.5 million pregnancies, antiretroviral prophylaxis for women during 342,200 pregnancies, and prevented an estimated 65,100 infant HIV infections.
	Rating	■ On Target
	Impact	Prevention is the only long-term, sustainable solution to turn the tide against HIV/AIDS. It decreases the burden of the disease on individuals, families, and nations.
PERFORMANCE DATA	Data Source	<ul style="list-style-type: none"> • Annual and semi-annual progress reports from each of the focus countries will report results for numbers of persons receiving prevention services and the number of infections prevented. • Country bi-annual reports from UNAIDS reporting prevalence rates. • Country demographic health surveys reporting HIV/AIDS prevalence rates.
	Data Quality (Verification)	The Office of the Global AIDS Coordinator reviews and evaluates the accuracy and quality of results submitted through the progress reports.
PAST PERFORMANCE	2005	A total of 42,802,800 individuals were reached with prevention activities, including 24,862,000 individuals reached by community outreach promoting HIV/AIDS prevention through abstinence and/or being faithful and 17,941,100 individuals reached by community outreach programs that promote other prevention strategies.
	2004	Funds obligated to provide HIV prevention services to 47.8 million people across the 15 focus countries, with an estimated 1.3 million infections prevented.
	2003	The President's Emergency Plan for AIDS Relief was announced January 2003; the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, consolidating all U.S. Government HIV/AIDS programs under the Office of the Global AIDS Coordinator, was signed into law in May.



Philippines Health Secretary Francisco Duque, left, Ambassador Kristie Kenney, center, and USAID acting Mission Director Francis Donovan at the signing of a bilateral agreement to improve public health service in the Philippines, September 2006. AP/Wide World



I/P: HIV/AIDS (continued)									
	INDICATOR: Number of People Receiving HIV/AIDS Care and Support Services in the 15 Focus Countries of the President's Emergency Plan for AIDS Relief								
PART Output									
<p>JUSTIFICATION: Care and support services for people infected and affected by HIV/AIDS, including orphans and vulnerable children, can mitigate the consequences of HIV/AIDS by restoring health and productivity and ensuring that orphans and vulnerable children have access to essential services such as health and education. One of the core goals of the Emergency Plan is to support care for 10 million people infected and affected by HIV/AIDS.</p>									
FY 2006 PERFORMANCE	<table border="1"> <tr> <td style="background-color: #4a7ebb; color: white;">Target</td> <td>4.3 million people infected and affected by HIV/AIDS receiving HIV/AIDS care and support services across the 15 focus countries.</td> </tr> <tr> <td style="background-color: #4a7ebb; color: white;">Results</td> <td>As of March 2006, the Emergency Plan supported care for nearly 3 million individuals, including care for more than 1,323,000 orphans and vulnerable children. This mid-year result represents 89% of the goal of caring for 4,300,000 individuals by October 2006.</td> </tr> <tr> <td style="background-color: #4a7ebb; color: white;">Rating</td> <td style="text-align: center;"> ■ On Target </td> </tr> <tr> <td style="background-color: #4a7ebb; color: white;">Impact</td> <td>Care services, including for orphans and vulnerable children, mitigate the severe pain and debilitating symptoms caused by HIV/AIDS as well as its social and economic consequences.</td> </tr> </table>	Target	4.3 million people infected and affected by HIV/AIDS receiving HIV/AIDS care and support services across the 15 focus countries.	Results	As of March 2006, the Emergency Plan supported care for nearly 3 million individuals, including care for more than 1,323,000 orphans and vulnerable children. This mid-year result represents 89% of the goal of caring for 4,300,000 individuals by October 2006.	Rating	■ On Target	Impact	Care services, including for orphans and vulnerable children, mitigate the severe pain and debilitating symptoms caused by HIV/AIDS as well as its social and economic consequences.
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HIV/AIDS Treatment and Assistance in South Africa


Nompumelelo, a 27-year-old resident of South Africa, initially kept her HIV-positive status a secret from her family and friends. "It was a very big shock when I discovered I was positive," she said. She worried about the health of her three-year-old son, Elihle. "I went to get him tested. ... I was devastated when he was also positive." Nompumelelo received medical aid that allowed Elihle to start taking antiretroviral drugs immediately. Unfortunately, there was not enough money to pay for her treatment as well. In January 2004, a test revealed that she desperately needed to start antiretroviral treatment. Nompumelelo did not believe she had any options, until a friend told her about McCord Hospital's Sinikithemba Clinic in Durban. Sinikithemba is a Zulu word meaning "place of hope," and the clinic has lived up to its name. With support from the U.S. President's Emergency Plan for AIDS Relief, the Elizabeth Glaser Pediatric AIDS Foundation works with the clinic to provide antiretroviral treatment to adults and children living with HIV/AIDS, including Nompumelelo and Elihle.



With support from the President's Emergency Plan for AIDS Relief, Nompumelelo and Elihle receive antiretroviral treatment at Sinikithemba Clinic in Durban, South Africa. State Department Photo


I/P: INFECTIOUS DISEASES		
 INDICATOR: Tuberculosis Treatment Success Rate (18 Countries)		
Output		
JUSTIFICATION: Tuberculosis Treatment Success Rate is defined as the proportion of patients who complete their entire course of treatment. The above indicator reflects the Tuberculosis Treatment Success Rate by countries receiving assistance from USAID.		
FY 2006 PERFORMANCE	Target	Tuberculosis Treatment Success Rate (for 2006): <ul style="list-style-type: none"> • No countries with less than 50% • 13 countries with 50-84% • 5 countries with 85% or more.
	Results	Tuberculosis Treatment Success Rate (for 2006): <ul style="list-style-type: none"> • No countries with less than 50% • 12 countries with 50-84% • 6 countries with 85% or more.
	Rating	 On Target
	Impact	USAID assistance directly contributes to important advances in the control of tuberculosis through directly observed treatment short-course strategy.
PERFORMANCE DATA	Data Source	WHO Reports, Global Tuberculosis Control, Geneva.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	Tuberculosis Treatment Success Rate (for 2005): <ul style="list-style-type: none"> • No countries with less than 50% • 14 countries with 50-84% • 4 countries with 85% or more.
	2004	Tuberculosis Treatment Success Rate (for 2004): <ul style="list-style-type: none"> • No countries with less than 50% • 15 countries with 50-84% • 3 countries with 85% or more.
	2003	Baseline: Tuberculosis Treatment Success Rate (for 2000): <ul style="list-style-type: none"> • No countries with less than 50% • 14 countries with 50-84% • 4 countries with 85% or more.

I/P: INFECTIOUS DISEASES (continued)		
 INDICATOR: Case Detection Rate for Tuberculosis (18 Countries)		
Output		
JUSTIFICATION: The proportion of annual new smear-positive notifications divided by the estimated annual new smear-positive cases (incidence). The above indicator reflects the Tuberculosis Case Detection Rate by countries receiving assistance from USAID.		
FY 2006 PERFORMANCE	Target	Case Detection Rate: <ul style="list-style-type: none"> • 8 countries with less than 40% • 9 countries with 40-69% • 1 country with 70% or more.
	Results	Case Detection Rate: <ul style="list-style-type: none"> • 5 countries with less than 40% • 10 countries with 40-69% • 3 countries with 70% or more.
	Rating	 Above Target
	Impact	USAID assistance directly contributes to important advances in the control of tuberculosis through the directly observed treatment short term strategy.
PERFORMANCE DATA	Data Source	WHO Reports, Global Tuberculosis Control, Geneva. This indicator only tracks 18 of USAID's 19 Tier 1 countries for which progress can be monitored consistently over time (Ukraine does not have the validated data for this indicator).
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	Case Detection Rate: <ul style="list-style-type: none"> • 8 countries with less than 40% • 9 countries with 40-69% • 1 country with 70% or more.
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	2003	Case Detection Rate: <ul style="list-style-type: none"> • 9 countries with less than 40% • 8 countries with 40-69% • 0 countries with 70% or more.

I/P: INFECTIOUS DISEASES (continued)	
	INDICATOR: Percentage of Households in Malaria Endemic Areas with at Least One Insecticide Treated Net
	Output
<p>JUSTIFICATION: This indicator measures the proportion of households with at least one insecticide-treated net in 17 USAID/malaria-supported countries. Insecticide-treated mosquito nets, if used properly, are one of the best ways to prevent mosquitoes from biting and infecting individuals with malaria.</p>	
FY 2006 PERFORMANCE	<p>Target Insecticide Treated Net Coverage Rate: 35%.</p>
	<p>Results Insecticide Treated Net Coverage Rate: 29% of households in 18 USAID/malaria-supported countries had at least one insecticide-treated net. These results are for FY 2005. Please see "Reason for Shortfall" below.</p>
	<p>Rating ■ Below Target</p>
	<p>Impact Insecticide Treated Nets are an important component of an overall strategy to control malaria, especially for children, which results in a 20 percent decrease in deaths.</p>
	<p>Reason for Shortfall 2005 coverage data, much of which was collected in 2003 and 2004, are the only data available at this time. Therefore, these data do not completely reflect the FY 2006 investments that USAID has made with funding from the President's Malaria Initiative as well as investments made in FY 2005 prior to the Presidential Initiative.</p>
	<p>Steps to Improve USAID expects an increase in malaria monitoring and evaluation activities which will enable the Agency to report more up to date information on 2006 coverage data in the future.</p>
PERFORMANCE DATA	<p>Data Source Preliminary result data from USAID's Global Health Bureau.</p>
	<p>Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).</p>
PAST PERFORMANCE	<p>2005 Insecticide Treated Net Coverage Rate: 29%.</p>
	<p>2004 Insecticide Treated Net Coverage Rate: 2%.</p>
	<p>2003 N/A.</p>





Ambassador Randall Tobias applauds first lady Laura Bush after a June 2006 speech to announce a presidential initiative to control malaria in Africa.
AP/Wide World


I/P: INFECTIOUS DISEASES (continued)		
 INDICATOR: Capacity of WHO's Global Infectious Disease Network to Respond to Disease Outbreaks		
Outcome		
JUSTIFICATION: This indicator tracks the progress of the World Health Organization (WHO) International Health Regulations (IHRs), an important measure of WHO and global abilities to respond to public health emergencies of international concern.		
FY 2006 PERFORMANCE	Target	States Parties submit any reservations to the International Health Regulations, seek to conform national legislative and administrative arrangements, and begin core capacity development in surveillance, preparedness, and response. Adoption at the May 2006 World Health Assembly of a resolution urging voluntary early implementation.
	Results	In May 2006, the World Health Assembly passed a resolution urging voluntary early implementation of the International Health Regulations. U.S. preparations are nearly complete for the submission of a reservation that clarifies that the U.S. will implement the International Health Regulations in a manner consistent with U.S. principles of federalism.
	Rating	■ On Target
	Impact	Upon entry-into-force in June 2007, States Parties will be obligated to report, and respond to public health emergencies of international concern, including mandatory reporting of smallpox, polio, Severe Acute Respiratory Syndrome, and human cases of the H5N1 strain of avian influenza or any other novel subtype of influenza. The regulations provide the legal framework for strengthening detection, sharing urgent public health and epidemiological information on an outbreak that could have global impact or cross international borders and for joint action to contain and mitigate its impact. WHO maintains an effective, proactive Global Outbreak Alert and Response Network, and can tap into a pool of human and technical resources for the rapid identification, confirmation of, and response to outbreaks.
PERFORMANCE DATA	Data Source	WHO, Department of Health and Human Services (Centers for Disease Control and Prevention), other governments, media or informal sources.
	Data Quality (Verification)	International Health Regulations and other relevant documents are subject to public review on the WHO website (www.who.int/en).
PAST PERFORMANCE	2005	Negotiations were completed and the final text was approved at the 58th World Health Assembly in May 2005. Countries also committed to take action to voluntarily comply with the regulations prior to their entry-into-force in 2007.
	2004	Completed technical review of the revised regulations at global, regional, and sub-regional levels. A revised draft was submitted to Member States for review and consideration at the Intergovernmental Working Group in November 2004.
	2003	WHO strengthened its activities related to global and national-level disease surveillance and undertook major efforts with governments in limiting and controlling Severe Acute Respiratory Syndrome.





A Thai worker sprays disinfectant on chicken cages in Suphanburi, Thailand, a province north of Bangkok. AP/Wide World

I/P: INFECTIOUS DISEASES (continued)		
	INDICATOR: Effectiveness of Surveillance and Response Capacities Worldwide	
	Output	
JUSTIFICATION: Disease surveillance is a key part of improving global health by better identifying, tracking, and communicating about disease outbreaks.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Support preparedness response plans for key diseases and bioterrorist events in two selected countries and begin work on building an international platform for information sharing. Carry out regional meetings to encourage information sharing and collaborative planning among countries to ensure that information can be acted upon expeditiously. African regional rapid response teams established to conduct epidemiological investigations on infectious diseases of public health importance.
	Results	<ul style="list-style-type: none"> The U.S. has actively supported development of avian and pandemic influenza preparedness plans in 53 countries including in Turkey, Vietnam, Indonesia, Cambodia, Laos, and Nigeria. The U.S. launched the International Partnership for Avian and Pandemic Influenza to share information, identify/discuss critical policy issues, and jointly develop a plan of action for coordinating national activities for pandemic preparedness. The U.S., with Switzerland, co-sponsored a bioterrorism tabletop exercise for senior leaders from a broad range of international organizations emphasizing the importance of non-traditional partnerships across diverse sectors including law enforcement, health, military, humanitarian response, defense, transportation, and security. The U.S. launched the Security and Prosperity Partnership with Canada and Mexico, in part to enhance critical infrastructure protection and implement a common approach to biosecurity and emergency response. The U.S.-supported regional Global Disease Detection Response Center in Kenya is fully operational and provides comprehensive disease surveillance and response activities for Africa, including a Field Epidemiology and Training Program and International Emerging Infections Program. It continues to be critical to the ongoing investigation and response to the outbreak of avian influenza in Nigeria.
	Rating	■ On Target
	Impact	The U.S. has humanitarian, security, and economic interests in helping countries deal with infectious disease outbreaks. If there is insufficient capacity and resolve in key developing countries, infectious disease outbreaks could spread and directly affect the health and safety of Americans at home and abroad, could aggravate social and political instability nationally and/or regionally, and could have substantial national, regional, and/or global economic impact.
PERFORMANCE DATA	Data Source	<ul style="list-style-type: none"> Reports from posts and countries on preparedness response plans. Reports from regional meetings addressing information sharing about biosurveillance.
	Data Quality (Verification)	Reports are sourced from technical staff at the Department of Health and Human Services directly responsible for global disease detection and response provided results information.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> Kenya, Thailand, Guatemala, Egypt, and China served as regional centers for disease surveillance, confirmation, and response. A Memorandum of Understanding between the U.S. and China established a formal framework for an International Emerging Infections Program.
	2004	Because preparedness response planning, information gathering and regional response capacity are very limited in much of the world, the Department has initiated assessment of USG capacity for international disease surveillance and compile list of resources and contacts and initiated an interagency process to discuss possibilities to improve surveillance and response. The Department also incorporated surveillance and response into planning for relevant diseases.
	2003	N/A.

I/P: MATERNAL AND REPRODUCTIVE HEALTH	
 INDICATOR: Percent of Live Births Attended by Skilled Birth Attendants	
Output	
JUSTIFICATION: In many countries most births occur at home. Prompt recognition of complications, initiation of treatment, and referral by a skilled birth attendant can be life saving.	
FY 2006 PERFORMANCE	Target Percent of Live Births Attended by Skilled Birth Attendants: 46.8%.
	Results Percent of Live Births Attended by Skilled Birth Attendants: 47.6%.
	Rating ■ On Target
	Impact Attendance at labor and delivery by a trained person with the skills to recognize the first signs of complications, initiate treatment, and facilitate referral is a key component of safe motherhood programs. Given that measuring maternal mortality trends is not possible on an annual basis, attendance by a skilled birth attendant is the best proxy indicator for determining maternal mortality trends.
PERFORMANCE DATA	Data Source Demographic and Health Surveys data and Centers for Disease Control/Reproductive Health Surveys data as compiled by USAID's Global Health Bureau.
	Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005 Percent of Births Attended by Skilled Birth Attendants: 46.8%.
	2004 Percent of Births Attended by Skilled Birth Attendants: 45.8%.
	2003 Percent of Live Births Attended by Skilled Birth Attendants: 44.8%.

I/P: MODERN CONTRACEPTIVE PREVALENCE RATE (GLOBAL)	
 INDICATOR: Modern Contraceptive Prevalence Rate (Global)	
Output	
JUSTIFICATION: Contraceptive Prevalence Rate: Percentage of in-union women of reproductive age (age 15-49) using, or whose partner is using, a modern method of contraception at the time of the survey. Expected progress is a one percentage point annual increase.	
FY 2006 PERFORMANCE	Target Modern Contraceptive Prevalence Rate: 37.9%.
	Results Modern Contraceptive Prevalence Rate: 37.9%.
	Rating ■ On Target
	Impact Use of modern contraception is a principal proximate determinant of fertility. As contraceptive use increases, fertility trends decrease as do abortion rates.
PERFORMANCE DATA	Data Source Demographic and Health Surveys (DHS) data and Reproductive Health Surveys (RHS) data as compiled by USAID's Global Health Bureau. Data based on 27 USAID assisted countries with DHS or RHS data.
	Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005 Modern Contraceptive Prevalence Rate: 36.9%.
	2004 Modern Contraceptive Prevalence Rate: 35.9%.
	2003 Modern Contraceptive Prevalence Rate: 34.9%.

I/P: MATERNAL AND REPRODUCTIVE HEALTH (continued)		
 INDICATOR: Percent of Births Spaced Three or More Years Apart		
Output		
JUSTIFICATION: The proportion of all birth intervals (open and closed) that are 36 months or longer. Longer birth intervals are associated with better health outcomes for both mothers and infants.		
FY 2006 PERFORMANCE	Target	Percent of Births Spaced Three or More Years Apart: 47.2%.
	Results	Percent of Births Spaced Three or More Years Apart: 47.6%.
	Rating	■ On Target
	Impact	Longer birth intervals are associated with better health outcomes for both mothers and infants.
PERFORMANCE DATA	Data Source	Demographic and Health Surveys (DHS) data and Reproductive Health Surveys (RHS) data as compiled by USAID's Global Health Bureau. Data based on 27 USAID assisted countries with DHS or RHS data.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	Percent of Births Spaced Three or More Years Apart: 46.8%.
	2004	Percent of Births Spaced Three or More Years Apart: 45.8%.
	2003	Percent of Births Spaced Three or More Years Apart: 45.1%.

 INDICATOR: Percent of First Births to Mothers Under Age 18		
Output		
JUSTIFICATION: The proportion of women who had a first birth below age 18 among women aged 15-24 at the time of the survey. Young maternal age is associated with worse health outcomes for mothers and infants.		
FY 2006 PERFORMANCE	Target	Percent of First Births to Mothers Under Age 18: 24.1%.
	Results	Percent of First Births to Mothers Under Age 18: 24.3%.
	Rating	■ On Target
	Impact	Young maternal age is associated with poorer health outcomes for mothers and infants.
PERFORMANCE DATA	Data Source	Demographic and Health Survey (DHS) and Reproductive Health Survey (RHS) data compiled by USAID's Global Health Bureau. Data based on 26 USAID assisted countries with DHS or RHS data.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	Percent of First Births to Mothers Under Age 18: 24.5%.
	2004	Percent of First Births to Mothers Under Age 18: 24.6%.
	2003	Percent of First Births to Mothers Under Age 18: 24.8%.

I/P: CHILD HEALTH	
INDICATOR: Under Age Five Mortality Rate	
Outcome	
<p>JUSTIFICATION: This is the basic indicator of child survival trends, and is the subject of the International (Millennium) Development Goals being tracked by most developing countries and international organizations.</p>	
FY 2006 PERFORMANCE	<p>Target Under Age Five Mortality Rate: 88/1,000.</p>
	<p>Results Under Age Five Mortality Rate: 87/1,000.</p>
	<p>Rating ■ On Target</p>
	<p>Impact Survival of children under age five is one of the most important indicators of a population's overall well being. Continued progress in child survival, although slow, indicates the success of investment by USAID, host countries, and other partners in direct interventions in child health, such as immunization and improved nutrition, combined with the effects of poverty alleviation, education (especially for women and girls), increased food security, and other development interventions.</p>
PERFORMANCE DATA	<p>Data Source UNICEF progress reports on child health.</p>
	<p>Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).</p>
PAST PERFORMANCE	<p>2005 Under Age Five Mortality Rate: 89/1,000.</p>
	<p>2004 Under Age Five Mortality Rate: 91/1,000.</p>
	<p>2003 Under Age Five Mortality Rate: 94/1,000.</p>

Pakistani Kashmiri earthquake survivor children attend class after resumption of school in Muzaffarabad, Pakistan, November 2005. AP Wide World



I/P: CHILD HEALTH (continued)	
INDICATOR: Neonatal Mortality Rate	
Outcome	
<p>JUSTIFICATION: Neonatal mortality is now the largest component of infant mortality in many countries, but requires program approaches beyond those that reduce mortality in older infants and children under the age five. Therefore, it needs to be measured separately and specifically.</p>	
FY 2006 PERFORMANCE	<p>Target Neonatal Mortality Rate: 32/1,000.</p>
	<p>Results Neonatal Mortality Rate: 34/1,000.</p>
	<p>Rating ■ Below Target</p>
	<p>Impact Neonatal mortality contributes to more than one-third of child deaths. Yet little has been done to improve newborn care and neonatal mortality trends have stagnated. With the USAID-supported publications of the Lancet neonatal series and the World Health Report in 2005, there is now a global momentum to strengthen newborn care interventions which, when scaled up, can reduce neonatal mortality even where health systems are weak. This new global awareness has recently stimulated many government and USAID Missions to develop new neonatal programs. However, the impact of these new programs on newborn mortality is not yet able to be seen in global averages.</p>
	<p>Reason for Shortfall Global neonatal mortality trends have stagnated because, until very recently, health programs did not focus specifically on providing care during the newborn period. Seventy-five percent of newborns die within the first week of life but, given scarce evidence on simple interventions that could reduce neonatal mortality, there persists a perception that newborn interventions are high-tech and costly.</p>
	<p>Steps to Improve Neonatal interventions are now integrated in maternal and child health programs in almost all USAID programs in the Asia Near East region; in Africa, about seven countries plan to introduce newborn interventions this year; and in the Latin America and Caribbean region, USAID has developed a regional newborn strategy to strengthen ongoing efforts. The impact of newborn programs in reducing mortality can be seen in selected countries; but it is too early to see an impact in global averages.</p>
PERFORMANCE DATA	<p>Data Source Demographic and Health Surveys data as compiled by USAID's Global Health Bureau.</p>
	<p>Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).</p>
PAST PERFORMANCE	<p>2005 Neonatal Mortality Rate: 34/1,000.</p>
	<p>2004 Neonatal Mortality Rate: 35/1,000.</p>
	<p>2003 Neonatal Mortality Rate: 36/1,000.</p>



USAID is assisting in the production of long-lasting insecticide-treated bed nets to provide better protection against malaria. This manufacturer in Nairobi, Kenya now has access to technology to make Long-Lasting Insecticide Nets. NetMark

I/P: CHILD HEALTH (continued)	
INDICATOR: Underweight for Children Under Age Five	
Outcome	
<p>JUSTIFICATION: This is a basic indicator of child nutritional status, which is the best reflection of the impact of health and other program investments in improving health and development among living children. As such, it fundamentally complements measurements of reduction of child deaths.</p>	
FY 2006 PERFORMANCE	<p>Target Underweight for Children Under Age Five: 33.0%.</p>
	<p>Results Underweight for Children Under Age Five: 33.6%.</p>
	<p>Rating ■ On Target</p>
	<p>Impact The proportion of young children beneath the normal range of weight for their age is a basic indicator of child nutritional status. USAID combines promotion of breastfeeding—a vital source of nutrition and protection against diseases—with improved young child feeding and prevention of the malnourishing effects of child illness.</p>
PERFORMANCE DATA	<p>Data Source UNICEF progress reports on child health.</p>
	<p>Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).</p>
PAST PERFORMANCE	<p>2005 Underweight for Children Under Age Five: 34.3%.</p>
	<p>2004 Underweight for Children Under Age Five: 35.0%.</p>
	<p>2003 Underweight for Children Under Age Five: 35.7%.</p>

INDICATOR: Percentage of Children with DPT3 Coverage	
Output	
<p>JUSTIFICATION: This is the internationally accepted indicator for coverage of child immunization – one of the most fundamental child health interventions – through regular immunization programs (as opposed to special campaigns, which can affect coverage of other vaccines like polio without improving the overall immunization status of children).</p>	
FY 2006 PERFORMANCE	<p>Target Percentage of Children with DPT3 Coverage: 61.4%.</p>
	<p>Results Percentage of Children with DPT3 Coverage: 61.1%.</p>
	<p>Rating ■ On Target</p>
	<p>Impact Immunization is one of the most fundamental and cost-effective child health interventions. In developing countries, immunization saves millions of children from the health-impairing and often life-threatening effects of diseases like measles, whooping cough, tetanus, and polio.</p>
PERFORMANCE DATA	<p>Data Source UNICEF & WHO reports.</p>
	<p>Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).</p>
PAST PERFORMANCE	<p>2005 Percentage of Children with DPT3 Coverage: 60.4%.</p>
	<p>2004 Percentage of Children with DPT3 Coverage: 59.7%.</p>
	<p>2003 Percentage of Children with DPT3 Coverage: 58.9%.</p>


I/P: CHILD HEALTH (continued)													
INDICATOR: Percent of Children Aged 0-4 with Diarrhea Who Received Oral Rehydration Therapy													
Output													
<p>JUSTIFICATION: Oral Rehydration Therapy is one of the basic treatment interventions related to child survival in developing countries and was developed largely through U.S.-supported research.</p>													
FY 2006 PERFORMANCE	<table border="1"> <tr> <td>Target</td> <td>59%.</td> </tr> <tr> <td>Results</td> <td>57.1%.</td> </tr> <tr> <td>Rating</td> <td>■ Below Target</td> </tr> <tr> <td>Impact</td> <td>Since the development of Oral Rehydration Therapy through USAID-supported research in the 1970s, this simple treatment has saved millions of child deaths from the dehydrating effects of the diarrheal illnesses that are common in poor countries.</td> </tr> <tr> <td>Reason for Shortfall</td> <td>The target was simply too ambitious: from 2005 to 2006, the rate of increase of Oral Rehydration Therapy use continued at a steady, but slow, rate of about 0.5% per year. This rate is slower than in the late 1990s and early 2000s, in part because of competition for limited health program resources and resulting slower trends or even declines in some large countries. While USAID expected that remedial actions would begin to take effect in 2006, this has not yet happened.</td> </tr> <tr> <td>Steps to Improve</td> <td>Remedial actions underway include revitalized promotion of Oral Rehydration Therapy through the introduction of new technologies, including an improved formulation of oral rehydration salts as well as zinc treatment to shorten illness. USAID is also beginning to work with several of the countries that experienced declining rates to identify strategies to improve those rates. With CDC, USAID is carrying out research to identify determinants of non-use of Oral Rehydration Therapy among mothers in urban and rural Kenya. These efforts, combined with influencing UNICEF, WHO, and other investors to refocus attention on the issue, should begin to accelerate progress. However, a more realistic target in the near term is a 1% per year increase.</td> </tr> </table>	Target	59%.	Results	57.1%.	Rating	■ Below Target	Impact	Since the development of Oral Rehydration Therapy through USAID-supported research in the 1970s, this simple treatment has saved millions of child deaths from the dehydrating effects of the diarrheal illnesses that are common in poor countries.	Reason for Shortfall	The target was simply too ambitious: from 2005 to 2006, the rate of increase of Oral Rehydration Therapy use continued at a steady, but slow, rate of about 0.5% per year. This rate is slower than in the late 1990s and early 2000s, in part because of competition for limited health program resources and resulting slower trends or even declines in some large countries. While USAID expected that remedial actions would begin to take effect in 2006, this has not yet happened.	Steps to Improve	Remedial actions underway include revitalized promotion of Oral Rehydration Therapy through the introduction of new technologies, including an improved formulation of oral rehydration salts as well as zinc treatment to shorten illness. USAID is also beginning to work with several of the countries that experienced declining rates to identify strategies to improve those rates. With CDC, USAID is carrying out research to identify determinants of non-use of Oral Rehydration Therapy among mothers in urban and rural Kenya. These efforts, combined with influencing UNICEF, WHO, and other investors to refocus attention on the issue, should begin to accelerate progress. However, a more realistic target in the near term is a 1% per year increase.
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A child receives polio vaccination in Kabul, Afghanistan, March 2006.

AP/Wide World

ANNUAL PERFORMANCE GOAL 2
 PARTNERSHIPS, INITIATIVES, AND IMPLEMENTED INTERNATIONAL TREATIES AND AGREEMENTS THAT PROTECT THE ENVIRONMENT AND PROMOTE EFFICIENT ENERGY USE AND RESOURCE MANAGEMENT.

I/P: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT	
	INDICATOR: Number of People in Target Areas With Access to Adequate Safe Water Supply and/or Sanitation That Meets Sustainability Standards
	Output
JUSTIFICATION: Safe, sustainable supplies of water and sanitation have many environmental and health benefits, such as preserving natural resources and reducing infectious disease rates.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> • 11,738,654 people in target areas with improved access to adequate safe water supply. • 14,193,418 people in target areas with access to sanitation that meets sustainability standards.
	Results <ul style="list-style-type: none"> • 18,441,762 people in target areas with improved access to adequate safe water supply, 57% above the FY 2006 target. • 13,531,629 people in target areas with access to sanitation that meets sustainability standards, 5% below the FY 2006 target.
	Rating ■ On Target
	Impact Results will accelerate and expand international efforts to achieve the UN Millennium Development Goals and implement the Johannesburg Plan of Implementation, including halving by 2015 the proportion of people who are unable to reach or afford safe drinking water.
PERFORMANCE DATA	Data Source Preliminary result data from USAID operating units. Results for FY 2006 do not include information from the Online Presidential Initiative Network, which has been phased out.
	Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> • 24,167,302 people in target areas with improved access to adequate safe water supply, a 124% increase over FY 2004. • 26,720,257 people in target areas with access to sanitation that meets sustainability standards, a 141% increase over the FY 2004 baseline.
	2004 <ul style="list-style-type: none"> • 10,810,722 people in target areas with improved access to adequate safe water supply, a 254% increase from FY 2003. • Baseline: 11,104,271 people in target areas with access to sanitation that meets sustainability standards. This measure serves as a baseline.
	2003 <ul style="list-style-type: none"> • 3,050,635 people in target areas with improved access to adequate safe water supply and/or sanitation that meets sustainability standards.

I/P: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT (continued)		
 INDICATOR: Number of People with Adequate Access to Modern Energy Services		
Output		
JUSTIFICATION: Access to energy supplies and services promotes natural resource conservation, improves standards of living, and enhances economic opportunity, fostering increased sustainable development overall.		
FY 2006 PERFORMANCE	Target	50,000,000 people with access to modern energy services.
	Results	54,834,504 people with access to modern energy services, a 10% increase over the FY 2006 target.
	Rating	■ Above Target
	Impact	Expanded access to modern energy services has contributed to improved health care, promoted micro-enterprise development, and improved agricultural productivity in twenty-four USAID-assisted countries.
PERFORMANCE DATA	Data Source	Preliminary data from USAID operating units.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	48,772,600 people with access to modern energy services, a 848% increase from FY 2004.
	2004	5,140,411 people with access to modern energy services, a 7.9% increase from the FY 2003 baseline.
	2003	Baseline: 4,765,923 people with access to modern energy services.

Tsunami Warning System

United States leadership in natural hazard detection is fostering regional collaboration in tsunami mitigation, building relationships among countries through science partnerships and contributing to the productivity and sustainable development of coastal nations. Since the devastating Indian Ocean tsunami in 2004, the Department of State has coordinated U.S. engagement to build capacity for natural hazard warning systems, building political momentum on a regional basis while addressing the unique needs of individual countries. As a result, countries in the Indian Ocean and the Caribbean are collaborating to create an enabling environment for long-term investment in regional warning infrastructure and community preparedness. While protecting people from disaster, these activities nurture goodwill toward the U.S. in the predominantly Muslim Indian Ocean region, and enhance government resilience and control in the wake of natural disasters.



An Indonesian man salvages wood among wreckage of homes destroyed by the Indian Ocean tsunami, July 2006. AP/Wide World Photo

I/P: COASTAL AND MARINE RESOURCES



INDICATOR: Implementation of Measures to Conserve and Protect Vulnerable Marine Species


Output

JUSTIFICATION: U.S. interest in promoting sound management of living marine resources requires the development and verifiable enforcement of agreed international standards. Oceans and fisheries are critical for global food security and for sustaining economic prosperity, particularly in developing countries. Effective conservation of living marine resources must be broader than single-stock management and reflect the complexity of the ecosystem as a whole.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Western and Central Pacific Fisheries Commission adopts initial set of conservation and management measures. With science-based input from the United Nations Food and Agriculture Organization, the Convention on International Trade in Endangered Species continues to list marine fish species that meet its criteria. International Whaling Commission scientific committee reviews status of bowhead and gray whale stocks to set new catch limit recommendations.
	Results	<ul style="list-style-type: none"> First conservation and management measures for Pacific tuna fisheries adopted in December 2005. Proposals prepared to list additional marine species for the next Conference of the Parties in June 2007. Strengthening current co-operation with other relevant organizations to ensure conservation and management of marine living resources in the Convention area in a manner consistent with international law. The Scientific Committee work on status review for bowhead and gray whales will deliver catch limit recommendations in 2007.
	Rating	<div style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></div> On Target
	Impact	<ul style="list-style-type: none"> Measures adopted form a basis for management of valuable Pacific yellowfin and bigeye tuna fisheries and slow the decline of these stocks. Controls allow better tracking of non-commercially traded marine species, particularly vulnerable sharks. Global implementation of simple changes to fishing gear or fishing patterns, largely developed in the United States, result in significant reductions in the number of endangered sea turtles killed in longline fisheries. Estimated illegal taking of toothfish decreased and seabird bycatch within the convention area also continued to decrease. The scientific integrity and diligence in bowhead and gray whale stock assessments should eliminate any credible scientific arguments against approving the 2008-2012 aboriginal subsistence quotas in 2007.


PERFORMANCE DATA	Data Source	Department of State.
	Data Quality (Verification)	Reliable data come from meeting reports of the listed organizations, as verified by U.S. delegates, and from Department reports on related activities.


PAST PERFORMANCE	2005	<ul style="list-style-type: none"> New listings or additional protections for several marine species, including great white sharks. U.S. proposals led regional fisheries bodies to support broader implementation of measures to reduce turtle bycatch in longline fisheries. Resolution passed criticizing the Japanese research whaling program and requesting it be stopped immediately or replaced by non-lethal data collection.
	2004	<ul style="list-style-type: none"> Additional States signed and effectively implemented the Indian Ocean Sea Turtle memorandum of understanding. U.S. continued to press for new and refined measures to reduce bycatch, including within regional fisheries bodies. U.S. and Taiwan encouraged responsible fishing practices and control capacity, as defined by the Code of Conduct for Responsible Fisheries.
	2003	<ul style="list-style-type: none"> Several vulnerable marine species listed. Proposals rejected to downlist whale species and to allow trade in whale products. U.S. provided assistance to help developing States implement the Indian Ocean Sea Turtle memorandum of understanding and its associated Conservation and Management Plan. Renewed U.S. aboriginal bowhead and gray whale quota. Iceland began "scientific" whaling program.

I/P: COASTAL AND MARINE RESOURCES (continued)		
	INDICATOR: Implementation of Marine Protected Areas	
	Outcome	
JUSTIFICATION: The Johannesburg Plan of Implementation advocates the use of marine protected areas as a tool for conserving marine biodiversity.		
FY 2006 PERFORMANCE	Target	U.S. contributes, through international fora, to strengthen networks of marine protected areas by 2012, consistent with international law and based on scientific information.
	Results	In the UN General Assembly, the U.S. worked multilaterally and succeeded in including references to networks of marine protected areas. In the South Pacific Regional Environment Program the U.S. supported a plan, which was approved, to initiate the development of a regional framework to support the establishment of marine protected areas in the region.
	Rating	■ On Target
	Impact	International fora have adopted plans that contribute to networks of marine protected areas.
PERFORMANCE DATA	Data Source	Bureau of Oceans and International Environmental and Scientific Affairs.
	Data Quality (Verification)	Reliable data come from meeting reports as verified by U.S. delegates.
PAST PERFORMANCE	2005	At the UN General Assembly, the U.S. worked to incorporate appropriate references to networks of marine protected areas in the annual Oceans resolution. The U.S. contributed to management plans that were developed for marine protected areas of several Pacific small island developing states.
	2004	Recommendations adopted to conserve biological diversity in protected areas and other innovative approaches for conservation and sustainable use of marine and coastal biodiversity.
	2003	Special Protected Areas and Wildlife in the Wider Caribbean Protocol ratified.




U.S. Assistant Secretary of State for South and Central Asia, Richard Boucher, visits a U.S. funded shelter for street children in New Delhi, India in August 2006. AP/Wide World

I/P: COASTAL AND MARINE RESOURCES <i>(continued)</i>		
 INDICATOR: Extent to Which Depleted Stocks of Living Marine Resources Rebuild to Healthy Levels Through Coordinated, Science-Based Management		
Outcome		
<p>JUSTIFICATION: This indicator addresses the core function of the International Fisheries Commissions: to facilitate international cooperation to maintain or rebuild populations of shared fish stocks and other living marine resources. The Johannesburg Declaration includes a goal of progress towards recovery of depleted stocks of living marine resources by 2015.</p>		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Northwest Atlantic yellowtail flounder stocks fully rebuilt. International Pacific Halibut Commission implements revised management measures for Pacific halibut based on results of multi-year assessment program.
	Results	The 2006 assessment by the Scientific Council of the Northwest Atlantic Fisheries Organization confirms that the once-depleted Grand Banks yellowtail flounder stock is fully rebuilt. The multi-year Pacific halibut assessment, and subsequent management changes, were delayed.
	Rating	 Below Target
	Impact	<p>The recovery of this stock, which was once so depleted it was subject to a ban on all directed fishing, reinforces the importance of science-based, precautionary management to rebuild valuable fish stocks. Sustainable harvests of yellowtail flounder continue to increase and now constitute one of the few healthy fisheries in the Northwest Atlantic.</p> <p>Delays in completing the multi-annual assessment make scientific assessments of the condition of the Pacific Halibut stock more uncertain and delay anticipated changes in the fishing allocations between the United States and Canada.</p>
	Reason for Shortfall	Three years of funding shortfalls to the Pacific Halibut Commission forced a delay in the completion of the full assessment and rendered earlier survey work unusable.
	Steps to Improve	Secure sufficient funding to the International Pacific Halibut Commission to permit the necessary surveys and data-gathering to complete the assessment.
PERFORMANCE DATA	Data Source	Bureau of Oceans, International Environmental and Scientific Affairs will track, based on information from Commissions and the Food and Agriculture Organization.
	Data Quality (Verification)	Data on current stock conditions represents the best available science. Information on scientific assessments is gathered from the annual reports of the respective fisheries commissions as verified by U.S. delegates.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> The International Commission for the Conservation of Atlantic Tunas deferred agreement on long-term recovery measures for Atlantic marlin until a new scientific stock assessment is conducted in 2006. New sharing arrangements for Pacific chum salmon negotiated through the Pacific Salmon Commission. Management measures implemented to halt decline of vulnerable North Atlantic skate stocks.
	2004	<ul style="list-style-type: none"> Multi-year management strategy implemented for Eastern Tropical Pacific tuna stocks. Bowhead whale stocks increase 3.4 percent towards non-endangered levels. North Atlantic swordfish stocks fully rebuilt.
	2003	Baseline: Rebuilding plans in place setting long-term recovery measures for North Atlantic swordfish and Western Atlantic bluefin tuna.

I/P: CONSERVATION OF BIOLOGICAL DIVERSITY, PROTECTED AREAS, FORESTS, AND OTHER NATURAL RESOURCES	
 INDICATOR: Number of Hectares under Increased Conservation and Improved Management	
Output	
JUSTIFICATION: Biodiversity conservation and sound natural resource management promote improved quality of life and well-being.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> ● 57,075,632 hectares under improved management (biodiverse landscapes, forests, watersheds, agricultural, and natural landscapes). ● 22,677,926 hectares under increased conservation and sustainable management of forest ecosystems.
	Results <ul style="list-style-type: none"> ● 69,467,880 hectares under improved management (biodiverse landscapes, forests, watersheds, agricultural, and natural landscapes), or 22% above the FY 2006 target. ● 19,690,815 hectares under increased conservation and sustainable management of forest ecosystems, or 13% below the FY 2006 target.
	Rating ■ On Target
	Impact Protecting valuable genetic resources and ecosystems, and expanding enterprise and employment opportunities from the sustainable production of natural products and environmental services, contribute to equitable natural resources governance, and mitigate conflict over resources.
PERFORMANCE DATA	Data Source Preliminary result data from USAID operating units.
	Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> ● 59,568,508 hectares under improved management (biodiverse landscapes, forests, watersheds, agricultural and natural landscapes), a 114% increase from the FY 2004 baseline. ● 199,433,269 hectares under increased conservation and sustainable management of forest ecosystems, a 944% increase from the FY 2004 baseline.
	2004 <p>Baseline:</p> <ul style="list-style-type: none"> ● 51,834,573 hectares under improved management (biodiverse landscapes, forests, watersheds, agricultural, and natural landscapes). ● 19,101,701 hectares under increased conservation and sustainable management of forest ecosystems.
	2003 N/A.



Coral in the Aleutians Gardens in Alaska's Aleutian Islands.
AP/Wide World


I/P: GLOBAL CLIMATE CHANGE									
	INDICATOR: Multilateral Climate Change Science and Clean Energy Technology Partnerships and Initiatives								
Outcome									
JUSTIFICATION: Project execution and cooperation will help reduce the costs of low-carbon technologies, improve understanding of global climate change, and encourage adaptation, thus moving the international community toward greenhouse gas concentration stabilization at a level that would prevent dangerous interference with the climate system.									
FY 2006 PERFORMANCE	<table border="1"> <tr> <td style="background-color: #d9e1f2;">Target</td> <td> <ul style="list-style-type: none"> Implement the Ten-Year Plan for the Global Earth Observation System of Systems, designed to enhance and sustain environmental observation capabilities. Advance multilateral climate change science and technology partnership project-based activities through the Methane-to-Markets Partnership, the International Partnership for the Hydrogen Economy, the Earth Observation initiative, the Carbon Sequestration Leadership Forum, and development assistance programs, in cooperation with developed and developing countries. </td> </tr> <tr> <td style="background-color: #d9e1f2;">Results</td> <td>Ten-Year Plan established and under implementation. Global environmental observation capabilities strengthened. A number of innovative projects were launched in FY 2006, including those under the Methane-to-Markets Partnership and the International Partnership for the Hydrogen Economy.</td> </tr> <tr> <td style="background-color: #d9e1f2;">Rating</td> <td style="text-align: center;"> ■ On Target </td> </tr> <tr> <td style="background-color: #d9e1f2;">Impact</td> <td>Mitigation of greenhouse gas emissions, strengthened relations with key developing country partners, and advancement of climate change science and technology.</td> </tr> </table>	Target	<ul style="list-style-type: none"> Implement the Ten-Year Plan for the Global Earth Observation System of Systems, designed to enhance and sustain environmental observation capabilities. Advance multilateral climate change science and technology partnership project-based activities through the Methane-to-Markets Partnership, the International Partnership for the Hydrogen Economy, the Earth Observation initiative, the Carbon Sequestration Leadership Forum, and development assistance programs, in cooperation with developed and developing countries. 	Results	Ten-Year Plan established and under implementation. Global environmental observation capabilities strengthened. A number of innovative projects were launched in FY 2006, including those under the Methane-to-Markets Partnership and the International Partnership for the Hydrogen Economy.	Rating	■ On Target	Impact	Mitigation of greenhouse gas emissions, strengthened relations with key developing country partners, and advancement of climate change science and technology.
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Data Source	Decisions and reports of the UN Framework Convention on Climate Change. Internal and external reviews of activities under bilateral, regional, and multilateral programs and partnerships.								
Data Quality (Verification)	Data are gathered by scientific experts, verified by USAID and Department of State program managers, and are published in widely-disseminated reports.								
PAST PERFORMANCE	<table border="1"> <tr> <td style="background-color: #d9e1f2;">2005</td> <td>Launched the Ten-Year Plan and identified environmental observation capabilities to be strengthened. U.S. played a leadership role in the Methane-to-Markets Partnership, the International Partnership for the Hydrogen Economy, and the Carbon Sequestration Leadership Forum.</td> </tr> <tr> <td style="background-color: #d9e1f2;">2004</td> <td> <ul style="list-style-type: none"> Advanced the Global Climate Observing System through voluntary funding, capacity building, and technical support. Developed project-based activities under the Carbon Sequestration Leadership Forum and the International Partnership for the Hydrogen Economy. </td> </tr> <tr> <td style="background-color: #d9e1f2;">2003</td> <td> <ul style="list-style-type: none"> Launched new ministerial-level international initiatives on Earth observation, carbon capture and storage, and the hydrogen economy. U.S. hosts first Earth Observation Summit to encourage development and financial support for an integrated, sustained Earth observation system. USAID implemented climate-related activities with a total budget of \$207 million, in 55 bilateral country missions, regional programs, and central offices. 4 million metric tons of CO₂ equivalent emissions were avoided and 27 million hectares/year were involved in activities that promote carbon storage and/or protect carbon sinks. </td> </tr> </table>	2005	Launched the Ten-Year Plan and identified environmental observation capabilities to be strengthened. U.S. played a leadership role in the Methane-to-Markets Partnership, the International Partnership for the Hydrogen Economy, and the Carbon Sequestration Leadership Forum.	2004	<ul style="list-style-type: none"> Advanced the Global Climate Observing System through voluntary funding, capacity building, and technical support. Developed project-based activities under the Carbon Sequestration Leadership Forum and the International Partnership for the Hydrogen Economy. 	2003	<ul style="list-style-type: none"> Launched new ministerial-level international initiatives on Earth observation, carbon capture and storage, and the hydrogen economy. U.S. hosts first Earth Observation Summit to encourage development and financial support for an integrated, sustained Earth observation system. USAID implemented climate-related activities with a total budget of \$207 million, in 55 bilateral country missions, regional programs, and central offices. 4 million metric tons of CO₂ equivalent emissions were avoided and 27 million hectares/year were involved in activities that promote carbon storage and/or protect carbon sinks. 		
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Chadian girls wave as they leave their classroom after lessons, February 2006. AP/Wide World

ANNUAL PERFORMANCE GOAL 3


BROADER ACCESS TO QUALITY EDUCATION WITH EMPHASIS ON PRIMARY SCHOOL COMPLETION.

I/P: IMPROVED ACCESS TO QUALITY EDUCATION	
 INDICATOR: Number of Learners Completing Basic Education in Programs Sponsored by USAID	
Output	
JUSTIFICATION: This global, aggregated, output indicator measures changes in education programs.	
FY 2006 PERFORMANCE	Target <ul style="list-style-type: none"> ● 25,636,732 students enrolled in primary school. ● 2,429,813 students completing primary school. ● 82,000 adult learners completing basic education.
	Results <ul style="list-style-type: none"> ● 27,637,263 students enrolled in primary school. ● FY 2006 preliminary result data for the number of students completing primary school are not yet available. ● FY 2006 preliminary result data for the number of adult learners completing basic education are not yet available.
	Rating ■ On Target
	Impact Quality improvements include better curriculum that promotes critical thinking and problem solving, instruction and teacher training; more favorable student-teacher ratios; more equitable gender balance and heightened gender sensitivity; greater relevance of curriculum to societal needs; and/or other systemic improvements.
PERFORMANCE DATA	Data Source Preliminary result data from USAID operating units.
	Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> ● 23,233,676 students enrolled in primary school, a 9% increase from FY 2004. ● 1,572,853 students completed primary school, a 10% decrease from FY 2004. ● 143,502 adult learners completed basic education, a 70% increase from FY 2004.
	2004 <ul style="list-style-type: none"> ● 21,279,734 students enrolled in primary school, a 4.6% decrease from the FY 2003 baseline. ● 1,751,298 students completed primary school, a 2.7% decrease from the FY 2003 baseline. ● 84,494 adult learners completed basic education, a 17% decrease from the FY 2004 baseline.
	2003 <p>Baselines:</p> <ul style="list-style-type: none"> ● 22,317,204 children enrolled in primary education programs. ● 1,799,066 children completed primary school. ● 101,756 adult learners completed basic education.

I/P: IMPROVED ACCESS TO QUALITY EDUCATION (continued)		
 INDICATOR: Capabilities in Higher Education and Workforce Development Programs Sponsored by USAID		
Output		
JUSTIFICATION: This indicator addresses USAID's efforts in higher education and workforce development.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> 640 host country institutions increase management and technical capacity through partnership programs. 320 higher education institutional programs, policies and curricula adapted to the needs of sustainable development. 120,507 persons trained through workforce development programs.
	Results	<ul style="list-style-type: none"> FY 2006 preliminary result data for the number of host country institutions increasing management and technical capacity through partnership programs are not yet available. FY 2006 preliminary result data for the number of higher education institutional programs, policies and curricula adapted to the needs of sustainable development are not yet available. 77,830 persons trained through workforce development programs.
	Rating	■ Significantly Below Target
	Impact	USAID's higher education partnerships have promoted sustainable development in the following sectors: agriculture, agribusiness, animal science, community development, democracy and governance, public policy, law, journalism, economic growth and trade, education, environment, natural resources management, distance education, Internet and communication technology, population, health, nutrition, and workforce and entrepreneurial development.
	Reason for Shortfall	The explanation for this program's shortfall is pending and will be obtained once the final FY 2006 results are reported.
	Steps to Improve	The necessary steps for this program's improvement are pending and will be obtained once the final FY 2006 results are reported.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> 666 host country institutions gain increased management capacity through partnership programs, a 21% increase from FY 2004. 264 higher education institutional programs, policies, and curricula adapted to the needs of sustainable development, a 20% increase from FY 2004. 98,671 persons trained through workforce development programs, a 26% increase from the FY 2004 baseline.
	2004	<ul style="list-style-type: none"> 550 host country institutions gain increased management capacity through partnership programs, a 4% increase from the FY 2003 baseline. 220 higher education institutional programs, policies and curricula adapted to the needs of sustainable development, a 6% increase from the FY 2003 baseline. Baseline: 78,289 persons trained through workforce development programs.
	2003	Baselines: <ul style="list-style-type: none"> 528 host country institutions gain increased management capacity through partnership programs. 207 higher education institutional programs, policies and curricula adapted to the needs of sustainable development.

ANNUAL PERFORMANCE GOAL 4

EFFECTIVE AND HUMANE INTERNATIONAL MIGRATION POLICIES AND SYSTEMS.

I/P: EFFECTIVE AND HUMANE MIGRATION POLICIES AND SYSTEMS	
	INDICATOR: Percentage of Initiatives Agreed Upon at Regional Migration Dialogues That Are Implemented Worldwide
	Output
JUSTIFICATION: Tracking the number of activities implemented under the auspices of migration dialogues is a good indicator because it is the most quantifiable measure of governments' political and financial commitment to the success of these dialogues.	
FY 2006 PERFORMANCE	Target 70% of activities agreed to in the dialogues are implemented worldwide.
	Results <ul style="list-style-type: none"> At least 85% activities agreed to by Regional Conference on Migration in North and Central America member states have been implemented or are in the process of implementation in FY 2006. 90% of the activities agreed upon by members of the Intergovernmental Consultations on Asylum, Refugee and Migration Policies have been implemented or are in the process of implementation.
	Rating ■ Above Target
	Impact An increased number of governments committed to pursuing regional migration dialogues helps pave the way for humane and effective migration regimes for the 150 million migrants in the world today.
PERFORMANCE DATA	Data Source The Department's Bureau of Population, Refugees, and Migration is the only U.S. Government entity to track the activities implemented under the migration dialogues. The U.S. participates in and supports various active regional dialogues on migration including the Regional Conference on Migration, the South American Conference on Migration, the Summit of the Americas, the Migration Dialogue for Southern Africa, the nascent West Africa Regional Consultative Process, and the Intergovernmental Consultations on Asylum, Refugee and Migration Policies.
	Data Quality (Verification) The Bureau of Population, Refugees, and Migration participates in migration dialogues, and tracks the implementation of follow-on activities.
PAST PERFORMANCE	2005 Approximately 88% of activities agreed to were implemented.
	2004 <ul style="list-style-type: none"> Over 90% of the activities agreed upon by members of the Intergovernmental Consultations on Asylum, Refugee and Migration Policies in Europe, North America and Australia were implemented. Over 75% of the activities agreed by Regional Conference on Migration in North and Central America member states were implemented. Shorter-term activities were conducted in a reasonable timeframe, while implementation of longer-term initiatives was underway. Approximately 75% of the activities agreed upon were implemented.
	2003 <ul style="list-style-type: none"> Shorter-term activities were completed, while implementation of longer-term initiatives was underway. 50% of the activities agreed to in the dialogues were implemented.

**STRATEGIC OBJECTIVE #2:
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS**

STRATEGIC GOAL 10: HUMANITARIAN RESPONSE

Minimize the Human Costs of Displacement, Conflicts, and Natural Disasters

I. Public Benefit

The United States' commitment to humanitarian response demonstrates America's compassion for victims of armed conflict, natural disasters, landmines, forced migration, human rights violations, widespread health and food insecurity, and other threats. The strength of this commitment derives from both our common humanity and our responsibility as a global leader. The U.S. Government's response to natural and human-made disasters complements efforts to promote democracy and human rights. In addition to saving lives and alleviating human suffering, humanitarian programs support the objectives of the U.S. National Security Strategy by addressing crises with potential regional or global implications, fostering peace and stability, and promoting sustainable development and infrastructure revitalization.

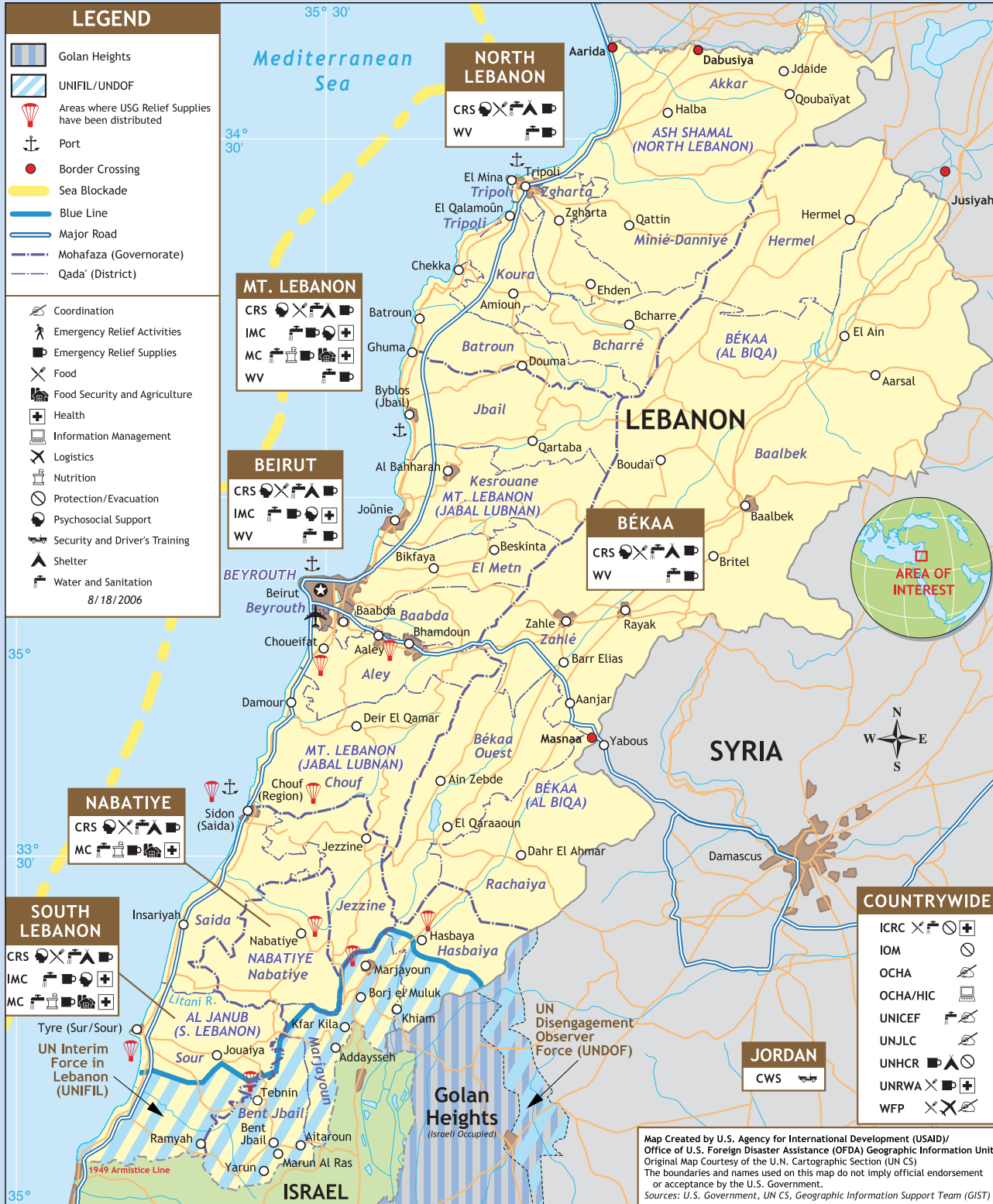
The U.S. is the leader in international efforts to prevent and respond to humanitarian crises. Through the Department and USAID, the USG provides substantial resources and guidance to international and nongovernmental organizations for worldwide humanitarian programs, with objectives to increase access to protection, promote burden-sharing, and coordinate funding and implementation strategies. The Department and USAID engage in multilateral responses to humanitarian crises and prioritize the regular monitoring



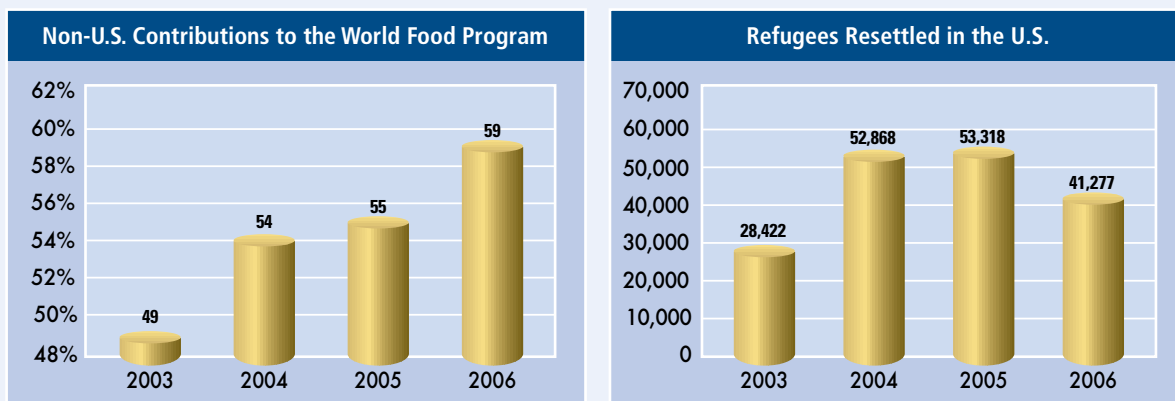
and evaluation of humanitarian programs to ensure that the needs of refugees, internally displaced persons (IDPs), and other victims of conflict and natural disasters are met. Financial support for demining activities makes areas safe for the return of refugees and IDPs. The Department's management and support of overseas refugee admissions programs provide an important durable solution for refugees and serves as the leading model for other resettlement countries. USG leadership and support during disasters and complex humanitarian emergencies also provide a positive standard for the international donor community and hope for a better future to people suffering as a result of natural or human-made disasters.

During an August 2006 visit to Thailand, refugee youth in Tham Him present Ellen Sauerbrey, Assistant Secretary for the Bureau of Population, Refugees and Migration, with their artwork. Approximately 10,000 Burmese refugees live in this camp. Department of State

USG HUMANITARIAN ASSISTANCE TO LEBANON



II. Selected Performance Trends



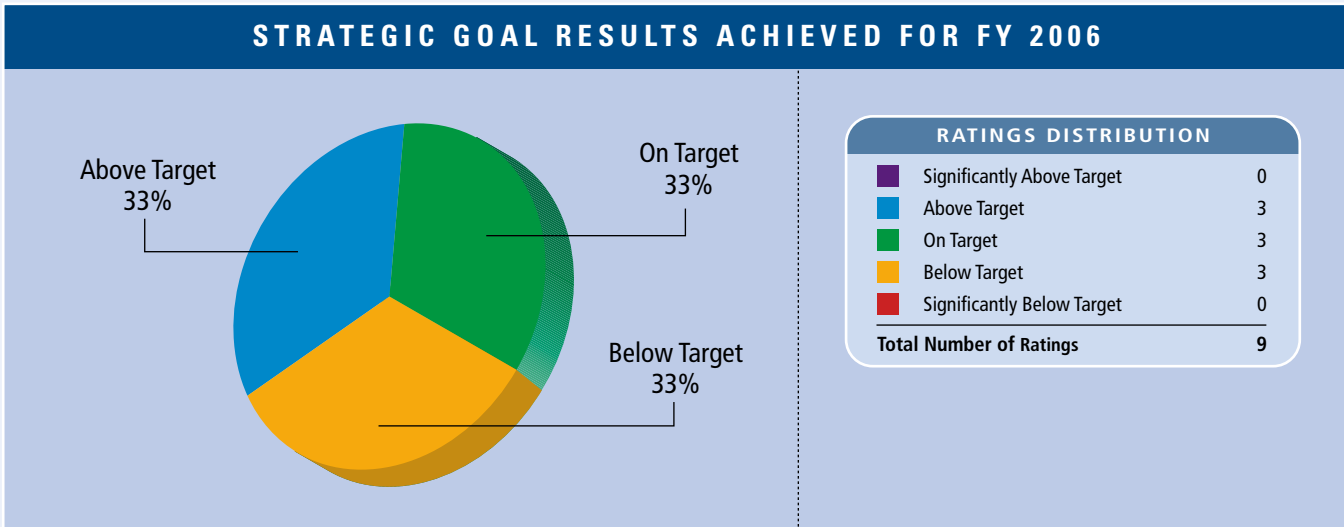
III. Strategic Context

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

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Major Resources	Lead Bureau(s)	External Partners
Humanitarian Response	Protection and Assistance for Refugees and Other Victims	Humanitarian Assistance	DA, ERMA, IDFA, MRA, TI, Title II	PRM, DCHA	UN agencies, HHS, other international and nongovernmental organizations
		Refugee Admissions to the U.S.	ERMA, MRA	PRM	DHS, HHS, UNHCR, IOM, NGOs
		Humanitarian Mine Action	NADR	PM, DCHA	DoD, NGOs, the UN and other international organizations and donor states
		World Food Program Donor Base	DA, D&CP, ERMA, IO&P, MRA, Title II	IO, PRM, DCHA	WFP, other WFP donors
	Disaster Prevention/Response via Capacity Building	Capacity Building	DA, IDFA, Title II	DCHA	Famine Early Warning System, NOAA, USFS, USGS, Fairfax County Fire & Rescue Department, international and nongovernmental organizations

IV. Performance Summary

The chart below summarizes the performance ratings for Department of State and USAID results for the Humanitarian Response strategic goal.



V. Performance Analysis

PERFORMANCE TRENDS. Three significant trends under the Humanitarian Response Strategic Goal are worthy of note. First, U.S. humanitarian assistance programs are achieving and sustaining progress on protecting the nutritional status and humanitarian needs of refugees, victims of conflict and Internally Displaced Persons, especially young children. Second, the international donor community is taking on a larger share of total contributions to the World Food Program as a result of USG efforts to promote burden sharing among our international partners. Third, U.S. mine action programs are providing the training and assistance countries need to become self-sufficient in carrying out demining activities that clear land of dangerous mines, alleviate suffering and restore confidence in public safety.

HIGH-LEVEL RESULTS. The Department and USAID made demonstrable progress toward high-level outcomes such as carrying out humanitarian demining operations, monitoring the nutritional status of vulnerable children, and increasing capacity of partner nations to detect and respond to natural or human-made disasters.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. There were no results rated significantly above or significantly below target under this Strategic Goal.

KEY INITIATIVES AND PROGRAMS. Significant FY 2006 investments to address the human costs of displacement, conflict, and natural disasters include \$791 million for migration and refugee protection and assistance programs, and \$356 million for international disaster relief, rehabilitation, and reconstruction assistance. The core focus of refugee program resources is to provide protection, assistance and durable solutions, including refugee resettlement, and to promote sound migration management. International disaster and famine assistance provides support and relief to victims of natural and man-made disasters, as well as funds famine and prevention relief activities.

VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.

ANNUAL PERFORMANCE GOAL 1

EFFECTIVE PROTECTION, ASSISTANCE, AND DURABLE SOLUTIONS FOR REFUGEES, INTERNALLY DISPLACED PERSONS, AND CONFLICT VICTIMS.

I/P: HUMANITARIAN ASSISTANCE	
INDICATOR: Crude Mortality Rates (CMR) – Threshold	
Outcome	
<p>JUSTIFICATION: The crude mortality rate is the mortality rate from all causes of death for a population. The CMR is an accepted indicator of the extent to which the international community is meeting minimum standards of care and the overall effectiveness and performance of the international relief system. This indicator is used to measure emergency assistance among controlled populations, such as refugee camps.</p>	
FY 2006 PERFORMANCE	<p>Target</p> <ul style="list-style-type: none"> In complex humanitarian crises, CMR does not exceed regional emergency thresholds in 95% of targeted sites. 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.
	<p>Results</p> <ul style="list-style-type: none"> Criteria developed by Sphere established regional CMR thresholds for emergency response based on long-term CMR data in these areas. CMR did not exceed regional emergency thresholds in targeted refugee sites where data were available. The online interface of the Complex Emergencies Database (CE-DAT) has been greatly improved and data on mortality, nutritional status, and vaccination coverage has been expanded, benefiting both the USG and the international humanitarian community.
	<p>Rating</p> <p style="color: #4F81BD; font-weight: bold;">■ Above Target</p>
	<p>Impact</p> <p>The Department’s contributions to international humanitarian efforts save refugee lives.</p>
PERFORMANCE DATA	<p>Data Source</p> <p>Centre for Research on the Epidemiology of Disasters; UN Nutrition Information in Crisis Situations; UN High Commissioner for Refugees (UNHCR), International Committee of the Red Cross (ICRC), Centers for Disease Control and Prevention; reports from international and nongovernmental organizations.</p>
	<p>Data Quality (Verification)</p> <p>The Department actively monitors Crude Mortality Rates reported by UNHCR, ICRC, and other international and non-governmental organizations. Refugee coordinators and program specialists monitor performance in the field and through regular consultations with partners in Washington and Geneva. CE-DAT provides accessible, high quality data on CMR in an increasing number of countries, as well as information regarding the methodology, accuracy and reliability of the data reported.</p>
PAST PERFORMANCE	<p>2005</p> <ul style="list-style-type: none"> Where data were available, CMR did 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 was a decline in CMR among Sudanese refugees from Darfur, although the mortality rate remained an issue of concern in selected sites in Chad.
	<p>2004</p> <p>In June 2004, CMR exceeded 2/10,000 people per day among Sudanese refugees in Chad. With the Department’s support, the Centre for Research on the Epidemiology of Disasters created the Complex Emergencies Database to track data on CMR and nutritional status.</p>
	<p>2003</p> <p>Where data were available, crude mortality rates did not exceed 1/10,000 people per day in refugee crises. Efforts to expand pilot data collection were delayed; the Department’s implementing partner did not reach the pilot stage of the project, but finalized guidelines and methodology for CMR surveys.</p>

I/P: HUMANITARIAN ASSISTANCE (continued)	
INDICATOR: Crude Mortality Rate (Death) - Trend	
Outcome	
<p>JUSTIFICATION: The Crude Mortality (Death) Rate (CMR) is the most vital public health indicator of the severity of a humanitarian crisis. The CMR is an accepted indicator of the extent to which the international community is meeting minimum standards of care and the overall effectiveness and performance of the international relief system. This indicator is used to measure emergency assistance among dispersed populations.</p>	
FY 2006 PERFORMANCE	<p>Target</p> <p>In complex humanitarian crises, USAID will ensure that 65% of sites are monitored and that the CMR declines or remains stable in two-thirds (2/3) of monitored sites for all USAID funded projects.</p>
	<p>Results</p> <p>In complex humanitarian crises, USAID monitored 18.4% of sites. CMR declined or remained stable in two-thirds (2/3) of monitored sites.</p>
	<p>Rating</p> <p> Below Target</p>
	<p>Impact</p> <p>The impact of USAID’s assistance is difficult to measure because not all implementing partners have a systematic methodology to collect and report on performance data.</p>
	<p>Reason for Shortfall</p> <ul style="list-style-type: none"> ● NGO implementing partners need training to collect CMR data.
	<p>Steps to Improve</p> <ul style="list-style-type: none"> ● Train NGOs implementing partners to collect CMR data. ● Systematize NGO reporting of survey data to USAID, the Complex Emergencies Database (CE-DAT) and the Center for Research on the Epidemiology of Disasters (CRED). ● In coordination with CRED, establish an independent expert group to verify data reliability and validity.
PERFORMANCE DATA	<p>Data Source</p> <ul style="list-style-type: none"> ● The primary data source is surveys undertaken by NGO implementing partners with health programs. ● NGO survey data are compiled by the Center for Research on the Epidemiology of Disasters and integrated to the global CE-DAT data set, along with survey data from UN agencies, international organizations and other partners. used for global trend analysis and monitoring.
	<p>Data Quality (Verification)</p> <p>CRED screens survey data for reliability and validity of data used for the CE-DAT database and for reporting.</p>
PAST PERFORMANCE	<p>2005</p> <p>CMR remained stable in two-thirds of monitored areas. 41 sites were surveyed in 15 countries. Data available from 21 emergency sites showed that CMR declined from FY 2004 to FY 2005 in 68% of sites and increased in 31% of sites. SMART Methodology Version 1 was developed and officially rolled out at the interagency meeting hosted by UNICEF. This provides guidance on how to collect CDR – a first step toward improving data reliability.</p>
	<p>2004</p> <p>CE-DAT officially launched as an online, publicly accessible data source for mortality, morbidity, and nutrition information.</p>
	<p>2003</p> <p>The Department of State funded CE-DAT to compile data on CMR, nutrition, and other indicators. Pre-conflict baseline data were collected and established for 89 mortality survey populations in 26 countries.</p>

Two Karen boys stand inside a temporary home at Tham Hin Refugee Camp in Ratchaburi Province, south of Bangkok, Thailand. Some 2,700 Myanmar refugees who fled persecution and now live in a border camp are to depart for the United States by the end of 2006. AP/Wide World



I/P: HUMANITARIAN ASSISTANCE (continued)

INDICATOR: Nutritional Status of Children Under 5 Years of Age – Threshold

Outcome

JUSTIFICATION: Nutritional status is a basic indicator for assessing the severity of crisis, together with Crude Mortality Rate. In emergencies, weight loss among children 6-59 months is used as a proxy indicator for the general health and well-being of the entire community. This indicator is used to measure emergency assistance among controlled populations, such as refugee camps.

FY 2006 PERFORMANCE	Target	In targeted sites, less than 10% of children under five suffer from global acute malnutrition.
	Results	<p>Global Acute Malnutrition (GAM) is the term used to include all malnourished children whether they have moderate wasting, severe wasting or edema, or some combination of these conditions. It is defined as weight-for-height ratios that are less than or equal to two standard deviations below the mean (Z score of less than -2) or less than 80% median weight-for-height, and the presence of nutritional edema.</p> <ul style="list-style-type: none"> • In 98% of refugee camps and settlements (221 of at least 225 worldwide), less than 10% of children under five suffered from global acute malnutrition. • GAM rates exceeded 10% in two camps in Bangladesh (Nayapara, Kutupalong), one in Uganda (Kyaka II), and one in Nigeria (Oru). In two camps in Chad (Oure Cassoni, Am Nabak), GAM rates temporarily rose above acceptable levels, but were quickly reduced with appropriate interventions. • Recognizing that refugee camps in Bangladesh do not meet international standards, PRM Assistant Secretary Sauerbrey traveled to Bangladesh in August 2006. Following her visit, the Government of Burma signed a long-delayed agreement with UNHCR on improvement of the camps. The Department also provided the World Food Program with an additional \$250,000 in FY 2006 to provide much needed food assistance to refugees in Bangladesh. • The Department is working with UNHCR and other international and nongovernmental organizations to ensure that less than 10% of children under age five suffer from global acute malnutrition in refugee camps in Nigeria and Uganda.
	Rating	■ On Target
	Impact	Elevated rates of GAM directly contribute to increased rates of morbidity and mortality in children under five years of age. Malnutrition may also threaten refugee protection in terms of camp security, vulnerability to exploitation, and in extreme cases, involuntary return.
PERFORMANCE DATA	Data Source	Complex Emergencies Database (CE-DAT) established by the Centre for Research on the Epidemiology of Disasters (CRED); UN Standing Committee on Nutrition/ Nutrition Information in Crisis Situations (NICS); Centers for Disease Control and Prevention; reports from international and nongovernmental organizations.
	Data Quality (Verification)	CE-DAT provides information regarding the methodology, accuracy and reliability of the data reported. The Bureau of Population, Refugees and Migration routinely monitors the nutrition surveillance and feeding programs of international and non-governmental organizations through refugee coordinators in the field and specialists based in Washington and Geneva.
PAST PERFORMANCE	2005	In 94% of refugee camps and settlements (211 of at least 225 worldwide), less than 10% of children under five suffered from global acute malnutrition. During FY 2005, GAM rates exceeded 10% in two sites in Bangladesh, six sites in Chad, three sites in Ethiopia, and three sites in Kenya.
	2004	In June 2004, 36-39% of children under age five suffered from global acute malnutrition among Sudanese refugees in Chad. The Department and USAID continued supporting new tools and measures to improve data collection and reporting on nutritional status.
	2003	Baseline: In humanitarian crises where Department funds were provided, at least 90% of children under five had weight-for-height ratios that were greater than or equal to two standard deviations below the mean, or greater than 80% median weight-for-height, and an absence of nutritional edema.



Ambassador Tony Hall, former U.S. representative to the World Food Program, in Kenya, February, 2006.

Department of State photograph

I/P: HUMANITARIAN ASSISTANCE (continued)		
INDICATOR: Nutritional Status of Children Under 5 Years of Age - Trend		
Outcome		
JUSTIFICATION: Nutritional status is a basic indicator for assessing the severity of crisis, together with Crude Mortality Rate. In emergencies, weight loss among children 6-59 months is used as a proxy indicator for the general health and well-being of the entire community. This indicator is used to measure emergency assistance among dispersed populations.		
FY 2006 PERFORMANCE	Target	In complex humanitarian crises, USAID will ensure 30% of sites are monitored, and nutritional status improves or remains stable in two-thirds of the monitored sites, for all of its funded projects.
	Results	In complex humanitarian crises, USAID ensured that 34.7% of sites were monitored and nutritional status remained stable in 82% of the monitored sites and improved in 18% of sites.
	Rating	■ Above Target
	Impact	Global Acute Malnutrition (GAM) rates are stable or improving in the majority of USAID funded sites being monitored.
PERFORMANCE DATA	Data Source	The primary data source is surveys undertaken by NGO implementing partners with health/nutrition programs. NGO survey data are compiled by the United Nations Standing Committee on Nutrition (UN SCN) and integrated to the global database, along with survey data from the UN, international organizations and other partners. Data are used for global trend analysis and monitoring.
	Data Quality (Verification)	The UN SCN screens survey data for reliability and validity. USAID recommends establishing an independent expert group to further this work in coordination with the UN SCN.
PAST PERFORMANCE	2005	Nutritional status improved or remained stable in two-thirds of monitored sites. 163 emergency sites were surveyed in 23 countries. Data available from 40 emergency sites showed that nutritional status improved in 13% of sites from FY 2004 to FY 2005 and remained stable in 85% of sites. Nutritional status deteriorated in 2% of sites.
	2004	198 emergency sites surveyed in 22 countries (16 in Africa, four in Asia, one in Middle East, and one in South America).
	2003	Nutrition data compiled for 67% of selected conflict sites with Crude Mortality Rate data, mostly in the Africa region and countries with protracted emergencies, and Iraq and Afghanistan.

Multilateral Response to the Lebanon Crisis

Nearly 975,000 Lebanese fled their homes at the peak of the July 2006 crisis and more than 394,000 registered Palestinian refugees living in Lebanon were affected, including 20,000 internally displaced people who sought protection and assistance during the conflict. Both in Washington and overseas, the State Department's Bureau of Population, Refugees, and Migration (PRM) facilitated close coordination between UN agencies, the International Committee of the Red Cross, and the International Organization for Migration with key USG partners such as USAID, DOD, and Non-Governmental Organizations responding to humanitarian needs. PRM staff participated



in the USG Disaster Assistance Response Team (DART) which determined priorities for humanitarian assistance, as well as the USG Response Management Team that provided support to the DART from Washington. PRM provided \$23 million for protection and assistance activities in Lebanon, Syria, and other countries of asylum in the region. USAID provided an additional \$50 million for humanitarian relief through various international and non-governmental partners.

State Department volunteers work the Lebanon Task Force, July 2006. State Department photo

I/P: HUMANITARIAN ASSISTANCE (continued)

INDICATOR: Number of Beneficiaries Assisted by USAID Title II Emergency Food Aid

Output

JUSTIFICATION: This indicator captures the total level of beneficiaries assisted by USAID Title II Emergency Food Aid.


FY 2006 PERFORMANCE	Target	66,927,121 beneficiaries expected to receive Title II Emergency Food Aid.
	Results	62,911,494 beneficiaries received Title II Emergency Food Aid.
	Rating	■ Below Target
	Impact	USAID assistance provides a wide range of life-saving and preparedness services to millions of beneficiaries each year.
	Reason for Shortfall	Title II emergency activities faced increased costs, as well as a difficult security and operational environment, in FY 2006.
	Steps to Improve	The necessary steps for this program's improvement are pending and will be obtained once final FY 2006 results are reported.
PERFORMANCE DATA	Data Source	Preliminary result data from USAID operating units; implementing partner reports.
	Data Quality (Verification)	The Agency's performance data are verified using data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System, Chapter 203.3.5, www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	44,018,945 beneficiaries, a 24% increase from FY 2004.
	2004	36,476,685 beneficiaries, a 12% decrease from the FY 2003 baseline.
	2003	Baseline: 46,692,847 beneficiaries.

Building Refugee Women's Vocational Skills in Darfur

In South Darfur, USAID is working to reduce exposure to risk when women venture outside of refugee camps to gather firewood. USAID is supporting classes that will give Sudanese refugee women the skills to earn income as seamstresses and allow their families to purchase firewood in local markets. The classes range from two months for basic vocational sewing to four months for skills to maintain and fix sewing machines. Since February 2006, USAID has trained more than 200 women in sewing, maintaining sewing machines, and developing plans for establishing small tailoring businesses.


Sewing courses in Kalma camp teach displaced women how to earn income as seamstresses. USAID photo




I/P: REFUGEE ADMISSIONS TO THE U.S.	
 INDICATOR: Refugees Resettled in the U.S., as a Percentage of the Ceiling	
PART Output	
JUSTIFICATION: This indicator measures the effectiveness of the refugee admissions program overall and provides some insight into the Department's performance in managing the process.	
FY 2006 PERFORMANCE	Target 100% of the allocated ceiling of 60,000 refugees.
	Results 69%; 41,277 refugees were resettled in the U.S. out of the allocated ceiling of 60,000 refugees.
	Rating ■ Below Target
	Impact Refugees and their families achieved a durable solution and started new lives in communities across the United States, although the number of refugees resettled in the U.S. fell below the annual allocated ceiling.
	Reason for Shortfall Results for FY 2006 were below target as a result of: (1) delays due to material support issues; and (2) funding levels sufficient for only 54,000 refugees.
	Steps to Improve The Department will continue to engage USG stakeholders on the importance of resolving material support issues.
PERFORMANCE DATA	Data Source The Department of State's Refugee Processing Center collects data on refugees admitted to the U.S.
	Data Quality (Verification) The Department's Refugee Processing Center collects, records, and analyzes data on refugee admissions to the United States using the Worldwide Refugee Admissions Processing System.
PAST PERFORMANCE	2005 108%; 53,318 refugees were resettled in the U.S. of the allocated ceiling of 50,000 refugees.
	2004 106%; 52,868 refugees were resettled in the U.S. of the allocated ceiling of 50,000 refugees.
	2003 Out of a ceiling of 70,000 refugees, 28,422 (41%) were resettled.



A USAID official checks the humanitarian supplies shipped by the U.S. to the port of Beirut, July 2006. USAID delivered around 20,000 blankets, 1,000 tarps and seven emergency medical kits in Lebanon. AP/Wide World


I/P: HUMANITARIAN MINE ACTION		
	INDICATOR: Number of Countries Meeting Target of Self-Sufficiency or Reaching Final Bilateral Program Objectives	
	PART Output	
JUSTIFICATION: Department of State oversees bilateral humanitarian mine action programs worldwide which include strategic planning, capacity development, mine action training, victims' assistance and mine risk education. This indicator captures the total number of countries that have graduated from receiving U.S. assistance to self-sufficiency.		
FY 2006 PERFORMANCE	Target	17 countries.
	Results	17 countries.
	Rating	■ On Target
	Impact	U.S. Government training and assistance have provided the foundation for seventeen countries to achieve self-sufficiency to carry out humanitarian demining programs in their countries. By clearing land and infrastructure of dangerous mines, countries are able to increase food production, safely return refugees and Internally Displaced Persons, reopen key transportation corridors and restore a sense of public safety.
PERFORMANCE DATA	Data Source	Department of State reporting from nation-partners, implementing partners, and U.S. embassies of successful completion of host-nation strategic and national objectives.
	Data Quality (Verification)	The Department overseas humanitarian mine action programs and works with national partners and implementing partners to track and verify levels of self-sufficiency.
PAST PERFORMANCE	2005	17.
	2004	17.
	2003	12.

I/P: WORLD FOOD PROGRAM DONOR BASE		
	INDICATOR: Percentage of Non-USG Contributions to UN World Food Program	
	Output	
JUSTIFICATION: The UN World Food Program (WFP) is a generally well-run organization, but its effectiveness can be compromised by over-reliance on USG contributions. More contributors and greater contributions from existing contributors are needed to keep WFP's crisis response capacity at its current level.		
FY 2006 PERFORMANCE	Target	WFP has sufficient funds to meet priority needs, with contributions from many donor countries and the private sector. Non-USG contributions are 55% of total contributions.
	Results	WFP continues to actively solicit contributions from new donors including from the private sector. WFP works on a calendar year basis. As of September 15, 2006, WFP had received \$1.9 billion in contributions for CY 2006, of which \$793 million was from the United States. Non-U.S. Government contributions amounted to 59% of total contributions.
	Rating	■ Above Target
	Impact	Contributions to WFP enable it to provide both emergency and development food aid to people in need.
PERFORMANCE DATA	Data Source	UN World Food Program.
	Data Quality (Verification)	The Department tracks and verifies performance data provided through WFP's accounting.

Continued on next page

I/P: WORLD FOOD PROGRAM DONOR BASE (continued)		
INDICATOR: Percentage of Non-USG Contributions to UN World Food Program (continued)		
PAST PERFORMANCE	2005	Four new donors participated—Azerbaijan, Liechtenstein, Namibia, and Trinidad and Tobago—and WFP had received \$2.08 billion in contributions, of which \$934 million were from the United States. Non-U.S. Government contributions were 55% of total.
	2004	As of October 2004, there were seven new donors to WFP—Madagascar, Guatemala, Ecuador, United Arab Emirates, Iran, Pakistan, and Zimbabwe—and WFP had received \$1.562 billion in contributions, of which \$718 million were from the United States. Non-USG contributions were 54% of total contributions.
	2003	As of September 2003, WFP had nine new donors—Cameroon, El Salvador, Greece, Kuwait, Malta, Marshall Islands, Qatar, Russia, and Vietnam—and non-USG contributions to WFP totaled \$877 million, an increase of less than 1% over 2002 contributions.

ANNUAL PERFORMANCE GOAL 2
IMPROVED CAPACITY OF HOST COUNTRIES AND THE INTERNATIONAL COMMUNITY TO REDUCE VULNERABILITIES TO DISASTERS AND ANTICIPATE AND RESPOND TO HUMANITARIAN EMERGENCIES.

I/P: CAPACITY BUILDING		
	INDICATOR: Number of Crisis-Prone Countries That Have Systems to Warn about Shocks and Their Effects on Food Availability	
	Output	
JUSTIFICATION: This indicator tracks local capacity in USAID-assisted countries to anticipate and respond appropriately to potential and current disasters.		
FY 2006 PERFORMANCE	Target	16 USAID-assisted, crisis prone countries have systems to warn of shocks.
	Results	20 USAID-assisted, crisis prone countries have systems to warn of shocks. An increase in the total number of crisis prone countries caused a net decrease in the percentage of countries that have systems to warn of shocks.
	Rating	■ On Target
	Impact	An increased number of USAID-assisted countries have established local capacity to anticipate and respond appropriately to disasters.
PERFORMANCE DATA	Data Source	Famine Early Warning System Network (FEWSNET) monitoring reports.
	Data Quality (Verification)	The Agency's performance data are verified using data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System, Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	Fourteen USAID-assisted, crisis prone countries have systems to warn of shocks.
	2004	First year of data collection. Nine USAID-assisted, crisis prone countries have systems to warn of shocks.
	2003	N/A.

STRATEGIC OBJECTIVE #3: PROMOTE INTERNATIONAL UNDERSTANDING

Throughout the world, the public face of the United States generates strong opinions, positive and negative. These public attitudes directly affect our ability to achieve our foreign policy and development assistance objectives. The Department leads the effort to shape these U.S. perceptions by relating this public face to our values as a nation and our history as a people.

U.S. values and interests drive our policies. Moreover, the values we espouse of political and economic freedom and the non-negotiable demands of humanity are increasingly recognized as universal rather than culturally specified. Successful public diplomacy communicates and translates this intersection of values, interests, and policy while listening carefully to international publics. To this end, we must maintain a continuous dialogue, mindful of regional context and cultural traditions, on the substance of U.S. ideals and their relationship to specific policies. Through this dialogue, the Department will work to paint a realistic picture of the United States, one that enables audiences to make informed judgments about our policies, our society, and the relationship of both to their own interests.

STRATEGIC GOAL 11: PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

Increase Understanding For American Values, Policies, and Initiatives to Create a Receptive International Environment

I. Public Benefit

The international exchange of information, persons, and ideas is fundamental to the security of the United States. Public Diplomacy and Public Affairs functions are premised on the knowledge that public opinion, the development of future leaders, and the benefits of education programs influence societies and affect official decision-making almost everywhere in the world.



The need for public understanding continues to be critically important, both domestically and internationally. Anti-American sentiment must be countered with appreciation for U.S. policies and values, including American contributions to win the war on terrorism and efforts to achieve greater international stability. The Department's public diplomacy activities seek to promote better appreciation and understanding for the U.S. abroad and greater receptivity for U.S. policies among

Under Secretary Karen Hughes speaks on religious issues facing the world at the International Prayer for Peace Summit in Washington, April 2006. AP/Wide World Photo

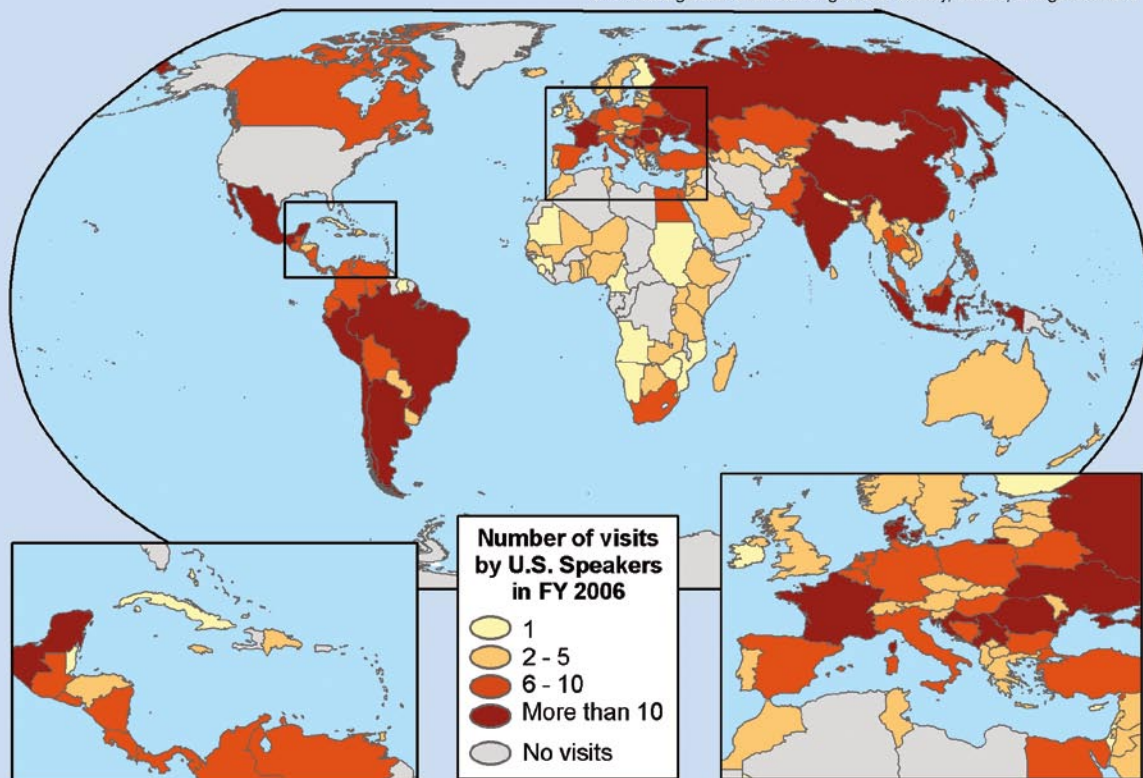
international publics, as well as greater knowledge among Americans about the world. Public diplomacy programs encourage and empower moderates with a positive vision of hope and isolate those who preach violence and extremism. Over the long term, public diplomacy programs foster a sense of common interests and common values between Americans and people of different countries, cultures and faiths. These efforts to inform Americans at home and understand, engage, and influence publics abroad are accomplished by the efforts of public diplomacy professionals working domestically and overseas.

The Department is expanding the scope of public diplomacy by engaging younger and broader audiences in the Arab and Muslim world and other regions, using multiple channels of communication and interaction to expand our reach. Through public affairs programs, the Department also informs the American people of U.S. foreign policy initiatives that impact their lives, providing opportunities for direct participation and greater understanding of policies carried out on their behalf.

U.S. SPEAKER AND OUTREACH PROGRAM

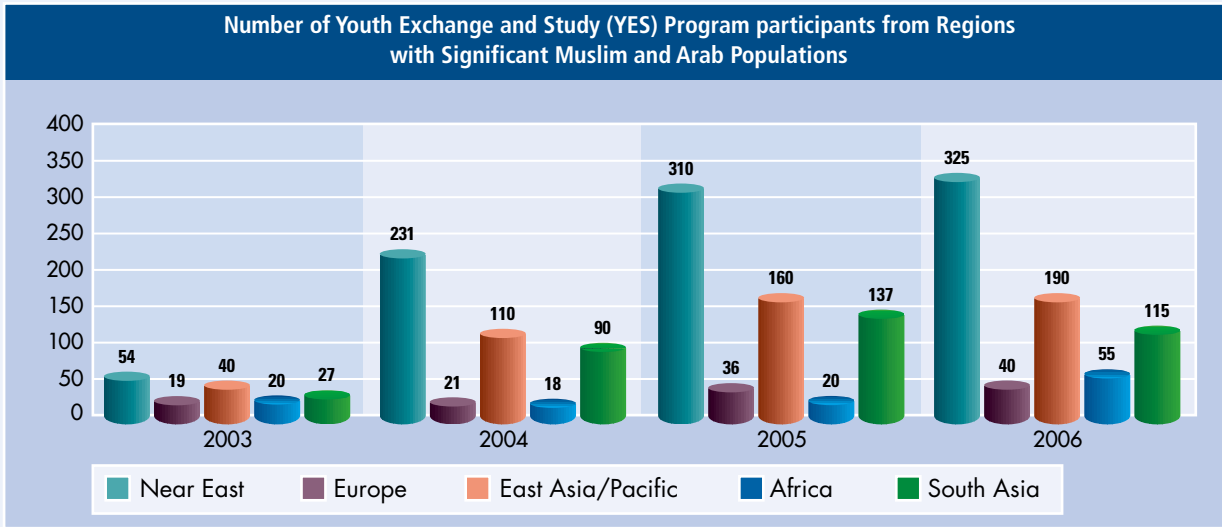
730 Speakers Sponsored by the Bureau of International Information Programs (IIP) Visited 137 Countries in FY 2006

IIP speakers travel overseas and explain U.S. policy and American society and values to a worldwide community of diplomats and other government officials, opinion-makers, foreign policy experts, academics, members of the media, students and self-selected public audiences. The engagement with foreign publics and especially the interactive aspects provide credibility and create greater understanding of U.S. society, culture, and government.



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II. Selected Performance Trends



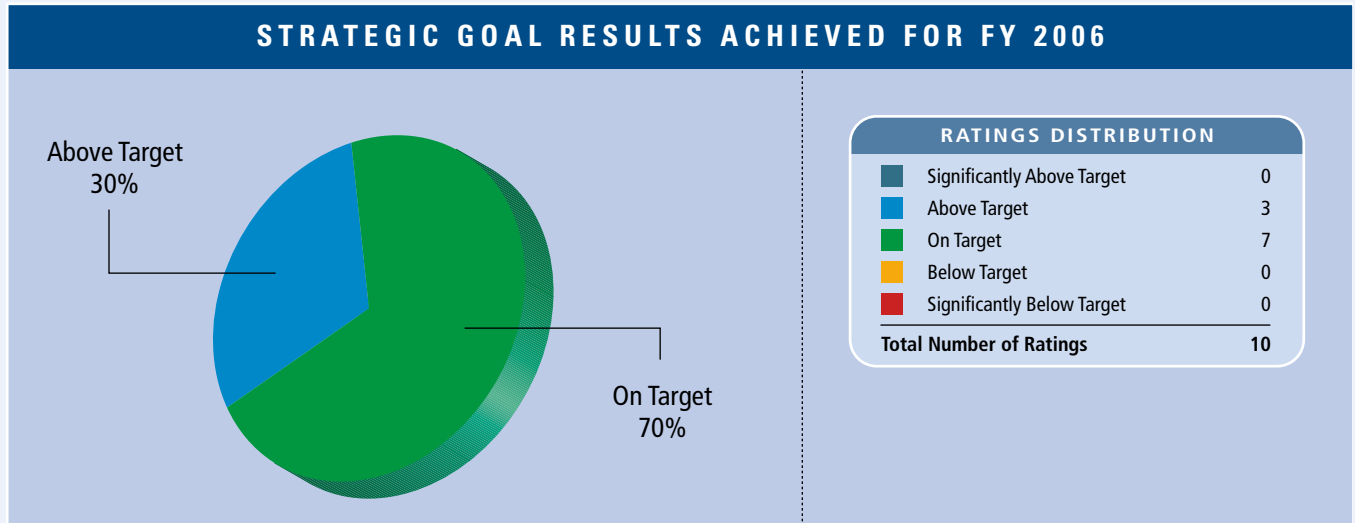
III. Strategic Context

Shown below are the performance goals, initiatives/programs, and the major resources, bureaus and partners that contribute to accomplishment of the Public Diplomacy and Public Affairs strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/Program	Major Resources	Lead Bureau(s)	External Partners
Public Diplomacy and Public Affairs	International Public Opinion	International Public Opinion	D&CP	IIP, Regional Bureaus	Broadcasting Board of Governors, private sector entities, NGOs, think tanks, and polling organizations
		Reaching Out to Allies and Regional Powers	D&CP	PA, Regional Bureaus	NED, private sector, NGOs, think tanks and polling organizations, academia
	Mutual Understanding	Reaching Younger Audiences	ECE, ESF	ECA, Regional Bureaus	U.S. NGOs, academia, private sector
		Global Educational and Cultural Exchanges	ECE	ECA, Regional Bureaus	U.S. NGOs, academia, private sector
		Engage Young People	D&CP	ECA, IIP, Regional Bureaus, LPA	Broadcasting Board of Governors, private sector entities, NGOs, think tanks and polling organizations, academia
		Educational and Cultural Exchange Programs in SA and NEA	ECE, ESF, MEPI	ECA, Regional Bureaus	U.S. NGOs, academia, private sector
		Engaging Audiences More Deeply	ECE, ESF	ECA, Regional Bureaus	U.S. NGOs, academia, private sector
	Domestic Understanding of Foreign Policy	Outreach to Expanded U.S. Audience	D&CP	PA	educational institutions, NGOs, and community groups

IV. Performance Summary

The chart below summarizes Department performance ratings for the Public Diplomacy and Public Affairs strategic goal.



V. Performance Analysis

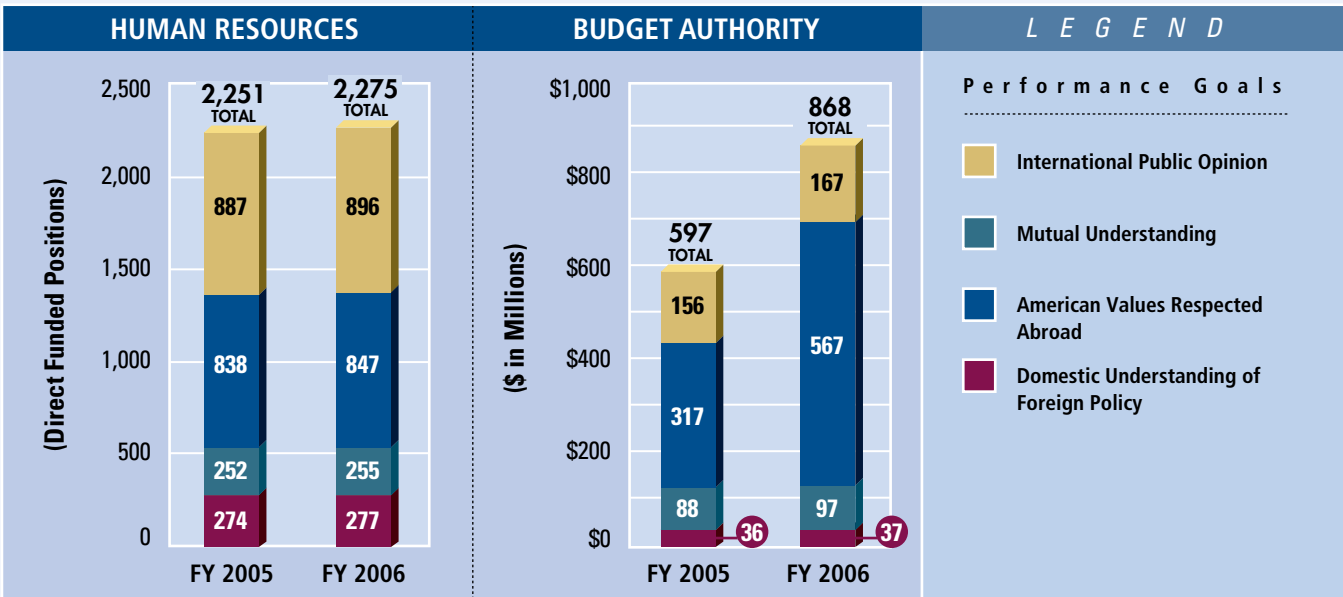
PERFORMANCE TRENDS. There have been a number of significant trends under the Department’s Public Diplomacy Strategic Goal. The Department has continued public diplomacy outreach to Arab and Muslim publics. There has been an increase in exchange students from the Middle East compared to FY 2005. Additionally, the Department is working to target younger segments of society around the world. Additionally, the Secretary of State and the Secretary of Education are working together to engage leaders of U.S. higher education in a renewed partnership to strengthen international education and emphasize its importance to the national interest. Moreover, President Bush has announced the National Security Language Initiative to increase the number of Americans learning critical need foreign languages such as Arabic, Chinese, Hindi, and Farsi, as well as others.

HIGH-LEVEL RESULTS. At the heart of all public diplomacy and public affairs programs, the Department is working toward changing a perception or attitude of the United States and its people. Even though this is an arduous goal for these programs to measure in the long-term, the Department’s public diplomacy programs have achieved either on target or above target ratings in all of its programs. For example, the Department was able to obtain an 80% result for FY 2006 for educational and cultural program participants who espouse democratic principles at least one year after their program. Under a relatively new American Corners program, the Department has been able to increase the understanding of U.S. policy, as well as American society and values for 53 percent of its visitors.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. No single indicator was rated significantly above target or below target.

KEY INITIATIVES AND PROGRAMS. The Department invested approximately \$334 million in public diplomacy international information programs and an additional \$432 million in educational and cultural exchange programs, including the flagship Fulbright program.

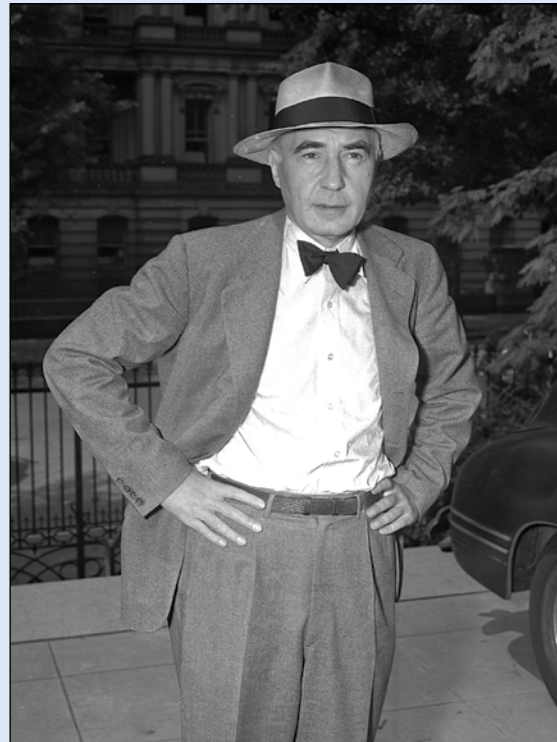
VI. Resources Invested



A Look to History: Public Diplomacy and Public Affairs

The U.S. Government launched its first major effort of what later would be called public diplomacy in April 1917 during World War I when it created the Committee on Public Information. Though the Secretaries of War, State, and the Navy were members, the committee was led by George Creel and became known as the Creel Committee. The Committee's goal was to engender support for American war aims and President Woodrow Wilson's international, democratic ideals. Congress abolished the Creel Committee at the end of the war in June 1919. President Harry Truman established the Office of War Information to do similar work during World War II. In January 1948, Congress passed the Smith-Mundt Act which prohibited all future agencies charged with international public diplomacy efforts from operating domestically.


Elmer Davis, director of the U.S. Office of War Information, poses after conferring with the President at the White House in Washington, D.C., August 1943. AP/Wide World




VII. Performance Results

For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.


ANNUAL PERFORMANCE GOAL 1
*PUBLIC DIPLOMACY INFLUENCES GLOBAL PUBLIC OPINION AND DECISION-MAKING
 CONSISTENT WITH U.S. NATIONAL INTERESTS.*

I/P: COMBAT TERRORISM AND FOSTER REGIONAL STABILITY		
	INDICATOR: Level of International Public Understanding of U.S. Security Policies	
Outcome		
JUSTIFICATION: This indicator measures the level of understanding of U.S. policies and the context in which they are formulated to track the Department's effectiveness in communicating with U.S. target audiences.		
FY 2006 PERFORMANCE	Target	Establish FY 2006 baseline.
	Results	Baseline: 38.9% of survey participants claimed their understanding of U.S. foreign policy increased to a high extent, registering as a four or a five on a five-point scale.
	Rating	■ On Target
	Impact	The Department is making progress on increasing levels of public awareness and understanding of U.S. foreign policy issues and objectives among populations overseas.
PERFORMANCE DATA	Data Source	Data are gathered in statistically valid surveys conducted by independent, external evaluators.
	Data Quality (Verification)	Preliminary baseline data are based on a four-country survey of American Corners visitors. The data was gathered by an independent, external evaluation contractor and includes both qualitative and quantitative data. The data were analyzed according to recognized evaluation industry standards.
PAST PERFORMANCE	2005	No data available due to funding constraints.
	2004	No data available due to funding constraints.
	2003	2003 Baseline: Post reporting indicates that IIP's 846 speakers, 480 DVCs and 500,000 print publications reached their intended target audiences with information about U.S. Government policies.

I/P: REACHING OUT TO ALLIES AND REGIONAL POWERS									
	INDICATOR: Level of Media Placement in Foreign Markets in Print and Broadcast								
	Outcome								
JUSTIFICATION: The State Department uses The NewsMarket, a Web-based strategic broadcast relations platform, to transmit positive images about the United States and its policies and programs to TV broadcasters globally. This indicator measures the volume of U.S. print and broadcast media placements.									
FY 2006 PERFORMANCE	<table border="1"> <tr> <td style="background-color: #e0e0e0;">Target</td> <td>2% overall increase above FY 2005 results.</td> </tr> <tr> <td style="background-color: #e0e0e0;">Results</td> <td> <p>Placement of Broadcast Media:</p> <ul style="list-style-type: none"> 204 stories made available to foreign media. <p>State Department Video Clip reels:</p> <ul style="list-style-type: none"> 1,395 clips requested from 172 foreign TV stations in 30 countries. <p>Production of Broadcast Media:</p> <ul style="list-style-type: none"> 127 live/taped studio and location TV interviews with U.S. Government and NGO officials. Over 2000 hours of American Embassy Television Network (AETN) transmissions. <p>Additional products placed to market:</p> <ul style="list-style-type: none"> 4,945 tapes of acquired programming distributed to posts. 34 new titles of acquired programs. 57 Arabic language versioned programs offered. </td> </tr> <tr> <td style="background-color: #e0e0e0;">Rating</td> <td>■ On Target</td> </tr> <tr> <td style="background-color: #e0e0e0;">Impact</td> <td>An increased volume of media placements provides foreign broadcasters with more opportunities to convey information related U.S. policies and programs.</td> </tr> </table>	Target	2% overall increase above FY 2005 results.	Results	<p>Placement of Broadcast Media:</p> <ul style="list-style-type: none"> 204 stories made available to foreign media. <p>State Department Video Clip reels:</p> <ul style="list-style-type: none"> 1,395 clips requested from 172 foreign TV stations in 30 countries. <p>Production of Broadcast Media:</p> <ul style="list-style-type: none"> 127 live/taped studio and location TV interviews with U.S. Government and NGO officials. Over 2000 hours of American Embassy Television Network (AETN) transmissions. <p>Additional products placed to market:</p> <ul style="list-style-type: none"> 4,945 tapes of acquired programming distributed to posts. 34 new titles of acquired programs. 57 Arabic language versioned programs offered. 	Rating	■ On Target	Impact	An increased volume of media placements provides foreign broadcasters with more opportunities to convey information related U.S. policies and programs.
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ANNUAL PERFORMANCE GOAL 2
*INTERNATIONAL EXCHANGES INCREASE MUTUAL UNDERSTANDING AND BUILD TRUST
 BETWEEN AMERICANS AND PEOPLE AND INSTITUTIONS AROUND THE WORLD.*

I/P: REACHING YOUNGER AUDIENCES

	INDICATOR: Number of Foreign Youth Participants in Regions With Significant Muslim and Arab Populations Reached by the Youth Exchange Scholarship Program	
	Outcome	

JUSTIFICATION: Quantitative measures based on increases in numbers of participants are reliable and help measure potential increased impact of Education Cultural Affairs activities.

FY 2006 PERFORMANCE	Target	NEA: 270. EAP: 150. SA: 130. AF: 50. EUR: 40. TOTAL: 640.
	Results	NEA: 325. EAP: 190. SA: 115. AF: 55. EUR: 40. TOTAL: 725.
	Rating	 Above Target
	Impact	By providing opportunities for foreign youth to participate in exchange programs, the USG's Youth Scholarship Program is expanding public diplomacy outreach to anew sector of foreign societies and exposing more foreign youth to U.S. values and culture.

PERFORMANCE DATA	Data Source	Data comes from partner agencies that implement the specific exchange program as part of required grant reporting.
	Data Quality (Verification)	The numbers of participants are verified by the non-profit partner organizations that implement programs. A comprehensive evaluation project sponsored by the Department is closely measuring the impact of the youth exchange experience on participants and has verified program performance measures through mandatory reporting by non-profit partner organizations.

PAST PERFORMANCE	2005	NEA: 310. EAP: 160. SA: 137. AF: 20. EUR: 36. TOTAL: 663.
	2004	300% increase in new participants in youth exchange programs from FY 2003. NEA: 231. EAP: 110. SA: 90. AF: 18. EUR: 21. TOTAL: 470.
	2003	Baseline: NEA: 54. EAP: 40. SA: 27. AF: 20. EUR: 19. TOTAL: 160.

I/P: GLOBAL EDUCATIONAL AND CULTURAL EXCHANGES



INDICATOR: Percentage of Program Participants Who Espouse Democratic Principles at Least One Year After Their Program

PART Outcome


JUSTIFICATION: This indicator gauges the long-term impact of U.S. cultural exchange programs on shaping participants' values and ideals related to democratic principles as a vehicle for social democratic change.


FY 2006 PERFORMANCE	Target	70%.
	Results	80.17%.
	Rating	■ Above Target
	Impact	Educational and cultural exchange participants begin or continue to espouse democratic values as a result of their exchange experience.
PERFORMANCE DATA	Data Source	Data are gathered in statistically valid surveys and polling conducted by independent, external evaluators. In selected cases an attempt is made to use comparison groups to assess impact. With available funding, pre- and post- program experience surveys are also used to assess the change. Direct exchange participants' responses to pre- and post-program surveys using online performance measurement system (E-GOALS) and independent program evaluations.
	Data Quality (Verification)	E-GOALS provides a secure mechanism for presenting the online survey, capturing data submitted by respondents and reliably transmitting the data to an online database. To ensure validity of responses, E-GOALS automatically generates survey respondent identification numbers that ensure one response per exchange participant. The database behind E-GOALS stores and secures all data obtained from surveys. The Department is able to obtain real-time reports by quarter(s), fiscal year or other criteria for all responses to date or by exchange program to date.
PAST PERFORMANCE	2005	78.84%.
	2004	80%.
	2003	Baseline: 68%.




Secretary Rice delivers remarks at the announcement of the Department's new Edward R. Murrow Journalism program. The program, a public-private partnership between the Bureau of Educational and Cultural Affairs and seven leading journalism schools, has become one of the Department's key public diplomacy exchange programs. In 2006, 124 distinguished journalists from more than 100 countries around the world participated in the program.

Department of State photo


I/P: GLOBAL EDUCATIONAL AND CULTURAL EXCHANGES (continued)		
	INDICATOR: The Number of Foreign Exchange Participants by Region	
	Output	
JUSTIFICATION: This indicator measures the scope and reach of exchange programs, which helps the Department assess long term trends and ensure proper audience targeting.		
FY 2006 PERFORMANCE	Target	Increase the number of participants in the Near East and South and Central Asia regional programs by 35 percent over the 2003 baseline. Near East: 1,671. South and Central Asia: 953. Eurasia: 2,200. Maintain other regions at 2003 levels. Africa: 1,042. East Asia and the Pacific: 2,240. Europe: 9,536. Western Hemisphere: 1,788. TOTAL: 19,430.
	Results	Anticipate meeting or exceeding FY 2006 target.
	Rating	■ On Target
	Impact	By increasing exchange opportunities in the Middle East and South and Central Asia, the Department is expanding public diplomacy outreach to regions key to U.S. foreign policy goals and exposing more individuals in these regions to U.S. values, interests and culture.
PERFORMANCE DATA	Data Source	The Department collects data through mandatory reporting by non-profit partner organizations. In addition, the Department uses a comprehensive database and reporting system to verify the numbers.
	Data Quality (Verification)	The Department's Bureau of Educational and Cultural Affairs verifies performance data through mandatory reporting by non-profit partner organizations and through use of a comprehensive database and reporting system.
PAST PERFORMANCE	2005	Near East: 1,868. East Asia and the Pacific: 1,786. South and Central Asia: 1,062. Africa: 1,121. Europe: 12,966. Western Hemisphere: 2,290. TOTAL: 21,093.
	2004	Estimates: Africa: 1,042. East Asia and the Pacific: 2,240. Europe: 9,536. Eurasia: 2,200*. Near East: 1,560. South and Central Asia: 890. Western Hemisphere: 1,788. TOTAL: 19,256. * Drop in Eurasia reflects decrease of nearly 50 percent of Freedom Support Act Funds and lack of receiving current services.
	2003	Baseline: Africa: 1,042. East Asia and the Pacific: 2,240. Eurasia: 6,583. Europe: 9,356. Near East: 1,626. South and Central Asia: 732. Western Hemisphere: 1,788. TOTAL: 23,367.

I/P: ENGAGE YOUNG PEOPLE		
	INDICATOR: Extent to Which Youth Programs/Products Reach Young People in Other Countries with Information About the U.S.	
Output		
JUSTIFICATION: This indicator helps track the Department's effectiveness in reaching foreign youth through the American Corners program, a critical audience for U.S. public diplomacy.		
FY 2006 PERFORMANCE	Target	Establish FY 2006 baseline.
	Results	Baseline: 53% of visitors surveyed indicate high increase in understanding of U.S. policy, society and values as a result of visiting American Corners.
	Rating	■ On Target
	Impact	In reaching a youth audience with information about the United States, the Department has increased the understanding of U.S. policy, society and values among the successor generation.
PERFORMANCE DATA	Data Source	Data is gathered in statistically valid surveys conducted by independent, external evaluators.
	Data Quality (Verification)	This is a preliminary baseline based on a four-country survey of American Corners visitors. The data were gathered by an independent, external evaluation contractor and includes both qualitative and quantitative data. The data were analyzed according to recognized evaluation industry standards.
PAST PERFORMANCE	2005	N/A.
	2004	N/A.
	2003	N/A.

I/P: EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS IN SOUTH ASIA AND THE NEAR EAST		
	INDICATOR: The Percentage of Near Eastern and South Asian Participants Who Increase or Change Their Understanding of the Host Country Immediately Following Their Program Experience	
PART Outcome		
JUSTIFICATION: This indicator reflects the fundamental goal to promote mutual understanding. The percent of participants who increase their understanding demonstrates the effectiveness of public diplomacy programs.		
FY 2006 PERFORMANCE	Target	93%.
	Results	Near East: 88.57%. South and Central Asia: 95.77%. Average: 92.17%. The average percentage is within the 1 percent range allowable due to sampling variation.
	Rating	■ On Target
	Impact	Exchange programs have helped provide a more accurate and balanced understanding of the United States to foreign participants. By increasing and improving understanding, exchange programs enhance dialogue and diminish misperceptions that lead to hostility toward the United States.
PERFORMANCE DATA	Data Source	Data gathered in statistically valid surveys/polling conducted by independent, external evaluators. Direct exchange participants responses to pre- and post-program surveys using online performance measurement system (E-GOALS) and independent program evaluations.
	Data Quality (Verification)	E-GOALS provides a secure mechanism for presenting the online survey, capturing data submitted by respondents and reliably transmitting the data to an online database. To ensure validity of responses, E-GOALS automatically generates survey respondent identification numbers that ensure one response per exchange participant. The database behind E-GOALS stores and secures all data obtained from surveys. The Department is able to obtain real-time reports by quarter(s), fiscal year or other criteria for all responses to date or by exchange program to date.

Continued on next page

I/P: EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS IN SOUTH ASIA AND THE NEAR EAST <i>(continued)</i>		
INDICATOR: The Percentage of Near Eastern and South Asian Participants Who Increase or Change Their Understanding of the Host Country Immediately Following Their Program Experience <i>(continued)</i>		
PAST PERFORMANCE	2005	94.10%.
	2004	96.02%.
	2003	89.00%.

I/P: ENGAGING AUDIENCES MORE DEEPLY		
	INDICATOR: Percentage of Exchange Participants Who Report a More Favorable View of the People of the United States Within One Year After Their Exchange Experience	
	Outcome	
JUSTIFICATION: This indicator measures the impact of U.S. exchange programs on improving perceptions of foreign publics on American people, culture and values.		
FY 2006 PERFORMANCE	Target	93%.
	Results	91.55%.
	Rating	■ On Target
	Impact	Exchange program participants develop a more favorable view of the people of the United States as a result of their exchange experience. This more favorable view fosters trust between people of the United States and people of other countries, which produces more cooperative relationships between the United States and other countries.
PERFORMANCE DATA	Data Source	Data are gathered in statistically valid surveys and polling conducted by independent, external evaluators. Direct exchange participants responses to pre- and post-program surveys using online performance measurement system (E-GOALS) and independent program evaluations.
	Data Quality (Verification)	E-GOALS provides a secure mechanism for presenting the online survey, capturing data submitted by respondents and reliably transmitting the data to an online database. To ensure validity of responses, E-GOALS automatically generates survey respondent identification numbers that ensure one response per exchange participant. The database behind E-GOALS stores and secures all data obtained from surveys. The Department is able to obtain real-time reports by quarter(s), fiscal year or other criteria for all responses to date or by exchange program to date.
PAST PERFORMANCE	2005	84.58%.
	2004	91%.
	2003	Baseline: 91%.

ANNUAL PERFORMANCE GOAL 3

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

I/P: OUTREACH TO EXPANDED U.S. AUDIENCE



INDICATOR: Number of Interviews and Contacts With U.S. Media

Output

JUSTIFICATION: This indicator demonstrates the Bureau of Public Affairs efforts to strategically facilitate and disseminate information by making Department principals accessible to the media to explain U.S. policies and programs.

FY 2006 PERFORMANCE	Target	2% overall increase above FY 2005 results.
	Results	<ul style="list-style-type: none"> ● Press Briefings: 228 daily and special press briefings; 125 foreign press center briefings. ● Media Contacts: 14,064 inquiries from the Press, to include calls fielded by press officers, drop-ins, press policy queries, and non-policy press queries. ● Print, Radio and TV interviews: 1,788 print, radio and TV interviews; 26 opinion editorials; 32 Secretary walkups, press availabilities and stake-outs; 13 Secretary press conferences; 62 Secretary speeches/remarks; 10 Secretary Congressional testimony; 160 Secretary trip transcripts; 4 Deputy Secretary press availabilities.
	Rating	■ On Target
	Impact	Daily press briefings and responses to journalists' policy questions gave the press accurate, authoritative statements of U.S. policy. Transcripts of daily and special press briefings and the Secretary's remarks to the press are available on the <i>State.gov</i> website, making those wide-ranging discussions of foreign policy available to enormous numbers of readers. Press events with Department officials are carefully planned and designed to explain U.S. foreign policy to the broadest possible audience.
PERFORMANCE DATA	Data Source	Bureau of Public Affairs.
	Data Quality (Verification)	There is high confidence in the accuracy and validity of the data, which are publicly available and easily verifiable.
PAST PERFORMANCE	2005	<ul style="list-style-type: none"> ● Press Briefings: daily and special press briefings. ● Media Contacts: 15,200 inquiries from the press. ● Print, Radio, and TV interviews: 65 press camera sprays, facilitated by the Bureau of Public Affairs Press Office; 40 Secretary walkout/stakeouts; 21 Secretary press conferences; 47 Secretary speeches/remarks; and eight Secretary Congressional testimonies.
	2004	<ul style="list-style-type: none"> ● Press Briefings: <ul style="list-style-type: none"> ■ 227 Daily and Special Press Briefings. ■ 70 Foreign Press Briefing. ● Media Contacts: <ul style="list-style-type: none"> ■ 16,000 inquiries from the Press, to include calls fielded by press officers, reporter drop-ins, press policy queries, press non-policy queries. ● Print, Radio and TV Interviews: <ul style="list-style-type: none"> ■ 1,200 print, radio, and TV interviews, Opinion Editorials. ■ 58 Secretary Walkouts & Stakeouts. ■ 7 Secretary press conferences. ■ 63 Secretary Speeches/Remarks. ■ 9 Secretary Congressional Testimonies.
	2003	<p>Baseline:</p> <ul style="list-style-type: none"> ● 120 daily press briefings. ● 15,000 inquiries from the press. ● 1,000 print, radio, and TV interviews, Opinion Editorials. ● Educational video on terrorism to 14,000 U.S. educators.

I/P: OUTREACH TO EXPANDED U.S. AUDIENCE (continued)	
INDICATOR: Increase in the Number of Outreach Activities to Targeted U.S. Audiences	
Output	
<p>JUSTIFICATION: Public outreach programs provide state and local government officials and the American public opportunities to exchange views with Department of State officials who formulate and implement policy. Conducted throughout the U.S., these programs encourage interest and involvement in foreign affairs and economic development opportunities within a broad cross-section of American society.</p>	
FY 2006 PERFORMANCE	<p>Target</p> <p>Sustain FY 2005 levels of performance in the following areas:</p> <ul style="list-style-type: none"> ● Number of grassroots activities. ● Number of students reached in outreach to colleges/universities. ● Number of educational publications. ● Number of state and local government activities/events.
	<p>Results</p> <p>Grassroots activities:</p> <ul style="list-style-type: none"> ● Conducted 524 Washington and regional events for Department's speakers program. ● Conducted or participated in 47 NGO events and conferences. ● Reached 35,464 students and others through in-house briefings, digital video conferences and NGO events and conferences. <p>Educational Curriculum Materials:</p> <ul style="list-style-type: none"> ● Published a supplement to weekly reader magazine that reached over 1.25 million students in 58,000 classrooms. <p>State and Local Activities:</p> <ul style="list-style-type: none"> ● Facilitated Embassy and Consulate assistance to overseas delegations for 950 state and local government officials. ● 120,000 contacts made with state and local government officials through presentations at conferences, courtesy meetings, push emails and distribution of Department publications. Responded to 400 requests for information about U.S. foreign policy from governors, mayors, and other state and local officials.
	<p>Rating ■ Above Target</p>
	<p>Impact Through these programs, the Department continued to reach beyond its traditional audiences to include, women, youth, NGOs, businesses, and Arab and Muslim communities. These programs continue to provide Americans a better understanding of U.S. foreign policy and programs.</p>
PERFORMANCE DATA	<p>Data Source Bureau of Public Affairs.</p>
	<p>Data Quality (Verification) There is high confidence in the accuracy and validity of the data. Materials, events, etc. are public and easily verifiable.</p>

Continued on next page



Alumni from the Department's Southeast Europe Youth Leadership Institute participate in Youth Media Training. Department of State photo

I/P: OUTREACH TO EXPANDED U.S. AUDIENCE (continued)

INDICATOR: Increase in the Number of Outreach Activities to Targeted U.S. Audiences (continued)

PAST PERFORMANCE	2005	<p>Grassroots activities: Conducted over 1,600 outreach activities, including:</p> <ul style="list-style-type: none"> ● Conducted 700 Washington and regional events for Department’s speakers program. ● Reached 20,000 students and others through in-house briefings. ● Conducted or participated in 26 town meetings and conferences. ● Participated in 232 radio programs. <p>Educational Curriculum Materials:</p> <ul style="list-style-type: none"> ● A History of Diplomacy curriculum and video over 13,000 copies distributed. ● Created and distributed CD-ROM curriculum “Diplomacy in Action” - distributed over 10,000 copies to colleges/universities, libraries and community organizations. ● Published supplement to Weekly Reader magazine that reached over 1.25 million students in 58,000 classrooms. <p>State and Local Activities:</p> <ul style="list-style-type: none"> ● Facilitated Embassy and Consulate assistance to overseas delegations for 150 state and local government officials. ● 60,000 contacts made with state and local government officials through presentations at conferences, courtesy meetings, push emails and distribution of Department publications. ● Responded to 370 requests for information about U.S. foreign policy from governors, mayors, and other state and local officials.
	2004	<p>Grassroots activities:</p> <ul style="list-style-type: none"> ● Reached 45,000 state and local government officials through presentations at conferences, courtesy meetings, push e-mails and distribution of Department publications. ● Conducted over 1,600 outreach activities including the Secretary’s Hometown Diplomat Program, monthly NGO briefings, educational digital-video conferences, and public speaking engagements. ● Conducted over 800 Washington and regional events for Department’s speakers program. ● Conducted 20 town meetings across the U.S. <p>Outreach to colleges/universities:</p> <ul style="list-style-type: none"> ● Reached over 17,000 students through in-house briefings and programs. <p>Educational Curriculum Materials:</p> <ul style="list-style-type: none"> ● Published supplement to Weekly Reader Magazine to 1,375,000 students. ● Initiated CD-ROM curriculum project to reach 20,000 American college/university libraries and community organizations. <p>State and local government activities/events:</p> <ul style="list-style-type: none"> ● Facilitated Embassy and Consulate assistance to overseas delegations for 140 state and local government officials. ● Responded to 360 requests for information about U.S. foreign policy from governors, mayors, and other state and local officials. ● Distributed 14,000 curriculum video packages to U.S. educators.
	2003	<ul style="list-style-type: none"> ● Conducted over 1,500 outreach activities. ● Reached over 12,000 students through in-house briefings and other programs. ● Conducted 23 student town meetings at high schools and colleges. ● Conducted over 600 Washington and regional events for the Department’s Speakers Program.

**STRATEGIC OBJECTIVE #4:
STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES**

The fulfillment of the joint State-USAID mission and the achievement of our policy goals are inextricably linked to a foundation of sound management and organizational excellence required by the President's Management Agenda. The Department and USAID are committed to maintaining a well-qualified workforce, supported by modern infrastructure that provides the tools to achieve our diplomatic and development goals worldwide. Building this foundation will require significant investments in people, systems, and facilities.

STRATEGIC GOAL 12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

Ensure a High Quality Workforce Supported by Modern and Secure Infrastructure and Operational Capacities

I. Public Benefit

The Department of State and USAID continue to pursue human resource initiatives aimed at building, deploying, and sustaining a knowledgeable, diverse, and high-performing workforce. For example, State and USAID maintain and develop robust training programs with emphasis on skills that can help achieve transformational diplomacy and development, such as advanced foreign language proficiency, public diplomacy, and leadership and management preparedness. Both agencies have also made a concerted effort to use commercial best practices to deploy secure, modern office automation platforms, secure global networks (unclassified, classified, and the Internet), a centrally managed information technology infrastructure, a modern messaging/archiving/knowledge management system, streamlined administrative systems, and a customer-focused portal.

In support of the Secretary's vision for Transformational Diplomacy, the Department of State has identified a set of six priority crosscutting areas, for which it has developed an action plan with measurable milestones and metrics for tracking progress: (1) Build on our success under the President's Management Agenda by getting to green and staying there; (2) Remove some support functions from danger posts to regional and central support centers at medium and large posts; (3) Strengthen open yet secure U.S. borders by maximizing legitimate travel to the U.S. while denying entry to those who would do the United States harm; (4) Improve training opportunities



and curricula for employees; (5) Improve the quality of life for employees whether domestic or abroad and (6) Use technology to produce accurate information that supports decision makers and make that information available anytime, anywhere. The Department continues to maintain and develop skills that can help achieve transformational diplomacy and development, such as advanced foreign language proficiency, public diplomacy, and leadership and management preparedness.

Under Secretary Henrietta Fore visits the Salaam Baalak Trust outreach center and shelter in New Delhi, India, April 2006. USAID supports a comprehensive HIV/AIDS awareness and prevention project through the center to meet the special needs of street and vulnerable children. State Department Photo

MAJOR POST CONSTRUCTION (EMBASSY, CONSULATE, POST ANNEX) SINCE 2001

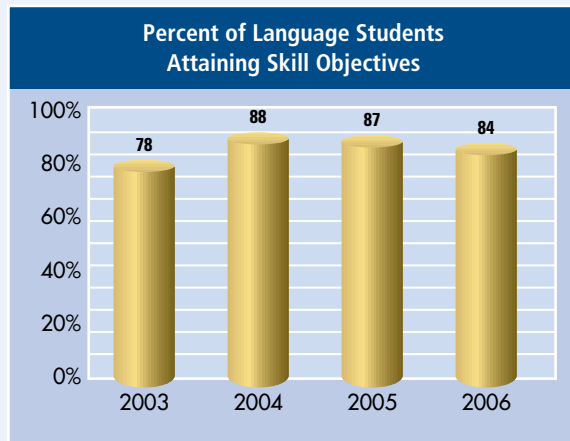


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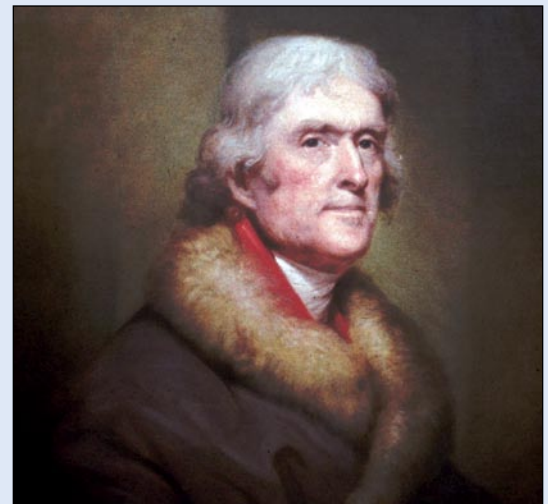
The Department of State and USAID established joint management centers at some overseas locations in FY 2006. The consolidation has resulted in cost savings and, by allowing cross-bidding across management positions in State and USAID, has increased understanding and information sharing between the agencies. In addition, integrated budgeting, planning, and performance measurement processes, together with effective financial management and demonstrated financial accountability, are enhancing the management and performance of State and USAID, which will help ensure that resources are well managed and judiciously used. The American people will be able to see how well programs perform, and the costs they incur for that performance.

II. Selected Performance Trends



A Look to History: Management and Organizational Excellence

When Thomas Jefferson became the first Secretary of State in 1790, his small staff included a chief clerk, three other clerks, a translator, and one messenger. In an era before the telephone, e-mail, or fax, the Department of State communicated largely in writing. Clerks and officials wrote notes and letters to each other, and for the record, whether the other party was down the corridor, across the street, or across town. These notes and letters, including requests for meetings or action, were largely carried by the messenger. The Department of State hired more messengers as it grew larger. However, the written records of the U.S. Government and other institutions dropped considerably by the late 1920s and early 1930s, as the telephone gradually came into use and the number of messengers declined.



Thomas Jefferson, shown in a circa 1805 painting by artist Rembrandt Peale. AP/Wide World

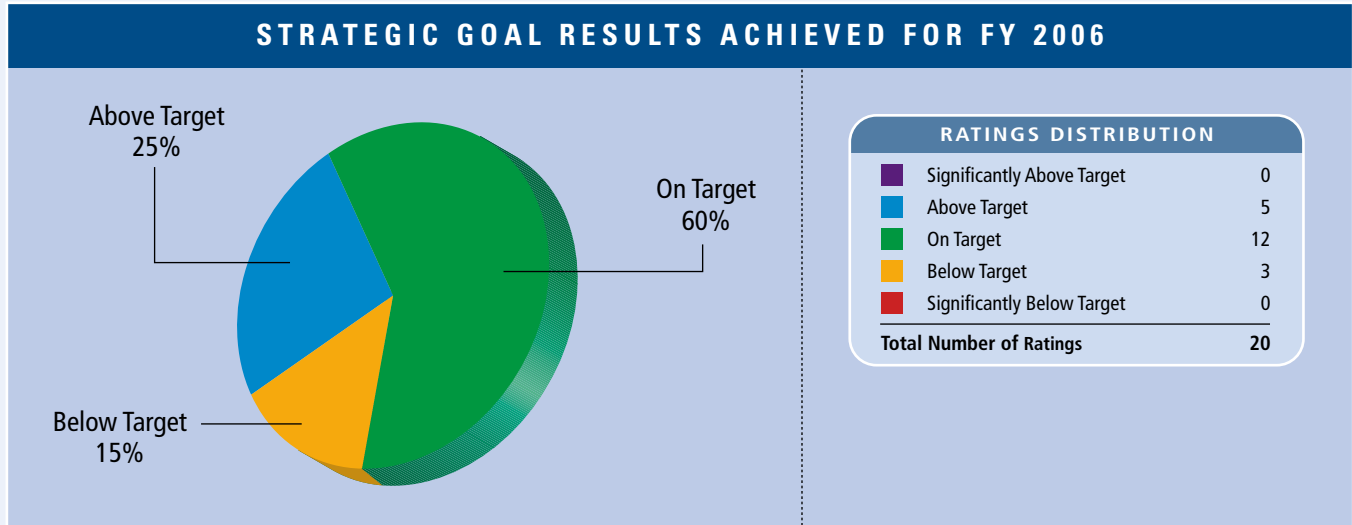
III. Strategic Context

Shown below are the performance goals, initiatives/programs, and the major resources, bureaus and partners that contribute to accomplishment of the Management and Organizational Excellence strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Management and Organizational Excellence	Human Resources and Training	Operational Readiness	D&CP, USAID Operating Expenses	FSI, HR, S/CRS, M	FCS, FAS, and other foreign affairs agencies
		Recruit and Hire Talented, Diverse Employees	D&CP, USAID Operating Expenses	HR, M	HBCU, HACU, OPM, Partnership for Public Service
		Career Development and Training	D&CP, USAID Operating Expenses	FSI, HR, M	FCS, FAS, and other foreign affairs agencies
		Americans Employed by UN System Organizations	D&CP, USAID Operating Expenses	IO	International organizations, other USG agencies
	Information Technology	Secure Global Network and Infrastructure	CIF, D&CP, ICASS, expedited passport fees, USAID Operating Expenses	IRM	Other USG Agencies at overseas posts
		Modern, Worldwide, Integrated Messaging	CIF, D&CP, USAID Operating Expenses	IRM	Other USG Agencies at overseas posts
	Diplomatic Security	Diplomatic Security / Worldwide Security Upgrades	D&CP	DS	N/A
	Overseas and Domestic Facilities	Capital Security Construction Program	ESC&M	OBO	Other agencies
		New Office Building for U.S. Mission to United Nations	D&CP	A	GSA, USUN, IO
		Compound Security Program	ESC&M	OBO	Diplomatic Security, regional bureaus, other USG agencies, industry, GAO, OIG, and Congress
	Resource Management	Improved Financial Performance	D&CP, USAID Operating Expenses	RM, M	OMB, GAO, Treasury
	Administrative Services	Worldwide Logistics: Integrated Logistics Management System (ILMS)	D&CP, USAID Operating Expenses	A	Various USG agencies
		Competitive Sourcing	D&CP, USAID Operating Expenses	A, M	OMB

IV. Performance Summary

The chart below summarizes the performance ratings for Department of State and USAID results for the Management and Organizational Excellence strategic goal.



V. Performance Analysis

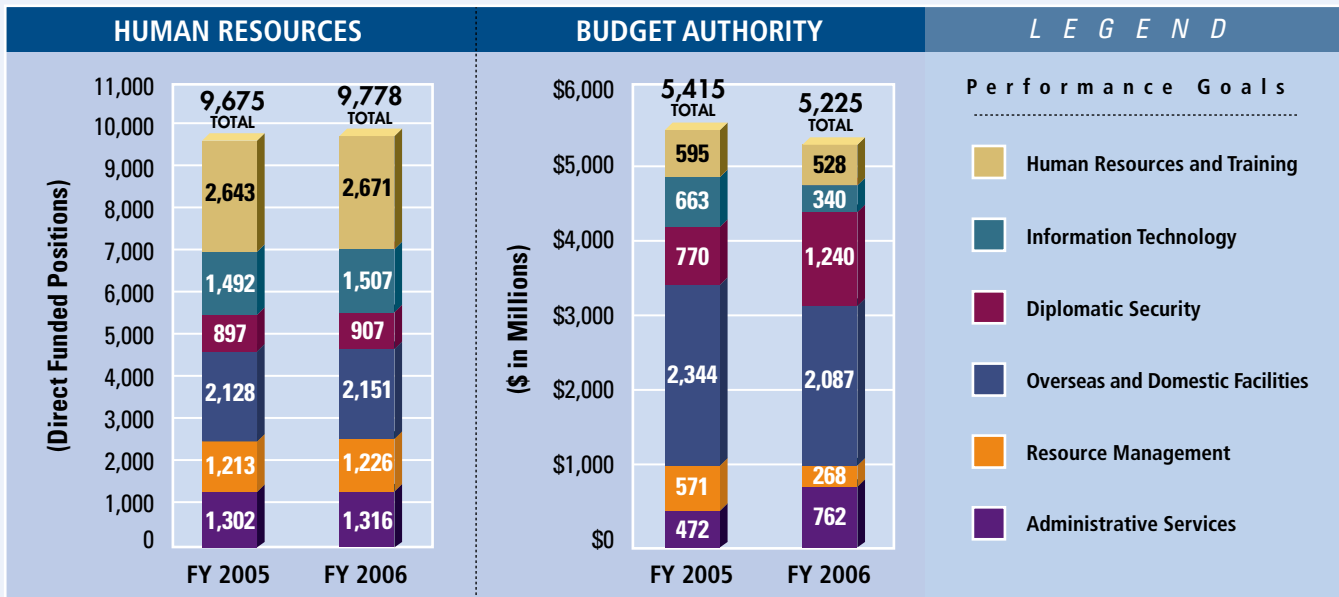
PERFORMANCE TRENDS. Both agencies have made continuous improvements in human capital management, operational readiness, and information technology management. The Foreign Service Institute met or exceeded its goals for leadership training enrollment and the effectiveness of its language training programs and the Department continued to meet its goals for deploying Foreign Service generalists with the right language skills and slightly improved the diversity of new Foreign Service generalists hired in 2006.

HIGH-LEVEL RESULTS. Both State and USAID met or exceeded human resources goals in recruitment, placement, and skills development; both agencies developed and deployed information technology systems that were reliable, accessible, and accurate; and the Department made significant strides to build, maintain and upgrade secure facilities overseas.

RESULTS SIGNIFICANTLY ABOVE OR SIGNIFICANTLY BELOW TARGET. No results were evaluated significantly above or significantly below target.

KEY INITIATIVES AND PROGRAMS. Major FY 2006 investments in the people who manage foreign affairs, the facilities in which they work, and the systems that support diplomacy worldwide included: \$598 million to preserve, maintain, repair, and plan for buildings owned or directly leased by the Department of State; \$910 million for security-related construction and physical security and rehabilitation of U.S. embassies and consulates; \$9.4 million for the protection of foreign missions and officials; and \$128 million for the capital investment fund and the modernization of information technology systems and networks.

VI. Resources Invested





U.S. Ambassador Janet A. Sanderson, left, shakes hands with Haitian Prime Minister Jacques Edouard Alexis at the Prime Minister's office in Port-au-Prince, Haiti, September 2006. AP/Wide World


VII. Performance Results


For each initiative/program that supports accomplishment of this strategic goal, the most critical FY 2006 performance indicators and targets are shown below.


ANNUAL PERFORMANCE GOAL 1
A HIGH PERFORMING, WELL-TRAINED, AND DIVERSE WORKFORCE ALIGNED WITH MISSION REQUIREMENTS.

I/P: OPERATIONAL READINESS	
 INDICATOR: Percentage of USAID Recruitment Goals Met	
PART Output	
JUSTIFICATION: This measure shows how successful USAID is in filling positions that have been vacated through attrition or created to meet staffing requirements.	
FY 2006 PERFORMANCE	Target 95% of 210 positions.
	Results 100% of 210.
	Rating ■ On Target
	Impact Success in recruitment is critical for USAID as a significant proportion of the workforce will be eligible for retirement over the next few years.
PERFORMANCE DATA	Data Source Preliminary data from USAID's Office of Human Resources.
	Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005 123% of 210 positions.
	2004 99.5% of 212 positions.
	2003 Baseline: 100% of 151 positions.

I/P: RECRUIT AND HIRE TALENTED, DIVERSE EMPLOYEES		
	INDICATOR: Diversity of New Hires in the Foreign Service and Civil Service	
	Output	
JUSTIFICATION: Our goal is to hire, not just to recruit, diverse employees. We are working to develop an outcome measure based on the diversity of hiring as an important tool to measure the true outcome of various recruitment efforts.		
FY 2006 PERFORMANCE	Target	Increase diversity of applicants and hires in the Foreign Service; increase diversity of participants in student programs aimed at recruitment.
	Results	Racial and ethnic diversity is only one aspect of a more diverse workforce. 20 percent of Foreign Service Generalists and 22 percent of Foreign Service Specialists hired in 2006 were minorities. 32 percent of student program participants were minorities.
	Rating	■ On Target
	Impact	The Department is committed to attracting and promoting a diverse workforce that reflects the talent of the United States.
PERFORMANCE DATA	Data Source	Self reporting of race and national origin by new employees. This indicator is measured within the Bureau of Human Resources using hiring and recruitment data.
	Data Quality (Verification)	New hires are asked to self-identify their minority status. The number of participants declining to answer has been increasing. In FY2003, 11 percent of student program participants chose not to respond when asked to identify their race/ethnicity, whereas in FY2006, 22 percent chose not to respond.
PAST PERFORMANCE	2005	Racial and ethnic diversity is only one aspect of a more diverse workforce. 19 percent of Foreign Service Generalists and 22 percent of Foreign Service Specialists hired in 2005 were minorities. 35.7 percent of student program participants were minorities.
	2004	Racial and ethnic diversity is only one aspect of a more diverse workforce. 21 percent of Foreign Service Generalists and 25 percent of Foreign Service Specialists hired in 2004 were minorities. 38.5 percent of student program participants were minorities.
	2003	Racial and ethnic diversity is only one aspect of a more diverse workforce. 19 percent of Foreign Service Generalists and 28 percent of Foreign Service Specialists hired in 2003 were minorities. 36.4 percent of student program participants were minorities.

I/P: CAREER DEVELOPMENT AND TRAINING		
	INDICATOR: Mandatory Leadership Training Participation	
	Input	
JUSTIFICATION: Course enrollments best validate the number of employees completing mandatory leadership/management training.		
FY 2006 PERFORMANCE	Target	Mandatory Leadership/Management training for 99% percent (6,900) of eligible target audience (7,000).
	Results	Based on preliminary data, there are 8,775 completed enrollments in mandatory leadership training courses (about 113% of adjusted target).
	Rating	■ Above Target
	Impact	Leadership and management training promotes a leadership culture designed to improve the Department's management cadre and develop those who will eventually assume positions of leadership.
PERFORMANCE DATA	Data Source	Student Training Management System.
	Data Quality (Verification)	The indicator is based on course enrollments generated from the Department's corporate training database and are reliable. Fluctuation in database records may, at any given time, reflect enrollment numbers that slightly differ, though with little, if any, appreciable impact.
PAST PERFORMANCE	2005	Through FY 2005, there were more than 6,700 completed enrollments in mandatory leadership training courses (about 87% of adjusted target, or 13% ahead of original end-of-FY target of 74%).
	2004	64% of target audience has completed Mandatory leadership/management training, exceeding end-of-FY 49% target.
	2003	<ul style="list-style-type: none"> ● 36% of target audience completed Mandatory leadership/ management training, exceeding 25% target. ● Senior Executive Training Seminar course initiated.

I/P: CAREER DEVELOPMENT AND TRAINING (continued)		
	INDICATOR: Percentage of Employees Assigned to Language Designated Positions Who Meet the Requirement of the Position	
	Input	
<p>JUSTIFICATION: This is a useful indicator of how well the assignments process works to place people with needed skills. However, as the baseline changes due to increasing and varied requirements and due to the Career Development initiatives' emphasis on new language designated positions, the percentage may not increase. Finally, success is partially controlled by resources available for training and sufficient personnel to accommodate training while still meeting other mission requirements.</p>		
FY 2006 PERFORMANCE	Target	80% or better fully meet the requirements, contingent on receiving funding request for FY 2007 foreign language programs.
	Results	Preliminary data indicate that performance is on target for FY 2006. Complete results will be reported to Congress in February 2007.
	Rating	■ On Target
	Impact	Diplomatic efforts will be more successful as employees with the appropriate language skills are deployed overseas. The Department will better engage host governments, local populations, and allies when implementing programs, communicating policies, and advocating positions.
PERFORMANCE DATA	Data Source	This indicator is calculated by the Bureau of Human Resources, based on panel actions in the previous fiscal year (e.g. FY 2005 figures are based on FY 2004 panel actions). Actions for the current fiscal year are not available until the end of the fiscal year. This indicator is reported yearly to Congress as required by statute.
	Data Quality (Verification)	Confidence in the data is high: the data are reported electronically and stored in a database; post reports are solicited and verified by human resources professionals in Washington.
PAST PERFORMANCE	2005	In FY 2005, 82.34% fully met and 10.79 percent partially met requirements.
	2004	In FY 2004, 82.55% fully met and 9.89 percent partially met requirements.
	2003	In CY 2003, 83% fully met and 12 percent partially met requirements.

	INDICATOR: Percent of Language Students Attaining Skill Objectives From Training	
	Output	
<p>JUSTIFICATION: The data are screened and provide the most accurate measure for tracking performance: the time spent in language training and resulting end-of-training test results.</p>		
FY 2006 PERFORMANCE	Target	75% or better.
	Results	84%.
	Rating	■ On Target
	Impact	The Department will deploy staff with the right language skills and improve the effectiveness of programs and policies.
PERFORMANCE DATA	Data Source	Student Training Management System.
	Data Quality (Verification)	The indicator is based on test result scores maintained in the Department's corporate training database, and are reliable. Fluctuation in database records may, at any given time, reflect numbers that slightly differ, though with little, if any, appreciable impact.
PAST PERFORMANCE	2005	87%.
	2004	88%.
	2003	78%.

I/P: AMERICANS EMPLOYED BY UN SYSTEM ORGANIZATIONS



INDICATOR: Average Percentage of UN System Organizations' Workforce (Positions Subject to Geographical Distribution) That is American

Output

JUSTIFICATION: The annual targets and results are averages among international organizations where the United States is most inequitably employed or which attract a high level of interest. By tracking averages over a number of years, the Department will know whether or not it is increasing the percentage of Americans working in UN System organizations.


FY 2006 PERFORMANCE	Target	11.0%.
	Results	10.4%.
	Rating	■ Below Target
	Impact	The lack of progress in FY 2006 (CY 2005) necessitates a downward adjustment to our out-year targets. The number of Americans matters because they bring values, ideals, skills, and experience to the job that can help the efficiency and effectiveness of international organizations.
	Reason for Shortfall	On average, employment of Americans did not increase as fast as total employment in posts subject to geographical distribution in the targeted organizations.
	Steps to Improve	Department increased staffing dedicated to this initiative, is trying to identify new sources of candidates, is planning to do more targeted outreach, will increase the information on international organization employment on its website, and will begin the process of evaluating the feasibility of maintaining a roster of candidates and funding Junior Professional Officers.
PERFORMANCE DATA	Data Source	Data are derived from annual Department requests to posts/missions to obtain information directly from individual international organizations for forwarding to the Department for analysis.
	Data Quality (Verification)	The Department submits a report to Congress on this issue each year. U.S. missions accredited to international organizations gather from those organizations and report to Washington needed data to complete the report.
PAST PERFORMANCE	2005	10.7%.
	2004	CY 2003 Result: 11.5%.
	2003	CY 2002 Result: 11.6%.



Maura Harty, Assistant Secretary of State for Consular Affairs, right, briefs the press on the evacuation of Lebanon on July 19, 2006, at the State Department in Washington. At left is U.S. Army Brig. Gen. Michael Barbero, Deputy Director for Regional Operations of the Joint Chiefs of Staff. AP/Wide World

ANNUAL PERFORMANCE GOAL 2
MODERNIZED, SECURE, AND HIGH QUALITY INFORMATION TECHNOLOGY MANAGEMENT AND
INFRASTRUCTURE THAT MEET CRITICAL BUSINESS REQUIREMENTS.

I/P: SECURE GLOBAL NETWORK AND INFRASTRUCTURE


	INDICATOR: Progress Toward Centralized, Secure, and Modern Global IT Infrastructure
	Input


JUSTIFICATION: The indicator directly measures the reliability, accessibility, and security of the Department's information technology infrastructure.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Continue with the aggressive four-year life-cycle modernization program for OpenNet Plus and ClassNet. Improve network availability to 99.6% and add 40 additional virtual private networks at embassies for a total of 300. Develop implementation plan for consolidation initiative. Deploy 5,000 OpenNet Everywhere devices.
	Results	<ul style="list-style-type: none"> 174 additional domestic and overseas local area networks are modernized (101 OpenNet and 73 ClassNet). Network availability is at an average rate of 99.6% or better achieved as result of exceeding the target total of 300 virtual private networks installed for embassy circuits. Implementation plan for consolidation initiative completed. 4,669 OpenNet Everywhere devices deployed for core and occasional teleworkers.
	Rating	■ On Target
	Impact	The elements (GITM, consolidation, mobile computing, and maintaining the secure global network) are critical to the Department's ability to provide a modernized, secure, and high quality infrastructure. Success of these elements will enable production of accurate information for decision makers and will make that information available anytime, anywhere in support of the foreign affairs mission.

PERFORMANCE DATA	Data Source	<ul style="list-style-type: none"> Capital Planning and Investment Control process indicates adherence to cost, schedule and performance plans. E-Gov monthly cost workbook indicates schedule and cost variance. Monthly Priority Projects Briefing Book for the Undersecretary for Management indicates completed vs. planned installations. Weekly Production Control Meetings address cost and schedule performance. Integrated Enterprise Management System computes network reliability. Bi-weekly reports provide status of IT consolidation to the Chief Information Officer. Weekly activity reports provide status on mobile computing project to Deputy CIO for Operations.
	Data Quality (Verification)	<p>On a monthly basis the E-Gov Program Office receives the most accurate and most current cost and schedule data for use in performing independent Earned Value Management calculations.</p> <p>The IT Consolidation effort and Mobile Computing are fairly new initiatives and Senior management assesses data submitted on a weekly basis. Data quality in the IT Consolidation plan was checked against industry standard information provided by recognized IT consulting firms, e.g. Gartner Group and others.</p>

PAST PERFORMANCE	2005	<ul style="list-style-type: none"> In second year of modernization program, completed 152 domestic and overseas OpenNet and ClassNet LAN modernizations that included 87 OpenNet and 76 ClassNet modernizations. OpenNet Everywhere pilot test successfully completed. Network availability increased to 99.5%. Installed a total of 261 virtual private networks for embassy circuits, thereby exceeding the target of 260 for FY 2005.
	2004	<ul style="list-style-type: none"> Began modernization program to refresh and maintain classified and unclassified computers and core networking equipment such as servers as switches. Installed virtual private networks at 200 posts requiring this type of networking support. Network availability improved to an average of 99%.
	2003	<ul style="list-style-type: none"> OpenNet Plus project completed. More than 43,000 users representing all of the Department's knowledge workers had desktop Internet access. The Classified Computer Program was expanded to all 224 eligible overseas posts. Installed 125 virtual private networks and network availability improved to 98%.


I/P: SECURE GLOBAL NETWORK AND INFRASTRUCTURE (CONTINUED)	
 INDICATOR: Percentage of Mission Critical IT Systems Certified and Accredited	
PART Output	
JUSTIFICATION: This indicator reflects the degree to which USAID systems meet generally accepted standards for security in support of our goal of keeping information safe from compromise.	
FY 2006 PERFORMANCE	Target 100%.
	Results 100%.
	Rating ■ On Target
	Impact The 100% certification and accreditation of USAID's nine mission critical IT systems and applications will enable the Agency to perform its mission critical financial and inspection functions for development and humanitarian relief at reduced risk. The mission critical systems include the Agency's internal communications network, office-specific information systems of the Inspector General and the Office of Foreign Disaster Assistance, the New Management Systems Acquisition and Assistance Module, and the Phoenix and related financial systems.
PERFORMANCE DATA	Data Source USAID Information Systems Security Officer (ISSO).
	Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005 100%.
	2004 100%.
	2003 N/A.

 INDICATOR: Percent of Information Security Vulnerabilities Per Information Technology Hardware Item	
PART Output	
JUSTIFICATION: This measure indicates how well USAID information stored on and processed through its IT systems is protected. USAID's goal is to continually reduce vulnerabilities through FY 2009.	
FY 2006 PERFORMANCE	Target Less than 25% of USAID systems have a vulnerability score of greater than 100 as measured by USAID's Information Systems Security Officer.
	Results 3.2% of USAID systems have a vulnerability score of greater than 100 (525/16,596).
	Rating ■ Above Target
	Impact As a result of achieving low information security vulnerabilities per IT hardware item, the Agency operates in a more secure environment. This is important because it allows the Agency to carry out its day-to-day activities and accomplish its mission with minimal disruption.
PERFORMANCE DATA	Data Source USAID Information Systems Security Officer.
	Data Quality (Verification) The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005 0.054% of USAID systems have a vulnerability score of greater than 100.
	2004 9% of USAID systems have a vulnerability score of greater than 100.
	2003 N/A.

I/P: MODERN, WORLDWIDE, INTEGRATED MESSAGING		
INDICATOR: Modern Messaging, Dynamic Archiving, and Information Sharing		
Output		
JUSTIFICATION: This indicator is appropriate for assessing the Department's overall performance on the SMART project, which will implement a modern, simple and secure, messaging system.		
FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> ● Complete detailed management planning and re-baselining. ● Conduct design work for all SMART components. ● Establish development and testing laboratory. ● Conduct development work for SMART quick-win functionality.
	Results	<ul style="list-style-type: none"> ● Department decision made to bring SMART in-house, resulting in a planning and baseline effort. ● Design work initiated for all SMART components. ● Management and control plans revised and updated. ● Development and test laboratory established. ● Development work conducted for SMART quick-win functionality.
	Rating	■ On Target
	Impact	SMART represents one of the Department's top priorities. Its success is critical to the ability to provide a modernized, secure, and high quality infrastructure that will enable production of accurate information for decision makers and will make that information available anytime, anywhere in support of the foreign affairs mission.
PERFORMANCE DATA	Data Source	<ul style="list-style-type: none"> ● Capital planning and investment control tracks cost, schedule and performance. ● E-Gov monthly cost workbook tracks schedule and cost variance. ● Monthly SMART steering committee meetings provide a status update to the Under Secretary for Management.
	Data Quality (Verification)	On a monthly basis the SMART program office provides the E-Gov Program Office with the most accurate and most current cost and schedule data available for use in performing independent earned value management calculations.
PAST PERFORMANCE	2005	A requirements review resulted in a validated list of derived systems requirements. Based on a number of usability tests and demonstrations, the decision was reached to move forward with a revised architecture that leverages the Department's existing modern email infrastructure for the transmission of formal command and control messaging traffic.
	2004	The contractor requested a three-week delay to investigate a hybrid solution, which led to the establishment of the phase 1A beta solution with an end date of 10/15/04. Design demonstration completed and secure processing facility installed.
	2003	The Secretary of State approved a new need-to-know policy; SMART prototype (proof-of concept) developed and evaluated; centralized approach approved; integrated acquisition team established.

ANNUAL PERFORMANCE GOAL 3

PERSONNEL ARE SAFE FROM PHYSICAL HARM AND NATIONAL SECURITY INFORMATION IS SAFE FROM COMPROMISE.


I/P: DIPLOMATIC SECURITY / WORLDWIDE SECURITY UPGRADES	
	INDICATOR: Installation of Technical Security Upgrade Equipment
	PART Output
JUSTIFICATION: Technical security upgrade projects provide critical security countermeasures for U.S. diplomatic missions abroad. These upgrades include facility power and conduit infrastructure, as well as technical security equipment.	
FY 2006 PERFORMANCE	Target Complete 35 upgrades as part of a cyclical replacement program.
	Results 35 upgrades were completed in FY 2006.
	Rating ■ On Target
	Impact Improving technical security at overseas posts through on-time completion of projects contributes directly to the Department's goal of providing a safe and secure environment for U.S. personnel and property.
PERFORMANCE DATA	Data Source Data are verified and compiled on a quarterly basis from both our program managers and with posts to ensure deliverables and installation.
	Data Quality (Verification) Analytical assessments are conducted to determine replacement life cycles and add to replacement schedule.
PAST PERFORMANCE	2005 29 upgrade projects completed, including Frankfurt.
	2004 Technical security upgrades were completed at 142 posts, exceeding the initial target of 133.
	2003 Technical security upgrades completed at 111 out of 133 posts, i.e. embassies or consulates.

Mobile Computing

The Mobile Computing initiative, known as OpenNet Everywhere, allows an authorized user “anywhere/anytime remote access to the Department’s sensitive-but-unclassified network (OpenNet) from any Internet-connected computer that meets system specifications. The system provides a user with access to the Microsoft Office suite (including Outlook e-mail); Adobe Acrobat Reader; Internet Explorer; Windows Explorer; and WinZip. A user can also map to shared network drives, access the OpenNet Intranet home page and most of the linked websites from that page. Most importantly, access to the network is accomplished securely, and data are maintained centrally on servers, not on users’ personal computers, thus allowing the Department to avoid potential security violations and compromise of information. At the end of FY 2006, the Department had over 4,600 core and occasional teleworkers using this system against the goal of 5,000 users by the end of FY 2006. The core teleworkers fulfill the Congressionally mandated requirement for a Department telework program.



State Department Photo


I/P: DIPLOMATIC SECURITY / WORLDWIDE SECURITY UPGRADES (continued)		
 INDICATOR: Deployment of Chemical Weapons/Biological Weapons Countermeasure Masks to Posts Abroad		
PART Output		
JUSTIFICATION: Chemical and biological weapons training and equipment serve to minimize casualties resulting from an attack on overseas personnel. This indicator directly measures the delivery of training and equipment.		
FY 2006 PERFORMANCE	Target	Conduct weapons of mass destruction training at 85 out of 256 overseas posts. Begin to deploy countermeasures masks to 60 of 240 posts during the first year of a four-year phased equipment replacement cycle.
	Results	The Department exceeded the target of training 85 posts. A total of 100 posts (approximately 20,712 employees) received overseas training. The first phase of a four-year equipment replacement cycle will begin in FY 2007. A total of 23,400 replacement masks are in the final stages of a procurement cycle, which was delayed due to the completion of testing. Deployment and training on the replacement masks is expected to be completed in FY 2007.
	Rating	■ Above Target
	Impact	Weapons of mass destruction training directly supports the Department's goal of protection of personnel working overseas for the advancement of U.S. foreign policy.
PERFORMANCE DATA	Data Source	Data are verified through a training database and trip reports to ensure deliverables are met.
	Data Quality (Verification)	Training personnel on protective measures is essential in order to survive a chemical or biological attack. The program conducts assessments annually on how many locations require training to ensure adequate training and protection is provided.
PAST PERFORMANCE	2005	A total of 125 posts received training. Overseas training covered approximately 31,291 employees.
	2004	The Department completed an aggregate total of 207 posts out of 240. Overseas training covered approximately 33,155 employees.
	2003	77 of 240 posts provided with and trained in the use of countermeasure equipment, including 25,528 overseas personnel trained and 95 courses provided for security professionals being trained overseas.

Ambassador David Mulford speaks in Mumbai, India during a ceremony for victims of the 9/11 terrorist attacks on the homeland, September 2006. AP/Wide World




ANNUAL PERFORMANCE GOAL 4

SAFE, SECURE AND FUNCTIONAL FACILITIES SERVING DOMESTIC AND OVERSEAS STAFF.

I/P: CAPITAL SECURITY CONSTRUCTION PROGRAM		
	INDICATOR: Number of New Sites Acquired for Capital Security Construction Projects in Accordance With the Long-Range Overseas Building Plan Schedule	
PART Output		
JUSTIFICATION: The indicator was chosen as the most comprehensive in determining the actual acquisition of a building site that is essential before constructing a new embassy compound.		
FY 2006 PERFORMANCE	Target	Acquire seven new sites for capital security construction projects.
	Results	Eight new embassy compound sites were acquired in the fiscal year.
	Rating	■ Above Target
	Impact	Capital security construction programs proceeding on schedule and as planned provide secure, safe, and functional facilities to U.S. Government employees overseas.
PERFORMANCE DATA	Data Source	Real estate contracts and official settlement documents are maintained by the Department.
	Data Quality (Verification)	Data quality are excellent as results are determined through official settlement/closing records between the U.S. Government and the seller(s).
PAST PERFORMANCE	2005	10 new embassy compound sites were acquired in the fiscal year against a target of nine sites.
	2004	Eight new embassy compound sites were acquired during the fiscal year.
	2003	Six new sites were acquired for capital security construction projects.





From left, Richard Graves of KBR Services, Macedonian President Branko Crvenkovski, U.S. Ambassador to Macedonia Gillian Milovanovic, Overseas Buildings Operations Director Charles Williams and OBO Project Director Stephen Ziegenfuss pose during a ground breaking ceremony for the new U.S. Embassy compound in Macedonia's capital Skopje, March 2006. AP/Wide World



I/P: CAPITAL SECURITY CONSTRUCTION PROGRAM (continued)	
	INDICATOR: Number of Capital Security Construction Projects Awarded In Accordance With Long-Range Overseas Building Plan
PART Output	
JUSTIFICATION: The indicator represents an essential step in getting new capital security construction projects into construction. Once the projects are funded and the contracts awarded, other performance measures are used to track completion.	
FY 2006 PERFORMANCE	Target Award 13 new capital security construction projects.
	Results 10 new capital security construction projects were awarded during the fiscal year.
	Rating ■ Below Target
	Impact Capital security program proceeding on schedule as planned provides secure, safe, and functional facilities for U.S. Government employees.
	Reason for Shortfall The Beirut new embassy compound award timeline was delayed during the recent conflict to allow regional logistics to return to normal and provide a more reasonable procurement atmosphere at post-conflict risk conditions. Two transactions extended past the target deadline to undertake contract negotiations and procurement strategies to offset unexpectedly high inflation and risky political conditions. An additional planned award was deferred by Department re-prioritization to advance Karachi new consulate in the wake of a terrorist attack in March 2006.
	Steps to Improve The Department plans to award all three capital security projects in 1st quarter FY 2007.
PERFORMANCE DATA	Data Source Awarded contracts file maintained by the Bureau of Overseas Building Operations.
	Data Quality (Verification) Data quality is excellent as fiscal year results are determined based on actual construction contracts having been signed between the U.S. Government and the contractor.
PAST PERFORMANCE	2005 13 capital security construction projects were awarded in the fiscal year in addition to the Baghdad new embassy compound project which was funded as a "non-security" type project.
	2004 Awarded 13 new capital construction projects (above target).
	2003 Awarded nine new capital security construction projects.



Construction cranes tower above the building site of the U.S. embassy in Baghdad, Iraq, March 2006. AP/Wide World

I/P: NEW OFFICE BUILDING FOR U.S. MISSION TO UNITED NATIONS	
	INDICATOR: U.S. Mission to the UN (USUN) New Construction
	Output
JUSTIFICATION: Award of the construction contract, initiation of the construction effort and completion of that construction effort makes the New Office Building available for occupancy. This represents a fundamental portion of the effort to provide a secure, safe and functional workspace for the USUN staff as well as other Department of State activities located in New York City.	
FY 2006 PERFORMANCE	Target The New Office Building project is 25% complete according to the project timeline.
	Results The project is on-schedule and is 25% complete (this represents the projected time from bid to occupancy). Specific accomplishments this year include foundation preparation, concrete placement for all the foundations and the floor and walls of the basement. The concrete placement of the first floor slab has been initiated and effort has started on the first floor concrete walls.
	Rating ■ On Target
	Impact Future construction is expected to adhere to the revised 2006 schedule.
PERFORMANCE DATA	Data Source General Services Administration and Department of State's USUN Building Project Manager.
	Data Quality (Verification) The data represent verifiable design and construction milestones.
PAST PERFORMANCE	2005 <ul style="list-style-type: none"> Demolition of the Existing Office Building was completed on the revised contract completion date, April 2005. The second phase of the two-phase solicitation for construction contractors was executed, and proposals were received January 2005.
	2004 <ul style="list-style-type: none"> The U.S. Mission relocated to the Interim Office Building and opened for business June 14, 2004. The demolition contract for the Existing Office Building was awarded and notice to proceed was issued July 17, 2004.
	2003 <ul style="list-style-type: none"> \$14.0 million Interim Office Building funding obtained. General Services Administration unable to finalize lease in FY 2003. Lease signing and build-out delayed to FY 2004.

I/P: COMPOUND SECURITY PROGRAM	
	INDICATOR: Number of Technical Security Projects Completed Each Fiscal Year In Accordance With the Schedule
	PART Output
JUSTIFICATION: This measure is the best indicator at this time in determining that the technical security installation and upgrade projects are being performed on schedule.	
FY 2006 PERFORMANCE	Target Complete next group of 71 technical security installations and upgrade projects per schedule, out of a total of 275 projects scheduled between FY 2004-2007.
	Results 71 technical security installation and upgrade projects were completed in the fiscal year.
	Rating ■ On Target
	Impact Completed technical security projects provide added security protection for overseas employees performing work in embassies and consulates.
PERFORMANCE DATA	Data Source Project closeout records maintained in the Department of State.
	Data Quality (Verification) Data quality is excellent as the status/close out of the projects is reported by the project manager and confirmed by the post where the installation projects are taking place.
PAST PERFORMANCE	2005 90 technical security installation and upgrade projects were completed during the fiscal year against a target of 70 such projects.
	2004 81 technical security installation and upgrade projects were completed in the fiscal year.
	2003 71 technical security installation and upgrade projects were completed in the fiscal year.

I/P: COMPOUND SECURITY PROGRAM (continued)		
	INDICATOR: Percent of USAID Missions Not Co-Located With Department of State Receiving Targeted Physical Security Enhancements Within a Given Year	
	PART Output	
JUSTIFICATION: USAID is committed to protection of its workforce and will harden the defenses of the missions for which it is responsible for physical security. This measure will capture USAID's success in completing ongoing physical security enhancements. In particular, it will indicate success for two key phases: perimeter security (2005-2006) and building exterior and interior equipment upgrades (2007-2009).		
FY 2006 PERFORMANCE	Target	41% of USAID Missions.
	Results	41% of USAID Missions.
	Rating	 On Target
	Impact	Providing the targeted physical security enhancements minimized potential vulnerabilities to the transnational terrorist threat, increasing security for USAID staff and enabling them to accomplish the Agency's development and humanitarian relief objectives.
PERFORMANCE DATA	Data Source	USAID Office of Security.
	Data Quality (Verification)	The Agency's performance data are verified using Data Quality Assessments (DQA), and must meet five data quality standards of validity, integrity, precision, reliability and timeliness. The methodology used for conducting the DQAs must be well documented by each operating unit. (For details, refer to USAID's Automated Directive System [ADS] Chapter 203.3.5, http://www.usaid.gov/policy/ads/200/203.pdf).
PAST PERFORMANCE	2005	33% of USAID Missions.
	2004	Baseline: 31% of USAID Missions.
	2003	N/A.

Liberian President Ellen Johnson Sirleaf, under the protection of Department of State Diplomatic Security special agents, waves to the crowd that gathered for a children's party at the Presidential Mansion in Monrovia, Liberia, January 2006. AP/Wide World



ANNUAL PERFORMANCE GOAL 5

INTEGRATED BUDGETING, PLANNING AND PERFORMANCE MANAGEMENT; EFFECTIVE FINANCIAL MANAGEMENT; AND DEMONSTRATED FINANCIAL ACCOUNTABILITY.

I/P: IMPROVED FINANCIAL PERFORMANCE

INDICATOR: Percentage of Overseas Budget Processed by Direct Connect

Output

JUSTIFICATION: This indicator directly tracks the use of integrated financial management systems to account for the overseas budget.

FY 2006 PERFORMANCE	Target	Increase percentage of the total overseas budget processed by Direct Connect (i.e., on-line) posts to at least 66%. This represents an increase of total posts using Direct Connect from 29 to 50 posts.
	Results	The number of posts using Direct Connect as of 9/30/06 was 58, which represents 60% of the overseas budget dollars.
	Rating	■ On Target
	Impact	Implementation of Direct Connect advances the Department's objective to have integrated global financial systems that support strategic decision making, mission performance, and improved accountability.
PERFORMANCE DATA	Data Source	Department of State reports maintained by the Office of the Deputy Chief Financial Officer.
	Data Quality (Verification)	The data quality is considered to be excellent. The Charleston Financial Center provides the training and implementation for the application and tracks the data submission method and dollars for each post.
PAST PERFORMANCE	2005	At the end of FY 2005, 29 posts were using Direct Connect, representing 45% of the overseas budget.
	2004	The Department exceeded its target with 22 posts on Direct Connect representing 41% of the overseas budget.
	2003	As a preliminary step, all overseas posts converted to the Regional Financial Management System.



Department of State Spokesman Sean McCormack gestures during a media briefing in Washington, D.C.

State Department Photo

ANNUAL PERFORMANCE GOAL 6
CUSTOMER-ORIENTED, INNOVATIVE DELIVERY OF ADMINISTRATIVE AND INFORMATION SERVICES, ACQUISITIONS, AND ASSISTANCE.

I/P: WORLDWIDE LOGISTICS: INTEGRATED LOGISTICS MANAGEMENT SYSTEM



INDICATOR: Integrated Logistics Management System Development and Implementation

Input

JUSTIFICATION: The selected performance indicators track the most critical success factors in the overall logistics management program of the Department.

FY 2006 PERFORMANCE	Target	<ul style="list-style-type: none"> Complete domestic deployment of asset management transportation and status tracking functions. Complete design and development of integration with Global Financial Management System Phase 1. Develop and begin deployment of secure system domestically. Deploy enterprise performance management to domestic warehouses. Conduct overseas pilots of selected supply chain management components.
	Results	<ul style="list-style-type: none"> Completed domestic deployment of asset management, transportation, and status tracking functions. Completed design and development of integration with Global Financial Management System Phase 1. Made planned progress with development and deployment of secure domestically. Made planned progress with deployment of enterprise performance management to domestic warehouses.
	Rating	 Below Target
	Impact	<p>When fully implemented, this system will provide a more efficient, effective, customer-oriented global logistics support system, and it is thus an important component of the Department's Management and Organizational Excellence strategic goal.</p> <p>The consequences of the target shortfall include a delay in realizing end-to-end asset visibility across the enterprise and the extension of legacy system operations and maintenance costs that remain in service.</p>
	Reason for Shortfall	Funding approved at levels significantly less than requested. Consequences and impact include a delay in overall return on investment and moderate life-cycle cost growth.
	Steps to Improve	Actions planned include a delay in overseas pilots and deployments consistent with projected available funding.
PERFORMANCE DATA	Data Source	Integrated Logistics Management System program management plan and earned value management system.
	Data Quality (Verification)	The performance data are accurate and complete. Data from posts are reviewed and verified on site; other data are verified by program supervisors in Washington, DC.
PAST PERFORMANCE	2005	Asset management 88% deployed in FY 2005, with full domestic deployment completed in December 2005.
	2004	<ul style="list-style-type: none"> Requisitioning/procurement module deployed to all bureaus domestically with two overseas pilots. Distribution module deployed to domestic warehouses. Asset management deployed for motor vehicle and Worldwide Property Accountability System inventory and piloted in two domestic bureaus.
	2003	<ul style="list-style-type: none"> Procurement module operational in four domestic bureaus (fully integrated with the Department's Central Financial Management System) and one overseas regional procurement facility. Asset Management module piloted at one overseas post. Diplomatic Pouch and Mail module fully deployed and operational at both the unclassified and classified pouch facilities.

I/P: COMPETITIVE SOURCING



INDICATOR: Cost Savings or Cost Avoidance Generated through Competitive Sourcing

Outcome

JUSTIFICATION: This indicator measures the cost effectiveness of Competitive Sourcing results by comparing current cost of performance to the results of competitions between the public and private sectors.

FY 2006 PERFORMANCE	Target	15% cost savings or cost avoidance of competed areas' baseline costs, predominantly from standard competitions.
	Results	\$79.2 million in projected cost savings to customers over 10 years, from one standard competition that was completed in FY 2006. This amount represents approximately 33% of the competed area's baseline costs. Customers are expected to save approximately \$8 million per year, or \$79.2 million over the life of the contract.
	Rating	■ Above Target
	Impact	Achievement of this Competitive Sourcing cost savings and/or cost avoidance target contributes to the Department's success in conducting its vital foreign policy mission while being effective and accountable stewards of the taxpayer's money.
PERFORMANCE DATA	Data Source	Competitive Sourcing Program Office.
	Data Quality (Verification)	OMB Circular A-76 provides guidance on how to calculate the cost of government performance versus the cost of contractor performance. The 15% targets for cost savings or cost avoidance refer to the percentage of the cost of the contract(s) services being competed. Until a particular service that is being competed has been identified (and its base costs determined), there is no dollar amount that can be cited in lieu of a percentage.
PAST PERFORMANCE	2005	\$9.8 million in cost avoidance from streamlined competitions. This amount represents approximately 18% of competed areas' baseline costs.
	2004	Baseline: \$6.2 million, predominantly in cost avoidance from streamlined competitions. This amount represents approximately 44% of competed areas' baseline costs.
	2003	N/A.



*Mrs. Laura Bush is joined by participants in the U.S. State Department's partnership with FORTUNE's Most Powerful Women mentoring program May 2006 at the White House.
State Department Photo*

RESOURCE SUMMARY

U.S. DEPARTMENT OF STATE OPERATIONS
APPROPRIATIONS ACT RESOURCES
 (\$ in thousands)

STRATEGIC OBJECTIVE Strategic Goal		FY 2005		FY 2006	
		Positions (1)	Funds	Positions	Funds
ACHIEVE PEACE AND SECURITY					
RS	Regional Stability	1,282	\$ 1,896,939	1,295	\$ 2,277,365
CT	Counterterrorism	906	232,715	916	441,717
HS	Homeland Security	567	259,473	573	143,225
WD	Weapons of Mass Destruction	519	202,091	525	168,006
IC	International Crime and Drugs	702	109,183	709	94,030
AC	American Citizens	556	66,326	562	73,107
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS					
DE	Democracy & Human Rights	830	352,238	839	272,600
EP	Economic Prosperity and Security	1,553	457,576	1,570	467,634
SE	Social & Environmental Issues	284	333,435	287	210,054
HR	Humanitarian Response	552	47,738	558	37,573
PROMOTE INTERNATIONAL UNDERSTANDING					
PD	Public Diplomacy and Public Affairs	2,251	569,898	2,275	853,213
STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES					
MG	Management and Organizational Excellence	9,675	5,377,221	9,778	5,200,268
Strategic Goal Sub Total		19,677	9,904,833	19,887	10,238,792
Office of the Inspector General		314	30,028	318	30,945
International Commissions		345	63,273	345	66,478
F.S. Retirement & Disability Fund			132,600		131,700
GRAND TOTAL		20,336	\$ 10,130,734	20,550	\$ 10,467,915

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

RESOURCE SUMMARY

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

(\$ in thousands)

STRATEGIC OBJECTIVE	FY 2005	FY 2006
Strategic Goal	Funds	Funds
ACHIEVE PEACE AND SECURITY		
RS Regional Stability	\$ 5,195,221	\$ 4,483,749
CT Counterterrorism	1,535,087	1,217,315
HS Homeland Security	2,231	19,894
WD Weapons of Mass Destruction	219,561	264,380
IC International Crime and Drugs	1,809,093	1,565,195
AC American Citizens	—	—
ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS		
DE Democracy & Human Rights	1,147,267	1,598,825
EP Economic Prosperity and Security	2,196,707	2,532,330
SE Social & Environmental Issues	1,972,596	3,331,894
HR Humanitarian Response	1,131,557	1,125,464
PROMOTE INTERNATIONAL UNDERSTANDING		
PD Public Diplomacy and Public Affairs	26,878	15,190
STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES		
MG Management and Organizational Excellence	37,812	23,813
Strategic Goal Sub Total	15,274,010	16,178,049
OTHER FOREIGN OPERATIONS 2/	4,351,000	4,681,253
Total - Foreign Operations	19,625,010	20,859,302
AGRICULTURE - P.L. 480 Title II	1,173,000	1,138,500
GRAND TOTAL	\$ 20,798,010	\$ 21,997,802

² The FY 2005 and FY 2006 figures include international affairs resources (Function 150) for other U.S. Government agencies to which the Department provides foreign policy guidance (e.g., EXIM, OPIC, TDA, Peace Corps, Millennium Challenge), and international financial institutions.

WOMEN IN DIPLOMACY*

Ever since women were permitted to join the U.S. diplomatic corps in 1922, they have slowly but surely made their way to the highest leadership positions in the State Department. In 1933, Ruth Bryan Owen was appointed as the first female chief of mission as head of the U.S. embassy for Denmark and Iceland. The first woman appointed chief of mission at the ambassador level, Helen Eugenie Moore Anderson, was named ambassador to Denmark in 1949.

In the first 42 years following Ruth Owen's appointment as chief of mission (1933-1976), the number of female appointments as chief of mission or assistant secretaries of State stayed well within the single digits. The Ford administration broke this barrier, appointing seven female chiefs of mission and three women to senior positions. With the Carter administration, rapid progress began: 18 women were made chiefs of mission and 10 were appointed to other senior positions. Presidents Ronald Reagan and George H.W. Bush continued the trend, with 33 and 37 female appointments, respectively. The Clinton administration made a larger leap, appointing 116 women to the senior-most diplomatic posts. In his first term, President George W. Bush named 69 women to the highest diplomatic posts.

Since 2001, several women have been named ambassadors to Arab countries. Maureen Quinn was ambassador to Qatar from 2001 to 2004. During the same period, Marcelle Wahba was ambassador to the United Arab Emirates, and was succeeded by Michelle Sison, who had been the deputy chief of mission in Pakistan from 2000 to 2002. In 2003, Margaret Scobey was appointed ambassador to Syria. The rapid gains of the past decade are the culmination of over 70 years of incremental advances for women in U.S. diplomacy, and position women for new breakthroughs in leadership in the months and years ahead.

FIRSTS FOR FEMALE DIPLOMATS

- 1922** First woman admitted to the U.S. Foreign Service: Lucile Atcherson (FSO).*
- 1933** First female chief of mission at the minister rank: Ruth Bryan Owen, Denmark and Iceland.
- 1949** First woman chief of mission at the ambassador rank: Helen Eugenie Moore Anderson, Denmark.
- 1953** First female career diplomat chief of mission: Frances Willis (FSO), Switzerland. She was the third woman to be admitted to the Foreign Service.
- 1961** First female chief of mission outside of Europe and first to South Asia: Frances Willis (FSO), Ceylon.
- 1962** First woman to attain the rank of career ambassador: Frances Willis (FSO).
- 1965** First female African-American ambassador: Patricia Harris, Luxembourg.
- 1969** First female ambassador to a Caribbean country: Eileen Roberts Donovan (FSO), Barbados.
- 1971** First woman appointed to an international organization: Betty Dillon, representative to the International Civil Aviation Organization.
- 1972** First female ambassador to an African country: Jean Wilkowski (FSO), Zambia.
- 1973** First female assistant secretary of State: Carol Laise Bunker (FSO), Public Affairs.
- 1975** First female ambassador to a Pacific island nation: Mary Olmsted (FSO), Papua New Guinea and the Solomon Islands.
- 1977** First female Hispanic-American ambassador and first female ambassador to a Central American country: Mari-Luci Jarimillo, Honduras.
- 1977** First female Asian-American assistant secretary of State: Patsy Takemoto Mink, Oceans and International Environmental and Scientific Affairs.
- 1977** First female under secretary of State: Lucy Benson, Security Assistance, Science and Technology.
- 1978** First female ambassador to a South American country: Nancy Ostrander (FSO), Suriname.
- 1979** First female ambassador to an Asian country: Patricia Byrne (FSO), Burma.
- 1981** First female U.S. Permanent Representative to the United Nations: Jeane Kirkpatrick. In 1993, Madeleine Albright became the second woman appointed as U.S. Permanent Representative to the U.N.
- 1985** First woman to head a geographic bureau: Rozanne Ridgway (FSO), Assistant Secretary for European and Canadian Affairs.
- 1988** First female ambassador to a Middle Eastern country: April Catherine Glaspie (FSO), Iraq.
- 1994** First female Asian-American ambassador: March Fong Eu, Micronesia.
- 1997** First female Secretary of State: Madeleine Albright.
- 2005** First female African-American Secretary of State: Condoleezza Rice.

*(FSO) Foreign Service officer. All others are non-career, political appointees.

Financial Section



This section contains the Department's financial statements and related Independent Auditor's Report, and other information pertaining to the Department's financial management. For more information on this section, please contact the Office of Financial Policy, Reporting, and Analysis at (202) 261-8620.

FINANCIAL AND PERSONNEL HIGHLIGHTS

(Dollars in Thousands)	% Change 2006 over 2005	2006 Restated	2005 Restated
At End of Year:			
Condensed Balance Sheet Data:			
Investments, Net	+5%	\$ 14,101,765	\$ 13,389,090
Fund Balances With Treasury	+15%	16,170,761	14,023,542
Property and Equipment, Net	+17%	9,175,917	7,862,612
Other	-53%	509,511	1,079,749
Total Assets	+10%	\$ 39,957,954	\$ 36,354,993
Foreign Service Retirement Actuarial ¹	+6%	\$ 14,215,300	\$ 13,429,300
Liability to International Organizations	-2%	1,155,344	1,178,130
Other	+2%	2,522,403	2,472,568
Total Liabilities	+5%	17,893,047	17,079,998
Unexpended Appropriations	+15%	13,095,268	11,430,639
Cumulative Results of Operations	+14%	8,969,639	7,844,356
Total Net Position	+15%	22,064,907	19,274,995
Total Liabilities and Net Position	+10%	\$ 39,957,954	\$ 36,354,993
Full-time Personnel:			
Civil Service	+2%	8,270	8,092
Foreign Service	+1%	11,397	11,238
Foreign Service National	-9%	8,189	8,964
Total Full-time Personnel	-2%	27,856	28,294
Foreign Service Annuitants¹	+6%	15,759	14,842
For the Year:			
Total Cost	+7%	\$ 17,082,939	\$ 15,953,921
Total Earned Revenue	+11%	(4,590,276)	(4,131,816)
Total Net Cost of Operations	+6%	\$ 12,492,663	\$ 11,822,105
On-Time Payments (%)	-2%	94%	96%
Electronic Funds Transfer Payments (%)	+2%	87%	85%

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).

Independent Auditor's Report





United States Department of State
and the Broadcasting Board of Governors

Inspector General

December 19, 2006

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INFORMATION MEMORANDUM TO THE SECRETARY

FROM: OIG – Mr. Howard J. Krongard

Handwritten signature of Howard J. Krongard in black ink.

SUBJECT: *Independent Auditor's Report on the U.S. Department of State's Restated 2006 and
2005 Financial Statements* (Report AUD/FM-07-12A)

In compliance with the Chief Financial Officers Act, as amended, OIG contracted with Leonard G. Birnbaum and Company, LLP (LGB), an independent certified public accounting firm, to audit the Department's restated financial statements as of September 30, 2006 and 2005, and for the years then ended.

In a report dated November 14, 2006, LGB indicated that the Department was unable to provide complete financial statements as of and for the years ended September 30, 2006 and 2005, or respond to requests for evidential material in a timely manner, including information on the restatement of the 2005 financial statements necessitated by material amounts of real property that had not been reported properly in the 2005 financial statements. Accordingly, LGB was not able to complete its work in time to meet the November 15, 2006, deadline imposed by the Office of Management and Budget for issuing its report. The scope of LGB's work was not sufficient to enable it to express, and it did not express, an opinion on the 2006 or 2005 financial statements. Due to the restatement, LGB's opinion on the 2005 financial statements, issued December 14, 2005, should not be relied upon.

The Department restated its 2006 financial statements. Subsequent to the issuance of the financial statements on November 15, 2006, the Department received notification of changes in amounts previously reported by an agency that had received funds from the Department. The net effect of the corrections to the Department's FY 2006 financial statements was to decrease Other Assets, Total Assets, Unexpended Appropriations, and Total Net Position by \$104.5 million and to increase Appropriations Used, Total Cost, and Net Cost by \$104.5 million.

The Department subsequently completed its efforts to address issues related to real property and provided LGB with completed restated financial statements for 2006 and 2005 and adequate documentation to support the amounts reported on the financial statements. LGB has satisfied itself that the amounts presented in the Department's

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restated 2006 and restated 2005 financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Accordingly, its present opinion on the Department's restated 2006 and restated 2005 financial statements is different from the disclaimer of opinion included in its previous report dated November 14, 2006, and that report should not be relied upon.

LGB found the following::

- Six reportable conditions involving the Department's internal controls over the recording of personal property, the domestic information system network's vulnerability to unauthorized access, the financial and accounting system, the management of undelivered orders, the implementation of managerial cost accounting standards, and the recording of real property and related depreciation expense.
- Instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management system.
- The Department's financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996.

LGB's report, dated December 12, 2006, is attached for your review. LGB is responsible for this report and the opinions and conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding performance under the terms of the contract. OIG's review, as differentiated from an audit in accordance with *Government Auditing Standards*, was not intended to enable OIG to express, and OIG does not express, an opinion on the Department's financial statements or conclusions about the effectiveness of internal control and compliance with certain laws and regulations, including the Federal Financial Management Improvement Act.

The Bureau of Resource Management's comments are included as Appendix A to the report. In addition to this report, OIG will transmit a separate management letter discussing several other matters that were identified during the review.

OIG appreciates the cooperation extended to it and its contractors by the Department's managers and staff during its work.

Attachment: *Independent Auditor's Report on the U.S. Department of State's Restated 2006 and 2005 Financial Statements* (Report AUD/FM-07-12A)

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INDEPENDENT AUDITOR'S REPORT

To the Secretary, Department of State:

We have audited the Department of State's (Department) restated Consolidated Balance Sheets, restated Consolidated Statements of Net Cost, restated Consolidated Statements of Changes in Net Position, Combined Statements of Budgetary Resources, and restated Consolidated Statements of Financing as of, and for the years ended, September 30, 2006 and 2005; we have examined internal control over financial reporting in place as of September 30, 2006, and for the year then ended; and we have examined compliance with applicable laws and regulations.

During FY 2006, the Department became aware of potentially material amounts of real property that had not been properly reported in its financial statements. While examining this issue, the Department learned of other issues related to the accuracy of amounts reported as real property. These issues affected FY 2006 and 2005 balances and activity.

In our report dated November 14, 2006, we reported that because the Department was unable to provide complete financial statements or respond to requests for evidential material in a timely manner and we were not able to perform other auditing procedures to satisfy ourselves as to the accuracy of the 2006 financial statements in time to meet the November 15, 2006, deadline imposed by the Office of Management and Budget (OMB) for issuing our report, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements as of, and for the year ended, September 30, 2006.

In our report dated November 14, 2006, we also reported that because the Department was unable to provide complete financial statements or respond to requests for evidential material on its restatement of its 2005 financial statements (as detailed in Note 20) in a timely manner and we were not able to perform other auditing procedures to satisfy ourselves as to the accuracy of the restated 2005 financial statements in time to meet the November 15, 2006, deadline imposed by the OMB for issuing our report, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the restated financial statements as of, and for the year ended, September 30, 2005. Our disclaimer of opinion on the Department's restated 2005 financial statements, as presented in our report dated November 14, 2006, differed from the opinion expressed in our original report on the Department's 2005 financial statements dated December

14, 2005. Accordingly, our report on the Department's 2005 financial statements, dated December 14, 2005, should not be relied upon.

As detailed in Note 20, the Department has also restated its FY 2006 financial statements. Subsequent to the issuance of the financial statements on November 15, 2006, the Department received notification of changes in amounts previously reported by an agency that had received funds from the Department. The net effect of the corrections to the Department's FY 2006 financial statements was to decrease Other Assets, Total Assets, Unexpended Appropriations, and Total Net Position by \$104.5 million and to increase Appropriations Used, Total Cost, and Net Cost by \$104.5 million.

The Department has completed its efforts to address issues related to real property and has provided adequate documentation to support the amounts reported on the financial statements, together with completed financial statements. We have satisfied ourselves that the amounts presented in the Department's restated 2006 and restated 2005 financial statements are presented fairly in all material respects in conformity with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the Department's restated 2006 and restated 2005 financial statements, as presented herein, is different from the disclaimer of opinion identified in our previous report dated November 14, 2006, and that report should not be relied upon.

In our opinion, the Department's restated 2006 and restated 2005 financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We found:

- Reportable conditions on weaknesses in the Department's internal controls.
- Instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management system.
- The Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996.

Each of these conclusions is discussed in more detail below. This report also discusses the scope of our work.

FINANCIAL STATEMENTS

In our opinion, the Department's restated 2006 and restated 2005 financial statements, including the notes thereto, present fairly, in all material respects, the Department's financial position as of September 30, 2006 and 2005, and the net cost of operations, the changes in net position, the use of budgetary resources, and the use of financing resources, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, in 2005, the Department determined that major aircraft components – high dollar value items that are repairable and in serviceable condition – should be treated as general property and equipment and as such capitalized and depreciated over the life of the asset once installed on an aircraft. In 2006, the Department conducted an analysis that determined that the actual useful life of such components was less than two years and, as such, did not meet the definition of general property and equipment as provided for in the Statement of Federal Financial and Accounting Standards (SFFAS) Number 6, *Accounting for Property, Plant, and Equipment*. In addition, these major components do not meet the definition of inventory as provided for in SFFAS Number 3, *Accounting for Inventory and Related Property*.

INTERNAL CONTROL

We considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 06-03, *Audit Requirements for Federal Financial Statements*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

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

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

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

which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We are required to review the Department's current Federal Managers' Financial Integrity Act report and disclose differences with the material weaknesses in our report. We did not identify any discrepancies.

We noted six matters involving internal control that we consider to be reportable conditions as follows:

- We have identified deficiencies related to the recording of personal property and related depreciation expense and accumulated depreciation. The Department does not have an adequate system of controls to identify and record property in the hands of contractors. Further, the Department's controls over vehicles and other personal property are ineffective. Our tests disclosed (1) significant discrepancies between inventories of property reported by posts and bureaus and those maintained centrally and used as a source for reporting for financial statement purposes, (2) posts not submitting inventories of property with no investigation by responsible Department officials, (3) property not reported by posts and bureaus, (4) errors resulting from ineffective interface between IT applications related to property, and (5) errors in depreciation resulting from incorrect in-service dates.
- We have identified deficiencies related to information system security that we believe could be exploited to have a detrimental effect on the information used to prepare the financial statements. We believe that the information system networks for domestic operations are vulnerable to unauthorized access. Consequently, systems, including the Department's financial management system, that process data using these networks may also be vulnerable.

The two items above were reported as material weaknesses in our report on the 2005 financial statements.

- The Department's financial and accounting system, as of September 30, 2006, was inadequate. There is a risk of materially misstating financial information under the current conditions. This condition is a significant reason that the Department was unable to provide complete financial statements or respond to requests for evidential material in a timely manner, which led to our inability to express an opinion on the 2006 financial statements. The principal areas of inadequacy were the following:
 - Certain elements of the financial statements, including, but not limited to, personal property, capital leases, and certain accounts payable, are developed from sources other than the general ledger. The use of sources other than the general ledger to generate elements of the financial statements increases the potential for omission of significant transactions.
 - During 2006, the Department used several systems for the management of grants and other types of financial assistance. The systems lacked standard data classifications and common processes and were not integrated with the Department's centralized financial management system. Further, the Department could not produce reliable financial information that defined the universe of grants and other federal financial assistance. The Department has undertaken an initiative jointly with the U.S. Agency for International Development to establish

a grants management system. Subject to funding approval, implementation of such a system is expected to begin in the FY 2007 time frame.

- The Department is unable to produce year-end financial data to be included in its Performance and Accountability Report in a timely manner.
- The Department's internal control process related to the management of undelivered orders was inadequate. The Department has made significant improvements in this area over the past three years. The Department has actively worked with bureaus to validate undelivered orders and has successfully cleared up a significant number of obligations that were outstanding from past years. However, the Department needs to perform additional work to correct this condition. Our tests indicated that over \$400 million of undelivered orders should have been deobligated as of September 30, 2006. Also, we noted that the Department's undelivered orders balance has grown to \$10.7 billion as of September 30, 2006. The Budget and Accounting Procedures Act of 1950 requires that the Department's accounting system provide effective control over funds. Failure to deobligate funds in a timely manner may result in the loss of availability of those funds.

The above two reportable conditions were cited in our audit of the Department's 1997 financial statements and subsequent audits.

- Although the Department complied with certain aspects of Statement of Federal Financial Accounting Standards (SFFAS) Number 4, *Managerial Cost Accounting Standards* (for instance, it chose reasonable responsibility segments, recognized the cost of goods and services that it receives from other entities, and used an appropriate allocation methodology), it did not implement an effective process to routinely collect managerial cost accounting information or establish outputs for each responsibility segment. Until this is done, we do not believe the information will be useful as a management decisionmaking tool.

The above condition was reported in our audit of the Department's 2000 financial statements and subsequent audits.

- The Department's controls related to the recording of real property and related depreciation expense and accumulated depreciation during most of FY 2006 and all of FY 2005 were inadequate, resulting in (1) significant amounts of construction costs being expensed rather than capitalized and (2) costs of completed projects not being moved from construction-in-progress on a timely basis.

These reportable conditions, although not considered material weaknesses, represent deficiencies in the design or operation of internal control, which could adversely affect any decision by management that is based, in whole or in part, on information that is inaccurate because of them. Unaudited financial information reported by the Department, including budget information, also may contain misstatements resulting from these deficiencies.

In addition, we considered the Department's internal control over Required Supplementary Information by obtaining an understanding of the Department's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of controls as required by OMB Bulletin 06-03 and not to provide assurance on those internal controls. Accordingly, we do not provide an opinion on those controls.

Finally, with respect to internal control related to performance measures reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant controls relating to the existence and completeness assertions and determined whether those controls had been placed in operation as required by OMB Bulletin 06-03. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

We noted certain other internal control issues that we have reported to the Department's management in a separate letter dated December 12, 2006.

COMPLIANCE WITH LAWS AND REGULATIONS

The Department's management is responsible for complying with laws and regulations applicable to the Department. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 06-03, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the Department. The objective of our audit of the financial statements, including our tests of compliance with selected provisions of applicable laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions in statutes and regulations, that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or that sensitivity warrants disclosure thereof.

The results of our tests of compliance with the laws and regulations described above, exclusive of FFMIA, disclosed the following instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin 06-03.

Overall, we found that the Department's financial management system did not comply with a number of laws and regulations as follows:

- *Budget and Accounting Procedures Act of 1950*. This act requires an accounting system to provide full disclosure of the results of financial operations; adequate financial information needed in the management of operations and the formulation and execution of the budget; and effective control over income, expenditures, funds, property, and other assets. However, we found that the Department's financial system (1) does not provide effective control over personal property, (2) does not manage undelivered orders effectively, and (3) is unable to issue year-end financial data to be included in its Performance and Accountability Report in a timely manner.

- *Federal Managers' Financial Integrity Act of 1982.* This act requires the implementation of internal accounting and administrative controls that provide reasonable assurance that (1) obligations and costs are in compliance with applicable laws; (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures applicable to Department operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. However, as discussed above, we found that the Department's financial system does not provide effective control over personal property and does not manage undelivered orders effectively. Hence, these funds are not adequately protected from waste or loss.

- *Chief Financial Officers Act of 1990.* This act requires the development and maintenance of an integrated accounting and financial management system that (1) complies with applicable accounting principles, standards and requirements, and internal control standards; (2) complies with such policies and requirements as may be prescribed by the Director of OMB; (3) complies with any other requirements applicable to such systems; and (4) provides for (i) complete, reliable, consistent, and timely information that is prepared on a uniform basis and that is responsive to the financial information needs of agency management; (ii) the development and reporting of cost information; (iii) the integration of accounting and budgeting information; and (iv) the systematic measurement of performance. However, we found that the Department's financial system did not provide complete information in that certain elements of the financial statements are developed from sources other than the general ledger, nor does the Department's financial management system produce year-end financial data to be included in its PAR in a timely manner.

- *OMB Circular A-127.* This circular requires the Department to establish and maintain an accounting system that provides for (1) complete disclosure of the financial results of the activities of the Department; (2) adequate financial information for Department management and for formulation and execution of the budget; and (3) effective control over revenue, expenditure, funds, property, and other assets. However, we found again that the financial system did not maintain effective control over personal property and undelivered orders. Further, the Department's failure to implement an effective managerial cost accounting system precludes effective control over revenues and expenditures.

The above areas of noncompliance were cited in our audit of the Department's 1997 financial statements and subsequent audits.

The results of our tests of compliance with other laws and regulations disclosed no material instances of noncompliance. Compliance with FFMIA is discussed below.

Under FFMIA, we are required to report whether the Department's financial management systems substantially comply with federal financial management system requirements, applicable accounting standards, and the U.S. Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for FFMIA issued by OMB on January 4, 2001. OMB implementation guidance states that, to be in substantial compliance with this requirement, the Department must adhere to all applicable SFFASs; meet specific requirements of OMB Circular A-127, including the computer security controls required by OMB Circular A-130, *Management*

of *Federal Information Resources*; and receive an unqualified opinion on its financial statements that discloses no material weaknesses in internal control that affect the Department's ability to prepare financial statements and related disclosures.

The results of our tests disclosed instances, described below, where the Department's financial management systems did not, in our view, substantially comply with the requirement to follow the federal financial management system requirements, nor did it comply with applicable accounting standards.

- SFFAS No. 4, as noted above, requires implementation of an effective process to routinely collect managerial cost accounting information and establish outputs for each responsibility segment. We found, as discussed above, that the Department had not met this requirement.
- OMB Circular A-127 requires that the Department's systems support management's fiduciary role by providing complete, reliable, consistent, timely, and useful financial management information. Based on the deficiencies related to financial management systems discussed in the report on internal controls and the preceding paragraphs in the report on compliance with laws and regulations, we determined that the Department was not substantially in compliance with this standard.
- OMB Circular A-130, Appendix III, requires that the Department ensure an adequate level of security for all agency automated information systems. Specifically, the Department should ensure that automated information systems operate effectively and have appropriate safeguards to ensure the integrity of those systems. Based on our concerns related to the financial management systems discussed in the report on internal control and the preceding paragraphs in the report on compliance with laws and regulations, we consider the Department to not substantially comply with this standard.

As noted above, the Department was unable to provide complete financial statements or respond to requests for evidential material in time for us to meet the November 15, 2006, deadline for issuing an opinion as imposed by the OMB.

The Department's Bureau of Resource Management (RM) has overall responsibility for the Department's financial management systems. The foregoing noncompliance has its roots in the lack of organization and integration of the Department's financial management systems. In our audits of the Department's financial statements since 1997, we observed that the Department's financial management systems were not in compliance with FFMIA and recommended, in connection with our audits of the Department's 1997 and 1998 Principal financial statements, that a remediation plan be prepared. RM submitted its plan to remediate noncompliance with FFMIA to OMB on March 16, 2000. Although RM has made significant progress in completing several phases of its plan, the plan has not effectively dealt with the issues related to managerial cost accounting or eliminated the deficiencies in systems security.

We noted certain other instances of noncompliance that we reported to the Department's management in a separate letter dated December 12, 2006.

RESPONSIBILITIES AND METHODOLOGY

Department management has the responsibility for:

- preparing the financial statements and required supplementary information and other accompanying information in conformity with accounting principles generally accepted in the United States of America;
- establishing and maintaining effective internal control; and
- complying with applicable laws and regulations.

Our responsibility is to express an opinion on the financial statements based on our audit. Auditing standards generally accepted in the United States of America require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and presented fairly in accordance with accounting principles generally accepted in the United States of America. We considered the Department's internal control for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control. We are also responsible for testing compliance with selected provisions of applicable laws and regulations that may materially affect the financial statements.

In order to fulfill these responsibilities, we:

- examined on a test basis evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the internal controls over financial reporting by obtaining an understanding of the Department's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls;
- obtained an understanding of the internal controls relevant to performance measures included in Management's Discussion and Analysis, including obtaining an understanding of the design of internal controls relating to the existence and completeness assertions and determining whether they had been placed in operation;
- obtained an understanding of the process by which the Department identifies and evaluates weaknesses required to be reported under FMFIA and related Department implementing procedures;
- tested compliance with selected provisions of laws and regulations that may have a direct and material effect on the financial statements;

- obtained written representations from management; and
- performed other procedures as we considered necessary under the circumstances.

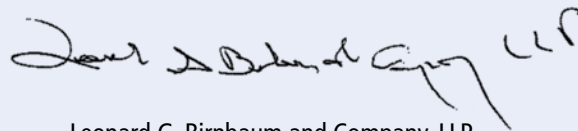
Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* and OMB Bulletin 06-03. We believe that our audit provided a reasonable basis for our opinions.

The Management's Discussion and Analysis and Required Supplementary Information are supplementary information required by OMB Circular A-136, Financial Reporting Requirements, and the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended for the information and use of the Inspector General of the U.S. Department of State, the Department's management, OMB, and the Congress.

This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Comments by the Department's management on this report are presented as Appendix A.



Leonard G. Birnbaum and Company, LLP
Alexandria, Virginia

December 12, 2006



United States Department of State

Washington, D.C. 20520

DEC 18 2006

MEMORANDUM

TO: OIG – Mr. Howard J. Krongard

FROM: RM – Bradford R. Higgins

A handwritten signature in black ink, appearing to read "B. Higgins".

SUBJECT: Draft Audit Report on the Department of State's September 30, 2006 and 2005 Financial Statements

This is in response to your request for comments on the draft report titled "Audit of the U.S. Department of State's September 30, 2006 and 2005 Financial Statements" (Report).

The Department is committed to effective internal controls. Throughout 2006 we worked closely with the Independent Auditor to address the material weaknesses in accounting for personal property and information systems security reported in their FY 2005 *Independent Auditor's Report*. As a result, and as reflected in the Report, the Independent Auditor downgraded these items to a reportable condition, and reports no material weaknesses in internal controls.

To strengthen internal controls in 2006, the Department committed to, and fully implemented, the requirements of Appendix A, Internal Control over Financial Reporting, of OMB Circular A-123. During the implementation of Appendix A, and other work during FY 2006, Department management identified a material weakness related to accounting for real property construction-in-progress. Recognizing the severity of the deficiency, the Department developed more detailed procedural guidance for establishing projects to ensure construction costs are properly capitalized, and implemented monitoring controls for both project establishment and project completion. As a result of the corrective actions taken, the material weakness was resolved by September 30, 2006.

Unfortunately, due to the complexity of the matters involved in addressing the real property deficiencies, the accelerated financial reporting requirements, and our commitment and focus to successfully resolve the material weaknesses noted above, the Department was unable to provide timely financial statements or documentation on the appropriateness of the associated restatement to satisfy the Independent Auditor with regard to the

presentation of real property in time to meet the November 15, 2006 deadline required by OMB. As a result and as more fully explained in the *Independent Auditor's Report*, the Independent Auditors issued a disclaimer of opinion on our FY 2006 and restated FY 2005 financial statements. Since then, with the cooperation of the Independent Auditor and your office, our efforts continued, and we are pleased to report that we have successfully satisfied the Independent Auditor about the amounts presented and have therefore received an unqualified ("clean") opinion thereon, dated December 12, 2006.

In relation to internal controls, the Report cites reportable conditions in (1) the recording and related depreciation of personal property, (2) the Department's security of information systems networks, (3) the inadequacy of the Department's financial management systems, (4) the management of unliquidated obligations, (5) the recording and related depreciation of real property, and (6) the implementation of Managerial Cost Accounting Standards. The Department's financial management systems are also reported as noncompliant with laws and regulations, including the Federal Financial Management Improvement Act of 1996 (FFMIA). Each of the matters identified in the *Independent Auditor's Report* will be addressed as well as other deficiencies noted during their audit.

In October 2005, the Department's Management Control Steering Committee (MCSC) – the body charged with overseeing the Department's management control program under the Federal Managers' Financial Integrity Act (FMFIA) — created a subcommittee to address the weaknesses in personal property. In 2006, improvements were implemented in the methods used to identify and report armored vehicle costs, aircraft, property held by contractors, and Department-owned vehicles. In 2007, the MCSC and senior Department management will ensure that efforts continue to further strengthen the controls over the accounting for personal property.

For information systems security, the Department remains intensely aware of the value and sensitivity of its information and information systems and is dedicated to the vigilance required to ensure their adequate protection. Accordingly, the Department continues to monitor this area through the MCSC. In FY 2007, in addition to improved certification and accreditation processes, our efforts will focus on obtaining a clear inventory of systems, addressing the many new OMB and NIST system requirements, patch management department-wide, and ensuring the Department has the latest versions of protections in place.

Compliance with Federal financial systems requirements remains a top priority. In 2006, the MCSC voted unanimously to categorize this issue as a financial system deficiency, a significant improvement from its long-standing status as a material non-conformance. In 2007, domestic users will be converted to the same platform and software that services overseas users, thereby establishing the Global Financial Management System (GFMS). As part of the GFMS implementation, the most up-to-date module for accounting for fixed assets will be installed, and a new data warehouse is being built that will provide for better reporting capabilities for users.

To improve the management of grants and other types of financial assistance, the Department is developing, in collaboration with USAID, the Joint Assistance Management System (JAMS). JAMS will provide the capability

to centrally track and manage Federal financial assistance issued by the Department. The Department plans to conduct a pilot phase in 2007, followed by deployment through 2008.

Strengthening the management of undelivered orders (UDOs) is an important financial management initiative. The Independent Auditor's Report notes that there have been improvements in this area, and we continue our efforts to establish adequate processes and controls. New capabilities in the Department's Central Financial Management System allow for the automatic deobligation of UDOs based on a wide range of criteria (e.g., age, object class, dollar amount). In addition, as part of our efforts on the President's Management Agenda Initiative for Improved Financial Performance, we chart and report on the percentage of UDOs with no activity for the past 12 months. These actions have resulted in the deobligation of thousands of items with a value exceeding \$200 million during 2006.

The Department continues to make progress in implementing Managerial Cost Accounting Standards (MCAS), but acknowledges that additional work is needed to fully comply with these standards. In 2005, the Department established a project team, which includes consultants with experience implementing Cost Accounting Systems. In 2006, the team surveyed other agencies and organizations for lessons learned and best practices; conducted an assessment of offices to determine business needs for cost information, current cost accounting practices, outputs and outcomes, and unmet needs; evaluated a managerial cost software module and confirmed usability; and developed a strategic approach and implementation strategy. In 2007, the team will conduct pilots to test the strategy, to be followed by a phased implementation Department-wide.

We thank you for the opportunity to comment on the draft report. We would also like to extend our appreciation to your staff and to your contractor, Leonard G. Birnbaum and Company, LLP, for the professional and collaborative manner in which they conducted the audit. We believe considerable progress on a number of matters was made over the past year as a result of the collaborative manner in which the audit was conducted, and the Department remains committed to improving the management of its programs and the quality of its financial reporting.

Financial Statements



INTRODUCTION TO PRINCIPAL FINANCIAL STATEMENTS

The Principal Financial Statements (Statements) have been prepared to report the financial position and results of operations of the U.S. Department of State (Department). The Statements have been prepared from the books and records of the Department in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*. The Statements are in addition to financial reports prepared by the Department in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. The Statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The Department has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation. Comparative data for 2005 are included.

The **Consolidated Balance Sheet** provides information on assets, liabilities, and net position similar to balance sheets reported in the private sector. Intra-departmental balances have been eliminated from the amounts presented.

The **Consolidated Statement of Net Cost** reports the components of the net costs of the Department's operations for the period. The net cost of operations consists of the gross cost incurred by the Department less any exchange (i.e., earned) revenue from our activities. Intra-departmental balances have been eliminated from the amounts presented.

The **Consolidated Statement of Changes in Net Position** reports the beginning net position, the transactions that affect net position for the period, and the ending net position. Intra-departmental transactions have been eliminated from the amounts presented.

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

The **Consolidated Statement of Financing** reports the relationship between budgetary transactions and financial transactions.

Required Supplementary Information contains a Combining Schedule of Budgetary Resources that provides additional information on amounts presented in the **Combined Statement of Budgetary Resources**, and information on Stewardship Plant, Property and Equipment.

PRINCIPAL FINANCIAL STATEMENTS

DEPARTMENT OF STATE
CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

As of September 30,	Notes	2006 (Restated)	2005 (Restated)
ASSETS	3		
Intragovernmental Assets:			
Fund Balances With Treasury	4	\$ 16,170,761	\$ 14,023,542
Investments, Net	5	14,101,765	13,573,857
Accounts Receivable, Net	6	344,038	599,191
Total Intragovernmental Assets		30,616,564	28,196,590
Accounts and Loans Receivable, Net	6	34,319	70,357
Cash and Other Monetary Assets	7	48,666	159,202
Property and Equipment, Net	8	9,175,917	7,862,612
Other Assets	9	82,488	66,232
Total Assets		\$ 39,957,954	\$ 36,354,993
Stewardship PP&E	8		
LIABILITIES	10		
Intragovernmental Liabilities:			
Accounts Payable		\$ 3,473	\$ 814
Other Liabilities		316,271	26,374
Total Intragovernmental Liabilities		319,744	27,188
Accounts Payable		1,250,204	1,268,980
Foreign Service Retirement Actuarial Liability	11	14,215,300	13,429,300
Liability to International Organizations	12	1,155,344	1,178,130
Environmental Liabilities	10	392,300	392,300
Other Liabilities	10,13	560,155	784,100
Total Liabilities		17,893,047	17,079,998
Commitments and Contingencies	14		
NET POSITION			
Unexpended Appropriations		13,095,268	11,430,639
Cumulative Results of Operations—Earmarked Funds	15	(19,824)	
Cumulative Results of Operations—Other Funds		8,989,463	7,844,356
Total Net Position		22,064,907	19,274,995
Total Liabilities and Net Position		\$ 39,957,954	\$ 36,354,993

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

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF NET COST (NOTE 16)

(Dollars in Thousands)
As of September 30,

	2006 (Restated)	2005 (Restated)
Achieve Peace and Security		
Regional Stability		
Total Cost	\$ 1,285,178	\$ 1,355,089
Earned Revenue	(111,911)	(77,898)
Net Program Costs	1,173,267	1,277,191
Counterterrorism		
Total Cost	1,021,966	1,077,557
Earned Revenue	(88,991)	(61,943)
Net Program Costs	932,975	1,015,614
Homeland Security		
Total Cost	625,132	659,137
Earned Revenue	(54,435)	(37,891)
Net Program Costs	570,697	621,246
Weapons of Mass Destruction		
Total Cost	584,173	615,949
Earned Revenue	(50,869)	(35,409)
Net Program Costs	533,304	580,540
International Crime and Drugs		
Total Cost	2,147,471	1,895,084
Earned Revenue	(388,705)	(418,888)
Net Program Costs	1,758,766	1,476,196
American Citizens		
Total Cost	2,380,822	2,295,802
Earned Revenue	(2,332,238)	(1,990,390)
Net Program Costs	48,584	305,412
Advance Sustainable Development and Global Interests		
Democracy and Human Rights		
Total Cost	631,846	666,216
Earned Revenue	(55,020)	(38,298)
Net Program Costs	576,826	627,918
Economic Prosperity and Security		
Total Cost	1,032,707	1,088,886
Earned Revenue	(89,926)	(62,596)
Net Program Costs	942,781	1,026,290
Social and Environment Issues		
Total Cost	284,699	300,187
Earned Revenue	(24,791)	(17,256)
Net Program Costs	259,908	282,931
Humanitarian Response		
Total Cost	1,968,417	1,034,885
Earned Revenue	(122)	(51)
Net Program Costs	1,968,295	1,034,834
Promote International Understanding		
Public Diplomacy and Public Affairs		
Total Cost	1,638,788	1,765,229
Earned Revenue	(165,591)	(122,055)
Net Program Costs	1,473,197	1,643,174
Executive Direction and Other Costs Not Assigned		
Total Cost	3,481,740	3,199,900
Earned Revenue	(1,227,677)	(1,269,141)
Net Program Costs	2,254,063	1,930,759
Total Cost	17,082,939	15,953,921
Total Revenue	(4,590,276)	(4,131,816)
Total Net Cost	\$ 12,492,663	\$ 11,822,105

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

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

(Dollars in Thousands)

For the Year Ended September 30

	2006 (Restated)		2005 (Restated)	
	Earmarked Funds	All Other Funds	Consolidated Total	Consolidated Total
Cumulative Results of Operations				
Beginning Balances	\$ 232,262	\$ 7,612,094	\$ 7,844,356	\$ 6,312,138
Adjustments:				
Corrections of errors	-	-	-	456,975
Beginning balance, as adjusted	232,262	7,612,094	7,844,356	6,769,113
Budgetary Financing Sources:				
Other Adjustments	-	555	555	-
Appropriations Used	-	14,370,657	14,370,657	13,584,128
Non-exchange Revenue	2,827	24,903	27,730	17,639
Donations and Forfeitures of Cash and Cash Equivalents	6,346	1,473	7,819	4,246
Transfers in/out without Reimbursement (+/-) Other	4,936	(910,315)	(905,379)	(828,137)
Other Financing Sources (Non-Exchange):				
Imputed Financing From Costs Absorbed by Others	-	116,564	116,564	119,472
Total Financing Sources	14,109	13,603,837	13,617,946	12,897,348
Net Cost of Operations (+/-)	(266,195)	(12,226,468)	(12,492,663)	(11,822,105)
Net Change	(252,086)	1,377,369	1,125,283	1,075,243
Cumulative Results of Operations	(19,824)	8,989,463	8,969,639	7,844,356
Unexpended Appropriations:				
Beginning Balance	-	11,430,639	11,430,639	9,279,214
Budgetary Financing Sources:				
Appropriations Received	-	16,129,704	16,129,704	15,526,920
Appropriations transferred in/out	-	191,963	191,963	529,997
Other Adjustments	-	(286,381)	(286,381)	(321,364)
Appropriations Used	-	(14,370,657)	(14,370,657)	(13,584,128)
Total Budgetary Financing Sources	-	1,664,629	1,664,629	2,151,425
Total Unexpended Appropriations	-	13,095,268	13,095,268	11,430,639
Net Position	\$ (19,824)	\$ 22,084,731	\$ 22,064,907	\$ 19,274,995

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

DEPARTMENT OF STATE
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 17)

(Dollars in Thousands)

For the Year Ended September 30,

2006

2005

Budgetary Resources:

Unobligated Balance, brought forward, October 1:	\$ 4,271,107	\$ 3,473,333
Recoveries of Prior Year Unpaid Obligations	834,868	1,119,164
Budget Authority:		
Appropriations	17,370,186	16,747,367
Borrowing Authority	378	306
Contract Authority	-	-
Spending authority from offsetting collections (gross):		
Earned		
Collected	4,693,095	4,099,439
Change in receivable from Federal sources	(521,627)	239,257
Change in unfilled customer orders:		
Advance received	264,239	(16)
Without Advance from Federal Sources	(750)	1,565
Anticipated for rest of year, without advance	-	-
Previously unavailable	-	-
Expenditure transfers from trust funds	-	-
Nonexpenditure transfers, net, anticipated and actual	191,226	295,204
Temporarily not available pursuant to Public Law	(376,869)	(712,349)
Permanently not available	(292,892)	(305,616)

Total Budgetary Resources

\$ 26,432,961

\$ 24,957,654

Status of Budgetary Resources:

Obligations Incurred:		
Direct	\$ 16,095,192	\$ 16,749,740
Reimbursable	5,050,621	3,936,808
Unobligated balance		
Apportioned	4,762,140	3,850,488
Exempt from apportionment	40,863	10,415
Unobligated balance not available	484,145	410,203

Total Status of Budgetary Resources

\$ 26,432,961

\$ 24,957,654

DEPARTMENT OF STATE

COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 17) (continued)**(Dollars in Thousands)**

For the Year Ended September 30,	2006	2005
Change in Obligated Balance:		
Obligated Balance, net		
Unpaid Obligations, brought forward, October 1	10,279,062	9,239,391
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(938,570)	(686,730)
Obligations incurred, net	21,145,813	20,686,548
Less: Gross Outlays	(19,394,984)	(18,534,808)
Obligated balance transfers, net		
Actual transfers, unpaid obligations	-	-
Actual transfers, uncollected customer payments from Federal sources	-	-
Less: Recoveries of prior-year unpaid obligations, actual	(834,868)	(1,119,164)
Change in uncollected customer payments from federal sources	522,378	(244,744)
Obligated balance, net, end of period:		
Unpaid obligations	11,195,023	10,279,062
Less: Uncollected customer payments from Federal sources	(416,192)	(938,569)
Net Outlays		
Gross outlays	19,394,984	18,534,808
Less: Offsetting collections	(4,957,334)	(4,095,501)
Less: Distributed Offsetting receipts	(250,820)	(247,958)
Net Outlays	\$ 14,186,830	\$ 14,191,349

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

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF FINANCING (NOTE 18)

(Dollars in Thousands)

For the Year Ended September 30,

	2006 (Restated)	2005 (Restated)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 21,145,813	\$ 20,686,548
Less: Spending Authority from offsetting collections and recoveries	(5,269,825)	(5,459,409)
Obligations net of offsetting collections and recoveries	15,875,988	15,227,139
Less: Offsetting receipts	(250,820)	(247,958)
Net obligations	15,625,168	14,979,181
Other Resources		
Donations	\$ 7,819	\$ 4,246
Transfers in/out without reimbursement	(905,379)	(828,137)
Imputed financing from costs absorbed by others	116,564	119,472
Net other resources used to finance activities	(780,996)	(704,419)
Total Resources used to Finance Activities	\$ 14,844,172	14,274,762
Resources Used to Finance Items not Part of Net Cost of Operations:		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet received	1,295,410	1,033,731
Resources that fund expenses recognized in prior periods	56,908	7,882
Budgetary offsetting collections and receipts that do not affect net cost of operations		
Credit program collections which increase liabilities for loan guarantees or allowances for subsidy	1,480	1,313
Other	7,842	5,517
Resources that finance the acquisition of assets	1,775,898	1,648,639
Other resources or adjustments to net obligated resources that do not affect net cost of operations	384	23,994
Total Resources used to Finance Items not Part of the Net Cost of Operations	3,137,922	2,721,076
Total Resources Used to Finance the Net Cost of Operations	\$ 11,706,250	\$ 11,553,686

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

DEPARTMENT OF STATE

CONSOLIDATED STATEMENT OF FINANCING (NOTE 18) (continued)

(Dollars in Thousands)

For the Year Ended September 30,

	2006 (Restated)	2005 (Restated)
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components requiring or generating resources in future periods		
Increase in annual leave liability	\$ 13,548	\$ 12,524
Increase in actuarial liability	786,007	111,400
Increase in contingent liabilities	—	186,300
Other, net	1,070	344,240
Total components of Net Cost of Operations that will require or generate resources in future periods	800,625	654,464
Components not Requiring or Generating Resources:		
Depreciation and Amortization	\$ 584,732	\$ 597,809
Revaluation of assets or liabilities	30,350	(2,073)
Other	(629,294)	(981,781)
Total components of Net Cost of Operations that will not require or generate resources	(14,212)	(386,045)
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	786,413	268,419
Net Cost of Operations	\$ 12,492,663	\$ 11,822,105

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

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

ORGANIZATION

Congress established the U.S. Department of State ("Department of State" or "Department"), the senior executive department of the United States Government in 1789, replacing the Department of Foreign Affairs, which was established in 1781. The Department advises the President in the formulation and execution of foreign policy. As head of the Department, the Secretary of State is the President's principal advisor on foreign affairs.



1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Basis of Consolidation

The accompanying principal financial statements (statements) present the financial activity for the Department of State. The statements include the accounts of all funds under Department control that have been established and maintained to account for the resources entrusted to Department management, or for which the Department acts as a fiscal agent or custodian.

Basis of Presentation and Accounting

The accompanying statements are prepared as required by the Government Management and Reform Act (GMRA) of 1994 and presented in accordance with form and content requirements contained in Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, as amended.

The statements have been prepared from the Department's books and records, and are in accordance with the Department's accounting policies (the significant policies are summarized below in this Note). The Department's accounting policies follow accounting principles generally accepted in the United States of America (GAAP). GAAP for Federal entities is the hierarchy of accounting principles prescribed in the American Institute of Certified Public Accountants' Statement of Auditing Standards No. 91, Federal GAAP Hierarchy, which is also incorporated in OMB Circular A-136.

Transactions are recorded on both an accrual and budgetary basis. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds:

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions, and exercise judgment that affects the reported amounts of assets, liabilities and net position and disclosure of contingent liabilities as of the date of the financial statements, and the reported amounts of revenues, financing sources, expenses and obligations incurred during the reporting period. These estimates are based on management's best knowledge of current events, historical experience, actions the Department may take in the future, and on various other assumptions that are believed to be reasonable under the circumstances. Due to the size and complexity of many of the Department's programs, the estimates are subject to a wide range of variables, including assumptions on future economic and financial events. Accordingly, actual results could differ from those estimates.

Revenues and Other Financing Sources

Department operations are financed through appropriations, reimbursement for the provision of goods or services to other Federal agencies, proceeds from the sale of property, certain consular-related and other fees, and donations. In addition, the Department collects passport, visa, and other consular fees that are not retained by the Department but are deposited directly to a Treasury account. The passport and visa fees are reported as earned revenues on the Statement of Net Cost and as a transfer-out of financing sources on the Statement of Changes in Net Position.

Congress annually enacts one-year and multi-year appropriations that provide the Department with the authority to obligate funds within the respective fiscal years for necessary expenses to carry out mandated program activities. In addition, Congress enacts multi-year appropriations and appropriations that are available until expended. All appropriations are subject to OMB apportionment as well as Congressional restrictions. For financial statement purposes, appropriations are recorded as a financing source (i.e., Appropriations Used) and reported on the Statement of Changes in Net Position at the time they are recognized as expenditures. Appropriations expended for capitalized property and equipment are recognized when the asset is purchased.

Work performed for other Federal agencies under reimbursable agreements is financed through the account providing the service and reimbursements are recognized as revenue when earned. For example, administrative support services at overseas posts are provided to other Federal agencies through the International Cooperative Administrative Support Services (ICASS). ICASS bills for the services it provides to agencies at overseas posts. These billings are recorded as revenue to ICASS and must cover overhead costs, operating expenses, and replacement costs for capital assets needed to carry on the operation.

Proceeds from the sale of real property, vehicles, and other personal property are recognized as revenue when the proceeds are credited to the account from which the asset was funded. For non-capitalized property, the full amount realized is recognized as revenue. For capitalized property, revenue or loss is determined by whether the proceeds received were more or less than the net book value of the asset sold. The Department retains proceeds of sale, which are available for purchase of the same or similar category of property.

The Department is authorized to collect and retain certain user fees for machine-readable visas, expedited passport processing, and fingerprint checks on immigrant visa applicants. The Department is also authorized to credit the respective appropriations with (1) fees for the use of Blair House; (2) lease payments and transfers from the International Center Chancery Fees held in Trust to the International Center Project; (3) registration fees for the Office of Defense Trade Controls; (4) reimbursement for international litigation expenses; and (5) reimbursement for training foreign government officials at the Foreign Service Institute.

Generally, donations received in the form of cash or financial instruments are recognized as revenue at their fair value in the period received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, which would typically need to be purchased if not donated. Works of art, historical treasures, and similar assets that are added to collections are not recognized at the time of donation. If subsequently sold, proceeds from the sale of these items are recognized in the year of sale.

The Department receives most of the funding it needs to support the Repatriation Loan Program through an annual appropriation and permanent, indefinite borrowing authority. The appropriation has two components: (1) a subsidy portion for the present value of long-term cash flow, and (2) estimated expenses to administer the program. Appropriations are recognized as used at the time the loans are obligated and administrative expenses are incurred.

Fund Balances with Treasury

The Fund Balances with Treasury are available to pay accrued liabilities and finance authorized commitments relative to goods, services, and benefits. The Department does not maintain cash in commercial bank accounts for the funds reported in the Consolidated Balance Sheet, except for the Emergencies in the Diplomatic and Consular Services, Office of Foreign Missions, Foreign Service National Defined Contributions Retirement Fund, and the International Center. Treasury processes domestic receipts and disbursements. The Department operates two Financial Service Centers, which are located in Bangkok, and Charleston, South Carolina, and provide financial support for the Department and other Federal agencies' operations overseas. The U.S. Disbursing Officer at each Center has the delegated authority to disburse funds on behalf of the Treasury.

Accounts and Loans Receivable

Intragovernmental Accounts Receivable are due principally from other Federal agencies for ICASS services, reimbursable agreements, and Working Capital Fund (WCF) services. Accounts and Loans Receivable from non-Federal entities are primarily the result of International Boundary and Water Commission (IBWC) receivables for Mexico's share of IBWC activities and Repatriation Loans. The Department provides Repatriation Loans for destitute American citizens overseas whereby the Department becomes the lender of last resort. These loans provide assistance to pay for return transportation, food and lodging, or medical expenses. The borrower executes a promissory note without collateral. Consequently, the loans are made anticipating a low rate of recovery. Interest, penalties, and administrative fees are assessed if the loan becomes delinquent.

Accounts and Loans Receivable from non-Federal entities are subject to the full debt collection cycle and mechanisms, e.g., salary offset, referral to collection agents, and Treasury offset. In addition, Accounts Receivable from non-Federal entities are assessed interest, penalties and administrative fees if they become delinquent. Interest and penalties are assessed at the Current Value of Funds Rate established by Treasury. Accounts Receivable is reduced to net realizable value by an Allowance for Uncollectable Accounts.

Advances and Prepayments

Payments made in advance of the receipt of goods and services are recorded as advances or prepayments, and recognized as expenses when the related goods and services are received. Advances are made principally to Department employees for official travel, miscellaneous prepayments and advances to other entities for future services, and salary advances to Department employees transferring to overseas assignments. Advances and prepayments are reported as Other Assets on the Balance Sheet.

Valuation of Investments

The Department has several accounts that have the authority to invest cash resources (see Note 5 "Investments"). For these accounts, the cash resources not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. These investments consist of U.S. Treasury special issues and securities. Special issues are unique public debt obligations for purchase exclusively by the Foreign Service Retirement and Disability Fund and for which interest is computed and paid semi-annually on June 30 and December 31. They are purchased and redeemed at par which is their carrying value on the Consolidated Balance Sheet.

Investments by the Department's Gift, Israeli-Arab Scholarship, Eisenhower Exchange Fellowship and Middle-Eastern-Western Dialogue accounts are in U.S. Treasury securities. Interest on these investments is paid semi-annually at various rates. These investments are reported at acquisition cost, which equals the face value net of unamortized discounts or premiums. Discounts and premiums are amortized over the life of the security using the straight-line method for Gift Funds investments, and effective interest method for the other accounts.

Inventories

Inventories are reported as Other Assets on the Department's Consolidated Balance Sheet and include inventories held by WCF's Publishing Services, and the Supply Services Center and Stock Account. The WCF inventory consists primarily of paper and ink used for printing and reproduction services (Publishing Services), furniture held for sale to bureaus in the Department (Supply Services Center and Stock Account), and publications held for sale.

The WCF's Publishing Services inventory is valued at the latest acquisition cost. The Supply Services Center and Stock Account inventory is valued monthly using a weighted moving average. The inventory value of the publications held for sale is based on the cost of production. Recorded values are adjusted for the results of periodic physical inventories.

Property and Equipment

Real Property

Real property assets primarily consist of facilities used for U.S. diplomatic missions abroad and capital improvements to these facilities, including unimproved land; residential and functional-use buildings such as embassy/consulate office buildings; office annexes and support facilities; and construction-in-progress. Title to these properties is held under various conditions including fee simple, restricted use, crown lease, and deed of use agreement. Some of these properties are considered historical treasures and multi-use heritage assets. These items are reported on the Balance Sheet, in Note 8 (Stewardship PP&E) to the financial statements, and included in the Required Supplementary Information—Heritage Assets.

The Department also owns several domestic real properties, including the National Foreign Affairs Training Center (Arlington, VA); the International Center (Washington, D.C.); the Charleston Financial Services Center (S.C.); the Beltsville Information Management Center (Md.); the Florida Regional Center (Ft. Lauderdale); and consular centers in Charleston (S.C.); Portsmouth (N.H.) and Williamsburg (K.Y.). The International Boundary and Water Commission (IBWC) has buildings and structures related to its boundary preservation, flood control, and sanitation programs.

Buildings and structures are carried at either actual or estimated historical cost. The Department capitalizes all costs for constructing new buildings and building acquisitions regardless of cost, and capitalizes all other improvements greater than \$250,000. Costs incurred for constructing new facilities, major rehabilitations, or other improvements in the design or construction stage are recorded as Construction-in-Progress. After these projects are completed, costs are transferred to Buildings and Structures or Leasehold Improvements as appropriate. Depreciation of buildings and other structures is computed on a straight-line basis, principally over a 30-year period.



The Tangier Old Legation, the first property that the United States Government acquired for a diplomatic mission, was presented as a gift to the American people by Sultan Moulay Suliman in 1821.

Personal Property

Personal property consists of several asset categories including aircraft, vehicles, security equipment, communication equipment, ADP equipment, reproduction equipment, and software. The Department holds title to these assets, some of which are operated in unusual conditions as described below.



The Department’s Bureau of International Narcotics and Law Enforcement (INL) uses aircraft to help eradicate and stop the flow of illegal drugs. To accomplish its mission, INL maintains an aircraft fleet that is the second largest federal, nonmilitary fleet. Most of the aircraft are under direct INL airwing management. However, a number of aircraft are managed by host-countries. The Department owns title to the aircraft under these programs and is prohibited from giving title for any aircraft to foreign governments without Congressional approval. As such, these host-country managed aircraft are, for the most part, no-cost, long-term leases. INL contracts with firms to provide maintenance support depending on whether the aircraft are INL airwing or host-country managed. INL airwing managed aircraft are maintained to FAA standards that involves routine inspect, replace as necessary activity as well as scheduled maintenance and replacement of certain parts after given hours of use. Host-country managed aircraft are maintained to host-country requirements, which are less than FAA standards.

The Department maintains a large vehicle fleet that operates overseas. Many vehicles require armoring for security reasons, and for some locations large utility vehicles are used instead of conventional sedans. In addition, the Department contracts with firms to provide support in strife-torn areas such as Iraq, Afghanistan and Darfur. The contractor support includes the purchase and operation of armored vehicles. Under the terms of the contracts, the Department has title to the contractor-held vehicles.

Personal property and equipment with an acquisition cost of \$25,000 or more, and a useful life of two or more years, is capitalized at cost. However, there are exceptions to this capitalization policy. All vehicles are capitalized, as well as ADP software costing over \$500,000. Except for contractor-held vehicles in Iraq and Afghanistan, depreciation is calculated on a straight-line basis over the asset’s estimated life and begins when the property is put into service. Contractor-held vehicles in Iraq and Afghanistan, due to the harsh operating conditions, are depreciated on a double-declining balance basis. The estimated useful lives are as follows:

Asset Category	Estimated Useful Life
Aircraft:	
INL airwing managed	10 years
Host-country managed	5 years
Vehicles:	
Department managed	3 to 6 years
Contractor-held in Iraq and Afghanistan	2 ½ years
Security Equipment	3 to 15 years
Communication Equipment	3 to 20 years
ADP Equipment	3 to 6 years
Reproduction Equipment	3 to 15 years
Software	Lesser of estimated useful life or 7 years

Capital Leases

Leases are accounted for as capital leases if they meet one of the following criteria: (1) the lease transfers ownership of the property by the end of the lease term; (2) the lease contains an option to purchase the property at a bargain price; (3) the lease term is equal to or greater than 75% of the estimated useful life of the property; or (4) the present value of the minimum lease payment equals or exceeds 90% of the fair value of the leased property. The initial recording of the lease's value (with a corresponding liability) is the lesser of the net present value of the lease payments or the fair value of the leased property. Capital leases are amortized over the term of the lease.

Works of Art and High Value Furnishings

See Note 8 "Property and Equipment – Stewardship PP&E," on pages 286 to 287 for the Department's policy for works of art and high value furnishings.

Grants

The Department awards educational, cultural exchange, and refugee assistance grants to various individuals, universities, and not-for-profit organizations. Budgetary obligations are recorded when grants are awarded. Grant funds are disbursed in two ways: grantees draw funds commensurate with their immediate cash needs via the Department of Health and Human Services (HHS) Payments Management System (PMS); or grantees submit invoices. In both cases, the expense is recorded upon disbursement.

Accounts Payable

Accounts payable represent the amounts accrued for contracts for goods and services received but unpaid at the end of the fiscal year and unreimbursed grant expenditures. In addition to accounts payables recorded through the Department's normal business activities, domestic accounts payable also includes an estimate of unbilled payables existing at year end for which payment will be made in the subsequent period based on an average of actual disbursements over a five-year period. Beginning in FY 2005, the Department revised its method of estimating unbilled overseas accounts payable at year end, based on analysis of past payment trends applied towards current expenses.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Throughout the year the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. Current or prior year appropriations are not available to fund annual leave earned but not taken. Funding occurs in the year the leave is taken and payment is made. Sick leave and other types of non-vested leave are expensed as taken.

Employee Benefit Plans

Retirement Plans: Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Members of the Foreign Service participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS).

Employees covered under CSRS contribute 7% of their salary; the Department contributes 7%. Employees covered under CSRS also contribute 1.45% of their salary to Medicare insurance; the Department makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees

participating in FERS contribute 0.80% of their salary, with the Department making contributions of 11.20%. FERS employees also contribute 6.20% to Social Security and 1.45% to Medicare insurance. The Department makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the Department automatically contributes 1% of pay and matches employee contributions up to an additional 4%.

Foreign Service employees hired prior to January 1, 1984, participate in FSRDS with certain exceptions. FSPS was established pursuant to Section 415 of Public Law 99-335, which became effective June 6, 1986. Foreign Service employees hired after December 31, 1983, participate in FSPS with certain exceptions. FSRDS employees contribute 7.25% of their salary; the Department contributes 7.25%. FSPS employees contribute 1.35% of their salary; the Department contributes 20.22%. Both FSRDS and FSPS employees contribute 1.45% of their salary to Medicare; the Department matches their contributions. Similar to FERS, FSPS also offers the TSP described above.

Foreign Service Nationals (FSNs) and Third Country Nationals (TCNs) at overseas posts who were hired prior to January 1, 1984, are covered under CSRS. FSNs and TCNs hired after that date are covered under a variety of local government plans in compliance with the host country's laws and regulations. In cases where the host country does not mandate plans or the plans are inadequate, employees are covered by a privately managed pension plan that conforms to the prevailing practices of comparable employers, or the FSN Defined Contribution Fund.

Health Insurance: Most American employees participate in the Federal Employees Health Benefits Program (FEHBP), a voluntary program that provides protection for enrollees and eligible family members in case of illness and/or accident. Under FEHBP, the Department contributes the employer's share of the premium as determined by the U.S. Office of Personnel Management (OPM).

Life Insurance: Unless specifically waived, employees are covered by the Federal Employees Group Life Insurance Program (FEGGLIP). FEGGLIP covers eligible employees for basic life insurance in amounts equivalent to an employee's annual pay, rounded up to the next thousand dollars plus \$2,000. The Department pays one-third and employees pay two-thirds of the premium. Enrollees and their family members are eligible for additional insurance coverage but the enrollee is responsible for the cost of the additional coverage.

Other Post Employment Benefits: The Department does not report CSRS, FERS, FEHBP or FEGGLIP assets, accumulated plan benefits, or unfunded liabilities applicable to its employees; OPM reports this information. As required by SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, the Department reports the full cost of employee benefits for the programs that OPM administers. The Department recognizes an expense and imputed financing source for the annualized unfunded portion of CSRS, post-retirement health benefits, and life insurance for employees covered by these programs. The Department recognized \$116.6 and \$119.2 million in 2006 and 2005, respectively, for unfunded pension and post-retirement benefits. The additional costs are not actually owed or paid to OPM, and thus are not reported on the Balance Sheet as a liability, but instead are reported as an imputed financing source from costs absorbed from others on the Statement of Changes in Net Position.

Future Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover Federal employees injured on the job or who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to job-related injury or occupational disease. The U.S. Department of Labor (DOL) administers the FECA program. DOL initially pays valid claims and bills the employing Federal agency. DOL calculates the actuarial liability for future workers' compensation benefits and reports to each agency its share of the liability.

The total actuarial liability for which the Department is responsible totaled \$62.7 million and \$60.3 million as of September 30, 2006 and September 30, 2005, respectively.

Valuation of FSN Separation Liability

Separation payments are made to eligible FSN employees who voluntarily resign, retire, or lose their jobs due to a reduction in force, and are in countries that require a voluntary separation payment. The amount required to finance the current and future costs of FSN separation pay is determined annually.

Actuarial Present Value of Projected Plan Benefits for the Foreign Service Retirement and Disability Program

See Note 11 "Foreign Service Retirement Actuarial Liability," on pages 289 to 290 for the Department's accounting policy for Foreign Service retirement-related benefits.

Net Position

The Department's net position contains the following components. Amounts attributable to earmarked funds are separately disclosed. See Note 15 "Earmarked Funds" on page 294 for a description of and the Department's accounting policy for earmarked funds.

- 1. Unexpended Appropriations** — the sum of undelivered orders and unobligated balances. Undelivered orders represent the amount of obligations incurred for goods or services ordered, but not yet received. An unobligated balance is the amount available after deducting cumulative obligations from total budgetary resources. As obligations for goods or services are incurred, the available balance is reduced.
- 2. Cumulative Results of Operations** — include (1) the accumulated difference between revenues and financing sources less expenses since inception; (2) the Department's investment in capitalized assets financed by appropriation; (3) donations; and (4) unfunded liabilities, whose liquidation may require future Congressional appropriations or other budgetary resources.

Foreign Currency

Accounting records for the Department are maintained in U.S. dollars, while a significant amount of the Department's overseas expenditures are in foreign currencies. For accounting purposes, overseas obligations and disbursements are recorded in U.S. dollars based on the rate of exchange as of the date of the transaction. Foreign currency payments are made by the Department's Disbursing Offices in Charleston, SC and Bangkok, Thailand.

2 ACCOUNTING CHANGES

Standards Implemented

In 2006 and 2005, the Department implemented revised financial statement reporting requirements and new Statements of Federal Financial Accounting Standards (SFFAS). The changes did not have a material effect on the Department’s financial position or results of operations. The new Standards primarily affect the manner in which the Department reports on its programs.

On July 24, 2006, OMB issued A-136, *Financial Reporting Requirements*, which provides guidance for preparing agency financial statements. It supersedes OMB Circular A-136, dated August 23, 2005, and a number of other OMB memorandum and bulletins:

The requirements contained in A-136 are effective for the preparation of financial statements for fiscal years beginning with FY 2006. Some requirements are phased in beginning with FY 2006.

As prescribed by OMB Circular A-136, the Department implements financial statement reporting requirements and new SFFASs when they become effective and if they apply to the Department’s operations. The following SFFASs were implemented for FY 2006:

- ◆ SFFAS 27, *Identifying and Reporting Earmarked Funds*, dated December 28, 2004, requires separate reporting of earmarked funds on the Balance sheet and Statement of Changes in Net Position along with other disclosure requirements.
- ◆ SFFAS29, *Heritage Assets and Stewardship Land*, dated July 7, 2005, reclassifies heritage assets and stewardship land information phasing in their requirements starting in FY 2006 through FY 2009.

NEW FY 2006 OMB REPORTING REQUIREMENTS AND SFFASs	
OMB GUIDANCE	DESCRIPTION OF CHANGE
A-136 <i>Statement of Net Cost</i>	A-136 requires separate disclosure of Intragovernmental and public costs and revenues which is moved from the face of the Consolidated Statement of Net Cost to the footnote.
A-136 <i>Statement of Changes in Net Position</i>	A-136 changes the statement format, adding columns for earmarked funds and eliminations between earmarked funds and other reporting entity funds with disclosure in the Earmarked Funds footnote. Lines added to the statement for changes in accounting principles and corrections of errors per SFFAS 21.
A-136 <i>Statement of Budgetary Resources</i>	A-136 changes the statement format and adds new information requirements for change in unpaid obligated balances and net outlays.
A-136 <i>Statement of Custodial Activity</i>	Exchange revenue requirements added per SFFAS 7. Requirements for accrual adjustments for nonexchange revenue clarified.
A-136 <i>Notes to the Financial Statements</i>	Disclosure required for changes in GAAP that affect the financial statements, to include explanation of concepts that are unique to Federal financial statements. Modified the provisions for restatement to comply with paragraphs 20 and 26 of SFFAS 21. Modified the Fund Balance with Treasury footnote to include non-budgetary FBWT in section B, Status of Fund Balance with Treasury (FY 2005). Added earmarked funds to note on investments and added note for earmarked funds per SFFAS 27, replacing the note on Dedicated Collections. Replaced "Intragovernmental Costs" in the note to the Statement of Net Cost with a new disclosure of intragovernmental costs and exchange revenue; removed requirement to report Gross Cost and Earned Revenue by Budget Functional Classification.

NEW FY 2006 OMB REPORTING REQUIREMENTS AND SFFASs (continued)	
SFFAS	DESCRIPTION OF CHANGE
A-136 RSI	Removed intragovernmental amounts and segment information sections. Risk assumed information removed from RSSI and included in RSI per SFFAS 5. Stewardship PP&E condition information may be moved from the RSI and reported with deferred maintenance. Deferred maintenance additional guidance added from SFFAS 6.
A-136 RSSI	Removed all sections on heritage assets and stewardship land to be reclassified as basic information in the RSI, except for condition information.
SFFAS 27 Earmarked Funds	<p>Balance Sheet: Separate lines added for Cumulative Results of Operations and Unexpended Appropriations for earmarked funds. As directed by SFFAS 27, the Department did not restate prior periods of the principal financial statements and related disclosures.</p> <p>Statement of Changes in Net Position: Separate display and lines added for earmarked funds.</p> <p>Footnotes: Information on earmarked funds added to Investments footnote (sample footnote provided in SFFAS 27). Disclosure required of all earmarked funds for which the reporting entity has program management responsibility.</p>
SFFAS 29 Heritage Assets and Stewardship Land	<p>Balance Sheet: Line added for Stewardship PP&E without an asset dollar amount and with footnote disclosure.</p> <p>Footnotes: New footnote added with requirements phased in starting with FY 2006. Disclosure explains how these assets relate to the entity's mission and a description of the entity's stewardship policies. In FY 2008, footnote will include a description of the major categories of heritage assets and physical unit information. In FY 2009, disclosure will include physical units added and withdrawn during the year and a description of methods of acquisition and withdrawal.</p> <p>Cost of Stewardship PP&E: The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets), and the cost of acquiring stewardship land and any costs to prepare stewardship land for its intended use, recognized as a cost in the Statement of Net Cost in the period in which it is incurred, reported separately on the face of the statement or in the footnotes.</p>

Change in Accounting Estimate

The Department's Bureau of International Narcotics and Law Enforcement (INL) operates aircraft used to carry out INL's mission worldwide (see Note 1 Property and Equipment – Personal Property). As part of these activities, in 2005, the Department determined that major aircraft components – high dollar value items (replacement cost in excess of \$50,000) that are repairable (e.g., engines) and in serviceable condition (ready for use) – should be treated as general property and equipment and as such capitalized and depreciated over the life of the asset once installed on an aircraft. In 2006, the Department conducted additional analysis to determine the actual useful life of the major components once installed on the aircraft. The analysis determined that the actual useful life is less than two years, and as such does not meet the definition of general property and equipment as provided for in SFFAS No. 6, *Accounting for Property, Plant and Equipment*, paragraph 17. Nor do these major components meet the definition of inventory as provided for in SFFAS No. 3, *Accounting for Inventory and Related Property*, paragraph 17. Consequently, for 2006, the Department changed the treatment of the major components to the purchase method. The estimated historical cost for the major components was \$13.2 million at September 30, 2005, which was recorded to expense during 2006.

3 ASSETS

The Department's assets are classified as entity assets and non-entity assets. Entity assets are those assets that the Department has authority to use for its operations. Non-entity assets are those held by the Department but are not available for use in its operations. The vast majority of the Department's assets are entity assets. Total non-entity assets at September 30, 2006 and 2005 were \$12.7 million and \$130.1 million, respectively. These items are included in amounts reported as Cash and Other Monetary Assets (See Note 7, "Cash and Other Monetary Assets" for further information).

4 FUND BALANCES WITH TREASURY

Fund Balances with Treasury at September 30, 2006 and 2005, are summarized below (Dollars in Thousands).

Fund Balances	2006	2005	Status of Fund Balance	2006	2005
			Unobligated Balances		
Appropriated Funds	\$ 15,573,572	\$ 13,516,620	Available	\$ 4,803,003	\$ 3,860,903
Revolving Funds	490,436	303,818	Unavailable	484,145	410,203
Trust Funds	105,135	102,317	Obligated Balances not yet Disbursed	\$ 10,895,168	9,664,493
Special Funds	13,173	12,844	Total Unobligated and Obligated	\$ 16,182,316	\$ 13,935,599
Deposit & Receipt Accounts	(11,555)	87,943	Deposit & Receipt Accounts	(11,555)	87,943
Total	\$ 16,170,761	\$ 14,023,542	Total	\$ 16,170,761	\$ 14,023,542

5 INVESTMENTS

Summary of Investments

Investments at September 30, 2006 and 2005, are summarized below (Dollar in Thousands). All investments are classified as Intragovernmental Securities.

At September 30, 2006:	Par	Unamortized Premium (Discount)	Interest Receivable	Investments (Net)	Market Value	Maturity Dates	Interest Rates Range
Non-Marketable, Par Value:							
Special Issue Securities	\$ 13,875,717	\$ —	\$ 191,762	\$ 14,067,479	\$ 13,875,717	2007-2021	3.50%-7.375%
Subtotal	\$ 13,875,717	\$ —	\$ 191,762	\$ 14,067,479	\$ 13,875,717		
Non-Marketable, Market Based:							
Israeli-Arab Scholarship, Notes	4,723	11	80	4,814	4,732	2006-2008	3.125%-6.625%
Eisenhower Exchange Fellowship, Notes	7,521	(8)	45	7,558	7,505	2007-2014	3.25%-6.25%
Middle Eastern–Western Dialogue, Note	17,096	556	294	17,946	17,406	2006-2010	2.25%-6.625%
Gift Funds, Bills	4,005	(37)	—	3,968	3,970	2006	2.41%
Subtotal	\$ 33,345	\$ 522	\$ 419	\$ 34,286	\$ 33,613		
Total Investments	\$ 13,909,062	\$ 522	\$ 192,181	\$ 14,101,765	\$ 13,909,330		

At September 30, 2005:	Par	Unamortized Premium (Discount)	Interest Receivable	Investments (Net)	Market Value	Maturity Dates	Interest Rates Range
Non-Marketable, Par Value:							
Special Issue Securities	\$ 13,359,486	\$ —	\$ 184,463	\$ 13,543,949	\$ 13,359,486	2006-2019	3.50%-8.125%
Subtotal	\$ 13,359,486	\$ —	\$ 184,463	\$ 13,543,949	\$ 13,359,486		
Non-Marketable, Market Based:							
Israeli-Arab Scholarship, Notes	4,974	21	72	5,067	5,034	2006-2007	2.25%-7.00%
Eisenhower Exchange Fellowship, Notes	7,516	11	46	7,573	7,650	2006-2014	3.25%-6.25%
Middle Eastern–Western Dialogue, Note	12,367	729	186	13,282	12,902	2006-2010	2.375%-6.50%
Gift Funds, Bills	4,010	(24)	—	3,986	4,020	2006	1.54%-1.57%
Subtotal	\$ 28,867	\$ 737	\$ 304	\$ 29,908	\$ 29,606		
Total Investments	\$ 13,388,353	\$ 737	\$ 184,767	\$ 13,573,857	\$ 13,389,092		

The Department's activities that have the authority to invest cash resources are earmarked funds (see Note 15 "Earmarked Funds"). The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Department as evidence of its receipts. Treasury securities are an asset to the Department and a liability to the U.S. Treasury. Because the Department and the U.S. Treasury are both parts of the Government,

these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the (component entity) with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Department requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Although funds in the Chancery Development Trust Account and the Bosnia Federation Defense Fund are invested, because they are considered non-entity assets the investments for these funds are not shown in this section, but are described in Note 7, "Cash and Other Monetary Assets."

6 ACCOUNTS AND LOANS RECEIVABLE, NET

The Department's Accounts Receivable and Loans Receivable at September 30, 2006 and 2005, are summarized here (Dollars in Thousands). All are entity receivables.

	2006			2005		
	Entity Receivables	Allowance for Uncollectible	Net Receivables	Entity Receivables	Allowance for Uncollectible	Net Receivables
Intragovernmental Accounts Receivable	\$ 359,998	\$ (15,960)	\$ 344,038	\$ 627,529	\$ (28,338)	\$ 599,191
Non-Intragovernmental Accounts and Loans Receivable	42,726	(8,407)	34,319	79,154	(8,797)	70,357
Total Receivables	\$ 402,724	\$ (24,367)	\$ 378,357	\$ 706,683	\$ (37,135)	\$ 669,548

Included in Non-Intragovernmental Accounts and Loans Receivable are approximately (\$123) thousand and \$417 thousand, in 2006 and 2005, respectively, of Repatriation Loans administered by the Department. Repatriation Loans enable destitute American citizens overseas to return to the United States. Repatriation loans made prior to 1992 are reported net of an allowance for uncollectible loans based upon historical experience. The Federal Credit Reform Act of 1990 (the Act), as amended, governs Repatriation loan obligations made after 1991, and the resulting direct loans. The Act requires that the present value of all direct costs (i.e., interest rate differentials, estimated delinquencies and defaults) associated with a loan be recognized and funded completely in the year the loan is disbursed. This value is termed the "subsidy cost" for the year, and is expressed as a percentage of the total face amount of loans disbursed that year. Funding for subsidy costs for loans made after 1991 establishes the subsidy allowance against which future collections and future loan write-offs are netted. In FY 2006, the subsidy was greater than the loans outstanding. Per the provisions of the Act, the Department borrows from Treasury the difference between the face value of loans disbursed and their calculated subsidy costs. The administrative costs associated with loan administration are separately budgeted and funded.

7 CASH AND OTHER MONETARY ASSETS

The Cash and Other Monetary Assets at September 30, 2006 and 2005, are summarized below (Dollars in Thousands). There are no restrictions on entity cash. Non-Entity cash is restricted as discussed below.

	2006			2005		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Hurricane Katrina Relief Efforts	\$ —	\$ —	\$ —	\$ —	\$ 116,418	\$ 116,418
Chancery Development						
Trust Account:						
Treasury Bills, at par	—	12,905	12,905	—	13,826	13,826
Unamortized Discount	—	(205)	(205)	—	(163)	(163)
Cash-Imprest and Other Funds	35,966	—	35,966	29,121	—	29,121
Total	\$ 35,966	\$ 12,700	\$ 48,666	\$ 29,121	\$ 130,081	\$ 159,202

Lease fees collected from foreign governments for the International Chancery Center are deposited into an escrow account called the Chancery Development Trust Account. The funds are unavailable to the Department at time of deposit, and do not constitute expendable resources until funds are necessary for additional work on the Center project. The Chancery Development Trust account invests in six-month marketable Treasury bills issued at discount and redeemable for par at maturity. A corresponding liability for these amounts is reflected as Funds Held in Trust and Deposit Accounts.

In response to the widespread devastation caused by Hurricane Katrina, the United States received a generous outpouring of assistance from foreign governments and other foreign entities. The Department facilitated the collection of donations of monetary assistance, which were deposited to the Department's custodial Treasury deposit account pending transfer to entities assisting in the recovery efforts. Pledged monetary donations are not reflected in the Department's financial statements due to the uncertainty of collection. The Department did not receive any in-kind contributions relating to Hurricane Katrina. A corresponding liability for the amount of monetary assistance collected by the Department but not transferred to other entities as of September 30, 2005 is reflected as Funds Held in Trust and Deposit Accounts.

8 PROPERTY AND EQUIPMENT, NET

Property and equipment balances at September 30, 2006 and 2005, are shown in the following table (Dollars in Thousands):

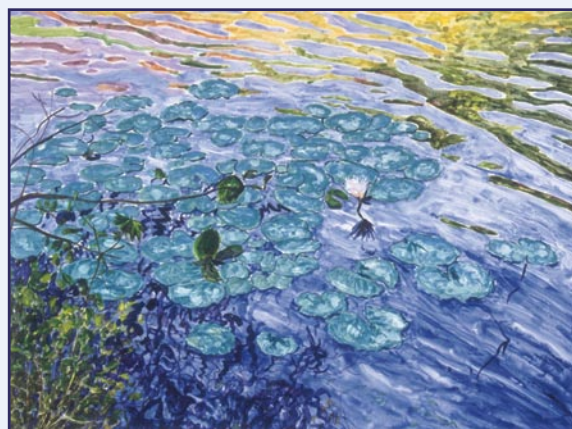
Major Classes	2006			2005 (Restated)		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Real Property:						
Overseas —						
Land and Land Improvements	\$ 2,013,634	\$ (1,650)	\$ 2,011,984	\$ 1,986,970	\$ (1,119)	\$ 1,985,851
Buildings and Structures	6,849,444	(3,080,559)	3,768,885	5,944,276	(2,864,663)	3,079,613
Construction-in-Progress	1,940,647	—	1,940,647	1,339,924	—	1,339,924
Assets Under Capital Lease	76,503	(29,704)	46,799	55,707	(27,257)	28,450
Leasehold Improvements	306,367	(88,323)	218,044	213,680	(85,644)	128,036
Domestic —						
Structures, Facilities and Leaseholds	586,352	(232,387)	353,965	583,944	(218,316)	365,628
Construction-in-Progress	21,007	—	21,007	21,006	—	21,006
Land and Land Improvements	80,782	(5,086)	75,696	80,733	(4,774)	75,959
Subtotal — Real Property	\$ 11,874,736	\$ (3,437,709)	\$ 8,437,027	\$ 10,226,240	\$ (3,201,773)	\$ 7,024,467
Personal Property:						
Aircraft	\$ 624,452	\$ (297,018)	\$ 327,434	\$ 601,381	\$ (260,365)	\$ 341,016
Vehicles	334,095	(192,692)	141,403	317,652	(169,120)	148,532
Communication Equipment	52,158	(42,959)	9,199	59,981	(38,289)	21,692
ADP Equipment	59,585	(42,321)	17,264	56,177	(45,319)	10,858
Reproduction Equipment	13,218	(10,005)	3,213	12,933	(10,434)	2,499
Security	92,770	(52,037)	40,733	87,138	(44,178)	42,960
Software	199,558	(123,402)	76,156	194,666	(86,243)	108,423
Software-in-Development	121,468	—	121,468	99,539	—	99,539
Other Equipment	212,187	(210,167)	2,020	152,622	(89,996)	62,626
Subtotal — Personal Property	\$ 1,709,491	\$ (970,601)	\$ 738,890	\$ 1,582,089	\$ (743,944)	\$ 838,145
Total	\$ 13,584,227	\$ (4,408,310)	\$ 9,175,917	\$ 11,808,329	\$ (3,945,717)	\$ 7,862,612

Stewardship PP&E

The Department has collections of art, furnishings and real property (Culturally Significant Property) that are held for public exhibition, education, and official entertainment for visiting Chiefs of State, Heads of Government, Foreign Ministers, and other distinguished foreign and American guests. As the lead institution in the conduct of American diplomacy, this property is used to promote national pride and the distinct cultural diversity of American artists and to recognize the historical, architectural and cultural significance of the Department’s overseas operations.

The Department has six separate collections of art and furnishings: the Diplomatic Reception Rooms, the Art Bank, Art in Embassies, Curatorial Services Program, the Library Rare and Special Book Collection, and the Secretary of State’s Register of Culturally Significant Property. The collections, described in the Required Supplementary Information (RSI) section of this report, consist of items that were donated, purchased using donated or appropriated funds, or are on loan from individuals, organizations, or museums. The Department provides protection and preservation services for these collections.

The stewardship PP&E items that the Department owns are considered heritage assets (see “Required Supplementary Information — Heritage Assets”). In accordance with SFFAS No. 29, *Heritage Assets and Stewardship Land*, no value is assigned to these assets in the Consolidated Balance Sheet. Purchases of items for collections are recorded as an expense in the year of purchase. Proceeds from disposals are recognized as revenue in the year of sale and are designated for future collection acquisitions.



Judith Miller
Water Lilies/Greenbrook Sanctuary #1

9 OTHER ASSETS

The Department’s other assets at September 30, 2006 and 2005, are summarized below (Dollars in Thousands).

	2006 (Restated)	2005
Salary Advances to Employees	\$ 9,536	\$ 8,140
Travel Advances to Employees	12,566	37,472
Other Advances and Prepayments	52,897	14,262
Inventory Held for Current Sale	7,489	6,358
Total Other Assets	\$ 82,488	\$ 66,232

10 LIABILITIES

The Environmental Liabilities on the Balance Sheet at September 30, 2006 and 2005 were \$392.3 million, and represent the estimated cost of upgrades, constructions, and projected operation and maintenance costs of wastewater treatment plants owned and operated by IBWC. Other Liabilities on the Balance Sheet at September 30, 2006 and 2005 were \$876.4 million and 810.5 million, respectively, and consist of the following.

	2006	2005
Accrued Annual Leave	237,949	224,401
Funds Held in Trust and Deposit Accounts	12,700	130,081
Accrued Salaries Payable	112,856	108,639
Federal Employees Compensation Act Benefits	62,669	60,288
Pension Benefits Payable	48,164	45,914
Capital Lease Liability	59,466	39,497
Deferred Revenues	288,061	23,833
Other	54,561	177,821
Total Other Liabilities	\$ 876,426	\$ 810,474

The Department's liabilities are classified as covered by budgetary resources or not covered by budgetary resources. Liabilities not covered by budgetary resources result from the receipt of goods and services, or occurrence of eligible events in the current or prior periods, for which revenue or other funds to pay the liabilities have not been made available through appropriations or current earnings of the Department. The liabilities in this category at September 30, 2006 and 2005, are summarized below (Dollars in Thousands).

	2006	2005
Liability to International Organizations	1,155,344	1,178,130
Environmental Liabilities	392,300	392,300
Foreign Service Retirement Actuarial Liability	193,430	(72,528)
Other Liabilities:		
Accrued Annual Leave	237,949	224,401
Funds Held in Trust and Deposit Accounts	12,700	130,081
Federal Employees Compensation Act Benefits	62,669	60,288
Capital Lease Liability	59,466	39,497
Intragovernmental Other	14,541	16,813
Total Liabilities Not Covered By Budgetary Resources	\$ 2,128,399	\$ 1,968,982
Total Liabilities Covered By Budgetary Resources	\$ 15,764,648	\$ 15,111,016
Total Liabilities	\$ 17,893,047	\$ 17,079,998

11 FOREIGN SERVICE RETIREMENT ACTUARIAL LIABILITY

The Foreign Service Retirement and Disability Fund finances the operations of the FSRDS and the FSPS. The FSRDS and the FSPS are defined-benefit single-employer plans. FSRDS was originally established in 1924; FSPS in 1986. The FSRDS is a single-benefit retirement plan. Retirees receive a monthly annuity from FSRDS for the rest of their lives. FSPS provides benefits from three sources: a basic benefit (annuity) from FSPS, Social Security, and the Thrift Savings Plan.

The Department’s financial statements present the Pension Actuarial Liability of the Foreign Service Retirement and Disability Program (the “Plan”) as the actuarial present value of projected plan benefits, as required by the SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. The Pension Actuarial Liability represents the future periodic payments provided for current employee and retired Plan participants, less the future employee and employing Federal agency contributions, stated in current dollars.

Future periodic payments include benefits expected to be paid to (1) retired or terminated employees or their beneficiaries; (2) beneficiaries of employees who have died; and (3) present employees or their beneficiaries, including refunds of employee contributions as specified by Plan provisions. Total projected service is used to determine eligibility for retirement benefits. The value of voluntary, involuntary, and deferred retirement benefits is based on projected service and assumed salary increases. The value of benefits for disabled employees or survivors of employees is determined by multiplying the benefit the employee or survivor would receive on the date of disability or death, by a ratio of service at the valuation date to projected service at the time of disability or death.

The Pension Actuarial Liability is calculated by applying actuarial assumptions to adjust the projected plan benefits to reflect the discounted time value of money and the probability of payment (by means of decrements such as death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The economic assumptions used for the valuation (other than the assumed merit salary increases) match the economic assumptions approved by the Board of Actuaries of the Civil Service Retirement and Disability Fund for use in performing the dynamic actuarial valuations of CSRS and FERS. All the other assumptions used for the valuation are based upon the actual past experience of the covered lives under the two retirement systems. The Plan uses the aggregate entry age normal actuarial cost method, whereby the present value of projected benefits for each employee is allocated on a level basis (such as a constant percentage of salary) over the employee’s service between entry age and assumed exit age. The portion of the present value allocated to each year is referred to as the normal cost.

The Board of Actuaries did change two economic assumptions since the last valuation. First, the general salary increase was changed from 4.00% to 4.25%, and second, the inflation rate was changed from 3.25% to 3.50%. Based on the new economic assumptions, the plan actuary revised the normal cost percentages. The table below presents the normal costs for FY 2006 and FY 2005.

	FY 2006	FY 2005
Normal Cost:		
FSRDS	30.35%	28.86%
FSPS	25.38%	24.24%

Actuarial assumptions are based on the presumption that the Plan will continue. If the Plan terminates, different actuarial assumptions and other factors might be applicable for determining the actuarial present value of accumulated plan benefits.

The following table presents the calculation of the combined FSRDS and FSPS Pension Actuarial Liability and the assumptions used in computing it for the years ended September 30, 2006 and 2005 (Dollars in Thousands).

For the Year Ended September 30,	2006	2005
Pension Actuarial Liability, Beginning of Year	\$ 13,429,300	\$ 13,317,900
Add Pension Expense:		
Normal Cost	274,800	237,600
Interest on Pension Liability	826,000	818,700
Prior Service Costs	—	—
Actuarial Losses/(Gains)	386,100	(267,800)
Total Pension Expense	1,486,900	788,500
Less Payments to Beneficiaries (annuities and refunds)	(700,900)	(677,100)
Pension Actuarial Liability, End of Year	14,215,300	13,429,300
Less: Net Assets Available for Benefits	(14,021,870)	(13,501,828)
Actuarial Unfunded Pension Liability for Projected Plan Benefits	\$ 193,430	\$ (72,528)
Actuarial Assumptions:		
Rate of Return on Investments	6.25%	6.25%
Rate of Inflation	3.50%	3.25%
Salary Increase	4.25%	4.00%

Net Assets Available for Benefits at September 30, 2006 and 2005, consist of the following (Dollars in Thousands):

	2006	2005
Fund Balances with Treasury	\$ 2,070	\$ 78
Receivables	201,314	198,701
Investments in USG Securities	13,875,717	13,359,486
Total Assets	14,079,101	13,558,265
Less: FSRDF Liabilities	(57,231)	(56,437)
Net Assets Available for Benefits	\$ 14,021,870	\$ 13,501,828

12 LIABILITIES TO INTERNATIONAL ORGANIZATIONS

The Department reports an unfunded liability for the accumulated arrears assessed by the United Nations (UN), its affiliated agencies, and other international organizations in the amount of \$60.0 million for both 2006 and 2005 for regular budget assessments and international peacekeeping. These financial commitments mature into obligations (as that term is used in domestic law) only when funds are authorized and appropriated by Congress.

The financial statements also report an unfunded liability of \$ 1.095 billion and \$1.118 billion at September 30, 2006 and 2005, respectively, for the current year 2006 and 2005 unfunded or restricted annual assessments from the United Nations, its affiliated agencies and several other international organizations, as well as for peacekeeping. It has been the Department's policy to pay annual assessments for the UN and certain international organizations out of the following fiscal year's appropriation, usually in the last quarter of the calendar year (i.e., the 2006 calendar year assessment is paid from the Department's 2007 appropriation). The Liability to International Organizations at September 30, 2006 and 2005, is summarized below (Dollars in Thousands).

	2006	2005
Accumulated Arrears	\$ 60,029	\$ 60,029
Unfunded Annual Assessments	1,095,315	1,118,101
Liability to International Organizations	\$ 1,155,344	\$ 1,178,130

13 LEASES

The Department is committed to over 12,000 leases, which cover office and functional properties, and residential units at diplomatic missions overseas. The majority of these leases are short-term operating leases. In most cases, management expects that the leases will be renewed or replaced by other leases. Personnel from other U.S. Government agencies occupy some of the leased facilities (both residential and non-residential). These agencies reimburse the Department for the use of the properties. Reimbursements are received for approximately \$61.0 million of the lease costs.

Capital Leases

The Department has various long-term leases (more than 10 years) for overseas real property that meet the criteria as a capital lease in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Assets that meet the definition of a capital lease and their related lease liability, are initially recorded at the present value of the future minimum lease payments or fair market value, whichever is less. In general, capital assets are depreciated over the estimated remaining life of the asset, and the related liability is amortized over the term of the lease, which can result in a different value in the asset versus the liability.

Following is a summary of Net Assets Under Capital Leases and future minimum lease payments as of September 30 (Dollars in Thousands).

	2006	2005
Net Assets Under Capital Leases:		
Land and Buildings	\$ 76,503	\$ 55,707
Accumulated Depreciation	(29,704)	(27,257)
Net Assets under Capital Leases	\$ 46,799	\$ 28,450

Future Minimum Lease Payments:

2006		2005	
Fiscal Year	Lease Payments	Fiscal Year	Lease Payments
2007	\$ 3,636	2006	\$ 2,616
2008	3,685	2007	2,670
2009	4,065	2008	2,719
2010	3,738	2009	3,099
2011	4,218	2010	2,772
2012 and thereafter	147,426	2011 and thereafter	99,377
Total Minimum Lease Payments		\$ 113,253	
Less: Amount Representing Interest		(73,756)	
Obligations under Capital Leases		\$ 39,497	

Operating Leases

The Department leases real property in overseas locations under operating leases. These leases expire in various years. Minimum future rental payments under operating leases having remaining terms in excess of one year as of September 30, 2006 for each of the next 5 years and in aggregate are as follows (Dollars in Thousands).

Year Ended September 30	Operating Lease Amounts
2007	\$ 417,373
2008	298,818
2009	191,252
2010	122,813
2011	81,392
2012 and thereafter	213,398
Total Minimum Future Lease Payments	\$ 1,325,046

14 COMMITMENTS AND CONTINGENCIES

Commitments

In addition to the future lease commitments discussed in Note 13, "Leases," the Department is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders — see Note 15, "Unexpended Appropriations" and Note 17, "Statement of Budgetary Resources") at fiscal year end. In FY 2005 appropriations, the Department of State received \$6 million to subsidize the cost of a direct loan of up to \$1.2 billion to the United Nations to cover the cost of renovating its headquarters in New York City. As of the date of this Report, the loan agreement had not been ratified.


Contingencies

Rewards for Justice Program. The Department operates rewards programs for information critical to combating international terrorism, narcotics trafficking, and war crimes. The Terrorism Information Rewards Program offers rewards up to \$25 million for information leading to: the arrest or conviction in any country of persons committing (or conspiring or attempting to commit, or aiding or abetting the commission of) acts of international terrorism against United States persons or property; the prevention, frustration or favorable resolution of such acts; the identification or location of key leaders of a terrorist organization; or the disruption of financial mechanisms of a foreign terrorist organization. The Narcotics Information Rewards Program offers rewards up to \$5 million for information leading to: the arrest or conviction in any country of persons committing (or conspiring or attempting to commit, or aiding and abetting the commission of) major foreign violations of U.S. narcotics laws or the killing or kidnapping of U.S. narcotics law enforcement officers or their family members; or the prevention, frustration or favorable resolution of such criminal acts. The War Crimes Information Rewards Program currently offers rewards up to \$5 million for information leading to the arrest, transfer, or conviction of persons indicted by the International Criminal Tribunal for the Former Yugoslavia or the International Criminal Tribunal for Rwanda for serious violations of international humanitarian law, or their arrest or conviction in any country for such violations. Authority exists to create a similar war crimes program for information related to indictees of the Special Court of Sierra Leone.

The Department is a party in various administrative proceedings, legal actions, environmental suits, and claims brought by and against it. Some of the actions are not related directly to Department programs but the Department is involved because of its status as the U.S. Government's foreign policy agency. In the opinion of management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of the Department.

Claims Filed in Response to Embassy Bombings: The families of eleven of the twelve Americans killed in the bombing filed administrative tort claims with the Department alleging that Department negligence led to the death of their family members in Nairobi. These claims, including those by the estates of the deceased, are for a total of \$117 million. Recent Supreme Court jurisprudence has ruled out liability under the Act for injuries or deaths suffered abroad. We are reviewing the claims under the Secretary's discretion as authorized by the Basic Authorities Act and in conjunction with proposed litigation for compensation to victims of terrorism. Any settlements made under the Secretary's discretionary authority in excess of \$2,500 would be funded and paid from the Judgment Fund maintained by the Treasury.

**SAVING LIVES
is the best reason**



...to stop a terrorist!

Terrorist attacks randomly kill innocent women and children of every religion, race and nationality. You can help stop this tragic loss of life by providing information that prevents a terrorist act. You can save lives, protect families, and preserve the peace.

To prevent future acts of terrorism, the U.S. Government is offering a reward for information leading to the arrest of anyone attempting an act of terrorism against U.S. persons or property. The reward may also be paid to individuals providing information about prior terrorist acts. These providing information may be eligible for a reward of up to \$5 million and relocation with their families. Your response will be kept strictly confidential. This reward can not bring back innocent lives lost, but it can bring their murderers to justice.

If you have information, please contact the nearest U.S. embassy or consulate or write:

REWARDS FOR JUSTICE
Washington, D.C. 20522-0303 U.S.A.
www.rewardsforjustice.net • 1-800-877-5927
Email: mail@rewardsforjustice.net

The Family You Save May Be Your Own

North American Free Trade Agreement (NAFTA) Arbitrations: The United States is currently defending itself against more than one hundred claims submitted to arbitration and one claim not yet submitted – facing approximately \$1.4 billion in potential liability – under chapter Eleven (investment) of the North American Free trade Agreement (NAFTA). The United States has successfully defended itself against four claims submitted to arbitration under Chapter Eleven of the NAFTA. In no case is the Department a named respondent in these arbitrations. Any adverse award in any of these cases would be paid out of the Judgment Fund.

Fluor Intercontinental Inc. (Astana Embassy Project). The claimant has asserted three claims, totaling \$36,032,537, for work on one contract in building the new embassy compound in Astana, Kazakhstan related to the installation of piles for the foundation, the perimeter wall, and the impact of the alleged delay in the construction of the infrastructure. The Contracting Officer has denied the claims, and the Department awaits appeal of the denial. Claimant is unlikely to be able to provide its claims, which appear to be very inflated. It is not possible at this time to accurately access within a predictable range the estimated amount of losses which would be probable or reasonably possible.

Fluor Intercontinental Inc. (Kingston Embassy Project). Claimant is seeking return of \$12.2 million in two separate claims for alleged Government delay in the construction of the new embassy compound in Kingston, Jamaica. The first claim for \$3.7 million has been evaluated to be without merit and has been denied by the Contracting Officer. The Department awaits appeal of the denial. The second claim for \$8.5 million is before the Contracting Officer for review – the Contracting Officer’s Technical Representative has recommended denial of the claim. It is not possible at this time to accurately access within a predictable range the estimated amount of losses which would be probable or reasonably possible.

Fluor Intercontinental Inc. (Frankfurt Project). Fluor Intercontinental has asserted numerous discrete claims pertaining to renovation of Air Force Hospital in Frankfurt for use as the Consulate General, plus large delay and constructive acceleration claims said to arise from impact of the discrete claims on the construction schedule. The total amount of the global claim is anticipated to be approximately \$20 million. The certified global claim has not yet been submitted. The Department will review the certified claim in an effort to settle all or part of the dispute prior to litigation. After Department review, mediation will occur before the General Service Board of Contract Appeals Chairman Stephen Daniels. There are numerous weaknesses in most of the discrete claims and the global claim is not yet available for evaluation. It is not possible at this time to accurately assess, within a predictable range, the estimated amount of losses which would be probable or reasonably possible.

Certain legal matters to which the Department is a party are administered and, in some instances, litigated and paid by other U.S. Government agencies. Generally, amounts to be paid under any decision, settlement, or award pertaining to these legal matters are funded from the Judgment Fund. None of the amounts paid under the Judgment Fund on behalf of the Department in 2006 and 2005 had a material effect on the financial position or results of operations of the Department.

15 EARMARKED FUNDS

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and accounted for separately from the Government’s general revenues. See Note 5 “Investments” for further information on investments in U.S. Treasury securities for earmarked funds. This note supercedes the “Dedicated Collections” note in previously issued financial statements. There are no intradepartmental transactions between the various earmarked funds.

The Department administers thirteen earmarked funds as listed below. A brief description of the individually reported earmark funds and their purpose follows.

Treasury Fund Symbol	Description	Statute
19X5497	Foreign Service National Defined Contribution Fund	22 USC 3968(a)(1)
19X8166	American Studies Endowment Fund	108 Stat. 425
19X8167	Trust Funds	22 USC 1479
19X8186	Foreign Service Retirement and Disability Fund	22 USC 4042-4065
19X8271	Israeli Arab Scholarship Programs	105 Stat. 696, 697
19X8272	Eastern Europe Student Exchange Endowment Fund	105 Stat. 699
19X8340	Foreign Service National Liability Trust Fund	105 Stat. 672
19X8341	Foreign Service National Liability Trust Fund	105 Stat. 672
19X8812	Gifts and Bequests, National Commission on Educational, Scientific, and Cultural Cooperation	22 USC 287q
19X8813	Center for Middle Eastern-Western Dialogue Trust Fund	118 Stat. 84
19X8821	Unconditional Gift Fund	22 USC 809, 1046
19X8822	Conditional Gift Fund	22 809, 1046
95X8276	Eisenhower Exchange Fellowship Program Trust Fund	PL 101-454

Foreign Service National Defined Contributions Retirement Fund (FSNDCF) (19X5497)

The Foreign Service National Defined Contributions Retirement Fund is a retirement savings program designed to provide benefits upon separation to locally employed staff under local compensation plans at overseas U.S. diplomatic or consular missions or establishments. Contributions are made to the FSNDCF by the Department's appropriations from which the benefits are paid.

Foreign Service Retirement and Disability Fund (19X8186)

The Foreign Service Retirement and Disability Fund (FSRDF) was established in 1924 to provide pensions to retired and disabled members of the Foreign Service. The FSRDF's revenues consist of contributions from active participants and their U.S. Government agency employers; appropriations; and interest on investments. Monthly annuity payments are made to eligible retired employees or their survivors. Separated employees without title to an annuity may take a refund of their contributions. P.L. 96-465 limits the amount of administrative expense that can be charged to the fund to \$5,000. The total cost for administering FSRDF was \$4.3 million in both 2006 and 2005, respectively. Cash is invested in U.S. Treasury securities until it is needed for disbursement. The Department also issues separate annual financial statements for the FSRDF.

Foreign Service National Separation Liability Trust Funds (FSNSLTF) (19X8340 and 19X8341)

FSNSLTF funds separation liabilities to foreign service national (FSNs) and personal service contractor (PSCs) employees who voluntarily resign, retire, or lose their jobs due to a reduction in force. The liability is applicable only in those countries that, due to local law, require a lump-sum voluntary separation payment based on years of service. The FSNSLTF was authorized in 1991 and initially capitalized with a transfer from the Department. Contributions are made to the FSNSLTF by the Department's appropriations, from which the FSNs and PSCs are paid. Once the liability to the separating FSN or PSC is computed in accordance with the local compensation plan, the actual disbursement is made from the FSNSLTF.

Conditional and Unconditional Gift Funds (19X8821 and 19X8822)

The Department maintains two Trust Funds for receiving and disbursing donations. It is authorized to accept gifts from private organizations and individuals in the form of cash, gifts-in-kind, and securities. Gifts are classified as Restricted or Unrestricted Gifts.

Restricted Gifts must be used in the manner specified by the donor. Unrestricted Gifts can be used for any expense normally covered by an appropriation, such as representational purposes or embassy refurbishment.

(Dollars in Thousands)	FSRDF	FSNSLTF	FSNDCF	GIFT	Total - Other Earmarked	Total Earmarked Funds
Balance Sheet As of September 30, 2006:						
Assets:						
Fund Balances with Treasury	\$ 2,070	\$ 87,768	\$ 49	\$ 11,925	\$ 3,373	\$ 105,185
Investments	13,875,717	—	—	3,968	29,899	13,909,584
Taxes and Interest Receivable	191,762	—	—	—	419	192,181
Other Assets	9,552	—	34,564	1,695	4	45,815
Total Assets	\$ 14,079,101	\$ 87,768	\$ 34,613	\$ 17,588	\$ 33,695	\$ 14,252,765
Actuarial Liability	\$ 14,215,300	\$ —	\$ —	\$ —	\$ —	\$ 14,215,300
Other Liabilities	57,231	—	49	1	8	57,289
Total Liabilities:	\$ 14,272,531	\$ —	\$ 49	\$ 1	\$ 8	\$ 14,272,589
Unexpended Appropriations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cumulative Results of Operations	(193,430)	87,768	34,564	17,587	33,687	(19,824)
Total Liabilities and Net Position	\$ 14,079,101	\$ 87,768	\$ 34,613	\$ 17,588	\$ 33,695	\$ 14,252,765
Statement of Net Cost for the Period Ended September 30:						
Gross Program Costs	\$ —	\$ 12,491	\$ 1,716	\$ 4,155	\$ 878	\$ 19,240
Less Earned Revenues	1,220,904	10,464	8,539	—	—	1,239,907
Net Program Costs	(1,220,904)	2,027	(6,823)	4,155	878	(1,220,667)
Costs Not Attributable to Program Costs	1,486,862	—	—	—	—	1,486,862
Less Earned Revenues Not Attributable to Program Costs	—	—	—	—	—	—
Net Cost of Operations	\$ 265,958	\$ 2,027	\$ (6,823)	\$ 4,155	\$ 878	\$ 266,195
Statement of Changes in Net Position for the Period Ended September 30:						
Net Position Beginning of Period	\$ 72,528	\$ 89,795	\$ 27,741	\$ 13,758	\$ 28,440	\$ 232,262
Non-Exchange Revenue	\$ —	\$ —	\$ —	\$ 7,984	\$ 1,189	\$ 9,173
Other Financing Sources	—	—	—	—	4,936	4,936
Net Cost of Operations	(265,958)	(2,027)	6,823	(4,155)	(878)	(266,195)
Taxes and Other Nonexchange Revenue	—	—	—	—	—	—
Change in Net Position	\$ (265,958)	\$ (2,027)	\$ 6,823	\$ 3,829	\$ 5,247	\$ (252,086)
Net Position End of Period	\$ (193,430)	\$ 87,768	\$ 34,564	\$ 17,587	\$ 33,687	\$ (19,824)

16 STATEMENT OF NET COST

The Consolidated Statement of Net Cost reports the Department's gross and net cost for its strategic objectives and strategic goals. The net cost of operations is the gross (i.e., total) cost incurred by the Department, less any exchange (i.e., earned) revenue.

The Consolidating Schedule of Net Cost categorizes costs and revenues by strategic goal and responsibility segment. A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. For the Department, a Bureau (e.g., Bureau of African Affairs) is considered a responsibility segment. For presentation purposes, Bureaus have been summarized and reported at the Under Secretary level (e.g., Under Secretary for Political Affairs).

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 strategic goals and objectives are defined in Management's Discussion and Analysis section of this report.

The Management and Organizational Excellence strategic goal relates to the Department's responsibilities for managing infrastructure, information, and human resources. The ability of the Department to advance national and foreign policy interests depends on the quality of these items — the two largest and most visible of which are Diplomatic Security and Overseas Buildings Operations.

DEPARTMENT OF STATE
CONSOLIDATING SCHEDULE OF NET COST (RESTATED)

For the year ended September 30, 2006

(Dollars in Thousands)

Under Secretary for

STRATEGIC GOAL	Arms Control, Int'l Security	Economic, Business and Agriculture	Global Affairs	Political Affairs	Public Diplomacy and Public Affairs	Management - Consular Affairs	Eliminations	Total
Regional Stability								
Total Cost	\$ 168,968	\$ 10,145	\$ 40,624	\$ 1,115,805	\$ —	\$ (25)	\$ (50,339)	\$ 1,285,178
Earned Revenue	(23,326)	(1,619)	(6,306)	(130,997)	—	(2)	50,339	(111,911)
Net Program Costs	145,642	8,526	34,318	984,808	—	(27)	—	1,173,267
Counterterrorism								
Total Cost	134,362	8,068	32,304	887,281	—	(20)	(40,029)	1,021,966
Earned Revenue	(18,548)	(1,287)	(5,015)	(104,168)	—	(2)	40,029	(88,991)
Net Program Costs	115,814	6,781	27,289	783,113	—	(22)	—	932,975
Homeland Security								
Total Cost	82,189	4,935	19,760	542,745	—	(12)	(24,485)	625,132
Earned Revenue	(11,346)	(787)	(3,067)	(63,719)	—	(1)	24,485	(54,435)
Net Program Costs	70,843	4,148	16,693	479,026	—	(13)	—	570,697
Weapons of Mass Destruction								
Total Cost	76,804	4,612	18,465	507,184	—	(11)	(22,881)	584,173
Earned Revenue	(10,603)	(736)	(2,866)	(59,544)	—	(1)	22,881	(50,869)
Net Program Costs	66,201	3,876	15,599	447,640	—	(12)	—	533,304
International Crime and Drugs								
Total Cost	—	—	2,104,259	43,513	2,335	—	(2,636)	2,147,471
Earned Revenue	—	—	(383,609)	(7,684)	(48)	—	2,636	(388,705)
Net Program Costs	—	—	1,720,650	35,829	2,287	—	—	1,758,766
American Citizens								
Total Cost	—	—	218	940,070	310,764	1,325,456	(195,686)	2,380,822
Earned Revenue	—	—	77	(235,425)	(59,413)	(2,233,163)	195,686	(2,332,238)
Net Program Costs	—	—	295	704,645	251,351	(907,707)	—	48,584
Democracy and Human Rights								
Total Cost	83,071	4,988	19,972	548,575	—	(12)	(24,748)	631,846
Earned Revenue	(11,468)	(796)	(3,100)	(64,403)	—	(1)	24,748	(55,020)
Net Program Costs	71,603	4,192	16,872	484,172	—	(13)	—	576,826
Economic Prosperity and Security								
Total Cost	135,774	8,152	32,643	896,608	—	(20)	(40,450)	1,032,707
Earned Revenue	(18,743)	(1,301)	(5,067)	(105,263)	—	(2)	40,450	(89,926)
Net Program Costs	117,031	6,851	27,576	791,345	—	(22)	—	942,781
Social and Environment Issues								
Total Cost	37,431	2,247	8,999	247,179	—	(6)	(11,151)	284,699
Earned Revenue	(5,167)	(359)	(1,397)	(29,019)	—	—	11,151	(24,791)
Net Program Costs	32,264	1,888	7,602	218,160	—	(6)	—	259,908
Humanitarian Response								
Total Cost	—	—	1,953,739	14,854	234	—	(410)	1,968,417
Earned Revenue	—	—	(527)	(4)	(1)	—	410	(122)
Net Program Costs	—	—	1,953,212	14,850	233	—	—	1,968,295
Public Diplomacy and Public Affairs								
Total Cost	164,201	9,859	39,478	1,084,325	389,867	(24)	(48,918)	1,638,788
Earned Revenue	(22,667)	(1,573)	(6,128)	(127,301)	(56,838)	(2)	48,918	(165,591)
Net Program Costs	141,534	8,286	33,350	957,024	333,029	(26)	—	1,473,197
Executive Direction and Other Costs Not Assigned								
Total Cost	3,879	4,614	79,113	4,688,912	586,250	2,544	(1,883,572)	3,481,740
Earned Revenue	(2,179)	(2,592)	(44,445)	(2,703,434)	(331,657)	(1,429)	1,858,059	(1,227,677)
Net Program Costs	1,700	2,022	34,668	1,985,478	254,593	1,115	(25,513)	2,254,063
Total Cost	886,679	57,620	4,349,574	11,517,051	1,289,450	1,327,870	(2,345,305)	17,082,939
Total Revenue	(124,047)	(11,050)	(461,450)	(3,630,961)	(447,957)	(2,234,603)	2,319,792	(4,590,276)
Total Net Cost	\$ 762,632	\$ 46,570	\$ 3,888,124	\$ 7,886,090	\$ 841,493	\$ (906,733)	\$ (25,513)	\$ 12,492,663

Executive Direction and Other Costs Not Assigned relate to high-level executive direction (e.g., Office of the Secretary, Office of the Legal Adviser), international commissions, general management, and certain administrative support costs that cannot be directly traced or reasonably allocated to a particular program. For the year ended September 30, 2006 and 2005, these consist of costs and earned revenue summarized below (Dollars in Thousands).

Program	2006			2005 (Restated)		
	Total Prior to Eliminations	Intra- Departmental Eliminations	Total	Total Prior to Eliminations	Intra- Departmental Eliminations	Total
Costs:						
Executive Direction	\$ 2,591,920	\$ 588,788	\$ 2,003,132	\$ 2,538,366	\$ 327,607	\$ 2,210,759
FSRDF	1,486,863	397,920	1,088,943	788,524	385,508	403,016
ICASS	1,196,669	894,766	301,903	1,174,812	859,989	314,823
International Commissions	89,860	2,098	87,762	274,089	2,785	271,304
Total Costs	\$ 5,365,312	\$ 1,883,572	\$ 3,481,740	\$ 4,775,791	\$ 1,575,889	\$ 3,199,902
Earned Revenue:						
	\$ 632,366	\$ 588,788	\$ 43,578			
Executive Direction				\$ 436,405	\$ 327,607	\$ 108,798
FSRDF	1,220,904	372,407	848,497	1,206,883	355,555	851,328
ICASS	1,222,128	894,766	327,362	1,158,916	859,989	298,927
International Commissions	10,338	2,098	8,240	12,873	2,785	10,088
Total Earned Revenue	\$ 3,085,736	\$ 1,858,059	\$ 1,227,677	\$ 2,815,077	\$ 1,545,936	\$ 1,269,141
Total Net Cost for Executive Direction and Other Costs Not Assigned	\$ 2,279,576	\$ 25,513	\$ 2,254,063	\$ 1,960,714	\$ 29,953	\$ 1,930,761

Program Costs

These costs include the full cost of resources consumed by a program, both direct and indirect, to carry out its activities. Direct costs can be specifically identified with a program. Indirect costs include resources that are commonly used to support two or more programs, and are not specifically identified with any program. Indirect costs are assigned to programs through allocations. Full costs also include the costs of goods or services received from other Federal entities (referred to as inter-entity costs), whether or not the Department reimburses that entity.

Indirect Costs: Indirect costs consist primarily of Management and Organizational Excellence charges for central support functions performed in 2006 and 2005 under the Under Secretary for Management by the following organizations (Dollars in Thousands):

Bureau (or equivalent)	2006	2005 (Restated)
Bureau of Diplomatic Security	\$ 1,282,989	\$ 1,577,271
Office of Overseas Buildings Operations	776,887	905,722
Bureau of Administration	650,511	608,459
Bureau of Information Resource Management	358,036	283,294
Bureau of Personnel	465,596	337,069
Bureau of Resource Management	497,586	287,581
Foreign Service Institute	128,670	127,178
Medical Services and Other	168,849	210,719
Total Central Support Costs	\$ 4,329,124	\$ 4,337,293

These support costs were distributed to programs on the basis of a program's total base salaries for its full-time employees, as a percentage of total base salaries for all full-time employees, except for the Office of Overseas Buildings Operations. Since the Office of Overseas Buildings Operations supports overseas operations, its costs were allocated based on the percentage of budgeted cost by program for the regional bureaus. The distribution of support costs to programs in 2006 and 2005 was as follows (Dollars in Thousands):

Program Receiving Allocation	2006	2005 (Restated)
Regional Stability	\$ 368,493	\$ 368,971
Counterterrorism	293,022	293,403
Homeland Security	179,241	179,473
Weapons of Mass Destruction	167,497	167,714
International Crime and Drugs	47,864	52,415
American Citizens	999,480	992,314
Democracy and Human Rights	181,166	181,401
Economic Prosperity and Security	296,104	296,488
Social and Environmental Issues	81,631	81,737
Humanitarian Response	21	20
Public Diplomacy and Public Affairs	358,097	358,561
Executive Direction and Other Costs Not Assigned	1,356,508	1,364,796
Total	\$ 4,329,124	\$ 4,337,293

Since the cost incurred by the Under Secretary for Management and the Secretariat are primarily support costs, these costs were distributed to the other Under Secretaries to show the full costs under the responsibility segments that have direct control over the Department's programs. One exception within the Under Secretary for Management is the Bureau of Consular Affairs, which is responsible for the American Citizens program. As a result, these costs were not allocated and continue to be reported as the Under Secretary for Management.

The Under Secretary for Management/Secretariat costs (except for the Bureau of Consular Affairs) were allocated to the other Department responsibility segments based on the percentage of total costs by organization for each program. The allocation of these costs to the other Under Secretaries and to the Bureau of Consular Affairs was as follows (Dollars in Thousands):

Under Secretary	2006	2005 (Restated)
Political Affairs	\$ 5,112,736	\$ 4,801,130
Public Diplomacy	710,975	651,315
Management (Consular Affairs)	696,395	694,824
Arms Control, International Security Affairs	336,902	430,691
Global Affairs	1,337,724	207,949
Economic, Business and Agriculture Affairs	29,092	33,506
Total	\$ 8,223,824	\$ 6,819,415

Inter-Entity Costs and Imputed Financing: To measure the full cost of activities, SFFAS No. 4, *Managerial Cost Accounting*, requires that total costs of programs include costs that are paid by other U.S. Government entities, if material. As provided by SFFAS No. 4, OMB issued a Memorandum in April 1998, entitled "Technical Guidance on the Implementation of Managerial Cost Accounting Standards for the Government." In that Memorandum, OMB established that reporting entities should recognize inter-entity costs for (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post-retirement benefits for retired, terminated and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under the *Federal Employees' Compensation Act*; and (4) payments made in litigation proceedings.

The Department recognizes an imputed financing source on the Statement of Changes in Net Position for the value of inter-entity costs paid by other U.S. Government entities. This consists of all inter-entity amounts as reported below except for the Federal Workers' Compensation Benefits (FWCB). For FWCB, the Department recognizes its share of the change in the actuarial liability for FWCB as determined by the Department of Labor (DoL). The Department reimburses DoL for FWCB paid to current and former Department employees.

The following inter-entity costs and imputed financing sources were recognized in the Statement of Net Cost and Statement of Changes in Net Position, respectively, for the years ended September 30, 2006 and 2005 (Dollars in Thousands):

Inter-Entity Cost	2006	2005
Other Post-Employment Benefits:		
Civil Service Retirement Program	\$ 24,867	\$ 25,272
Federal Employees Health Benefits Program	91,410	93,648
Federal Employees Group Life Insurance Program	287	269
Litigation funded by Treasury Judgment Fund	—	283
Subtotal – Imputed Financing Source	\$ 116,564	\$ 119,472
Future Workers' Compensation Benefits	16,873	10,198
Total Inter-Entity Costs	\$ 133,437	\$ 129,670

Intra-departmental Eliminations. Intra-departmental eliminations of cost and revenue were recorded against the program that provided the service. Therefore the full program cost was reported by leaving the reporting of cost with the program that received the service.

Earned Revenues

Earned revenues occur when the Department provides goods or services to the public or another Federal entity. Earned revenues are reported regardless of whether the Department is permitted to retain all or part of the revenue. Specifically, the Department collects but does not retain passport, visa, and certain other consular fees. Earned revenues for the year ended September 30, 2006 and 2005, consist of the following (Dollars in Thousands):

Program	2006			2005		
	Total Prior to Eliminations	Intra- Departmental Eliminations	Total	Total Prior to Eliminations	Intra- Departmental Eliminations	Total
Consular Fees:						
Passport, Visa and Other Consular Fees	\$ 882,160	\$ —	\$ 882,160	\$ 826,058	\$ —	\$ 826,058
Machine Readable Visa	693,051	—	693,051	636,478	—	636,478
Expedited Passport	177,853	—	177,853	154,745	—	154,745
Passport, Visa and other Surcharges	188,137	—	188,137	92,345	—	92,345
Fingerprint Processing, Diversity Lottery, and Affidavit of Support	28,414	—	28,414	59,197	—	59,197
Subtotal – Consular Fees	\$ 1,969,615	\$ —	\$ 1,969,615	\$ 1,768,823	\$ —	\$ 1,768,823
FSRDF	\$ 1,220,904	\$ 361,943	\$ 858,961	\$ 1,206,883	\$ 345,581	\$ 861,302
ICASS	1,222,128	894,766	327,362	1,162,774	859,989	302,785
Other Reimbursable Agreements	1,879,580	673,332	1,206,248	1,647,508	591,287	1,056,221
Working Capital Fund	524,274	377,520	146,754	297,410	171,645	125,765
Other	93,568	12,232	81,336	26,894	9,974	16,920
Total	\$ 6,910,069	\$ 2,319,793	\$ 4,590,276	\$ 6,110,292	\$ 1,978,476	\$ 4,131,816

Pricing Policies

Generally, a Federal agency may not earn revenue from outside sources unless it obtains specific statutory authority. Accordingly, the pricing policy for any earned revenue depends on the revenue's nature, and the statutory authority under which the Department is allowed to earn and retain (or not retain) the revenue. Earned revenue that the Department is not authorized to retain is deposited into the Treasury's General Fund.

The FSRDF finances the operations of the Foreign Service Retirement and Disability System (FSRDS) and the Foreign Service Pension System (FSPS). The FSRDF receives revenue from employee/employer contributions, a U.S. Government contribution, and interest on investments. By law, FSRDS participants contribute 7.25% of their base salary, and each employing agency contributes 7.25%; FSPS participants contribute 1.35% of their base salary and each employing agency contributes 20.22%. Employing agencies report employee/employer contributions biweekly. Total employee/employer contributions for 2006 and 2005 were \$224.0 million and \$214.9 million, respectively.

The FSRDF also receives a U.S. Government contribution to finance (1) FSRDS benefits not funded by employee/employer contributions; (2) interest on FSRDS unfunded liability; and (3) FSRDS disbursements attributable to military service. The U.S. Government contributions for 2006 and 2005 were \$231.3 million and \$225.1 million, respectively. FSRDF cash resources are invested in special

non-marketable securities issued by the Treasury. Total interest earned on these investments in 2006 and 2005 was \$765.6 million and \$766.8 million, respectively.

Consular Fees are established primarily on a cost recovery basis and are determined by periodic cost studies. Reimbursable Agreements with Federal agencies are established and billed on a cost-recovery basis. ICASS billings are computed on a cost-recovery basis; billings are calculated to cover all operating, overhead, and replacement of capital assets, based on budget submissions, budget updates, and other factors. In addition to services covered under ICASS, the Department provides administrative support to other agencies overseas for which the Department does not charge. Areas of support primarily include buildings and facilities, diplomatic security (other than the local guard program), overseas employment, communications, diplomatic pouch, receptionist and selected information management activities. The Department receives direct appropriations to provide this support.

17 STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of and for the years ended September 30, 2006 and 2005. Intra-departmental transactions have not been eliminated in the amounts presented.

The Budgetary Resources section presents the total budgetary resources available to the Department. For 2006 and 2005, the Department received approximately \$26.4 billion and \$25.0 billion in budgetary resources, respectively, primarily consisting of the following:

Source of Budgetary Resources	2006	2005
Budget Authority:		
Direct or related appropriations	\$ 16.1 billion	\$ 15.6 billion
Authority financed from Trust Funds	1.3 billion	1.2 billion
Spending authority from providing goods and services	4.4 billion	4.3 billion
Unobligated Balances – Beginning of Year	4.3 billion	3.5 billion
Other	0.3 billion	0.4 billion
Total Budgetary Resources	\$ 26.4 billion	\$ 25.0 billion

The Department received permanent indefinite appropriations of \$42.5 million and \$41.9 million for 2006 and 2005, respectively. The permanent indefinite appropriation provides payments to the Foreign Service Retirement and Disability Fund to finance the interest on the unfunded pension liability for the year and disbursements attributable to military service. The amount of budgetary resources obligated for undelivered orders for all activities as of September 30, 2006 and 2005 was approximately \$10.2 billion and \$8.6 billion, respectively. This includes amounts of \$396 million for September 30, 2006 and \$320 million for September 30, 2005, pertaining to revolving funds, trust funds, and substantial commercial activities.

Information on U.S. Government agencies' budgets is reported in the *Budget of the United States Government, Fiscal Year 2008–Appendix (Appendix)*. The *Appendix* includes for each agency (including the Department), among other things, budget schedules for the agency's accounts. Information on budgetary resources and their status will be displayed in the *Program and Financing (P&F) Schedule* under each account. Amounts presented in the *P&F Schedules* are in millions of dollars. Each agency is responsible for submitting the data presented in the *P&F Schedules*. Amounts shown on the 2006 Statement of Budgetary Resources will differ from "2006 Actual" reported in the *P&F Schedules* for the Department's accounts as detailed in the schedule on the next page.

The *Appendix* is organized by major subordinate organizations or program areas within the agency, and then by the nature of account(s) (e.g., general, special, revolving, trust) within organization or program area. The Department's section consists of the following areas: Administration of Foreign Affairs, International Organizations and Conferences, International Commissions, Foreign Assistance, and Other. The Combining Schedule of Budgetary Resources appearing as Required Supplementary Information presents amounts in the Combined Statement of Budgetary Resources by these areas.

(Dollars in Millions):

	Budget Authority	Unobligated Balance Beginning of Year	Unobligated Balance End of Year	Obligations Incurred	Obligated Balance Beginning of Year	Obligated Balance End of Year	Net Outlays	Offsetting Receipts
FY 2006:								
International Security Assistance Programs	1,211	446	356	1,442	854	860	1,321	—
Undelivered Orders Adjustment	—	—	397	(187)	—	(397)	—	—
Expired Accounts Unobligated Balances	—	232	291	262	1,475	600	703	—
Undistributed Offsetting Receipts	—	—	—	—	—	—	—	861
Total FY 2006 Differences	1,211	678	1,044	1,517	2,329	1,063	2,024	861
FY 2005:								
International Security Assistance Programs	1,268	489	445	1,628	952	854	1,395	—
Undelivered Orders Adjustment	—	—	333	—	—	(333)	—	—
Expired Accounts Unobligated Balances	—	216	286	696	2,105	697	1,648	—
Undistributed Offsetting Receipts	—	—	—	—	—	—	—	911
Total FY 2005 Differences	1,268	705	1,064	2,324	3,057	1,218	3,043	911

The Statement of Budgetary Resources includes amounts the Department received in 2006 and 2005 to administer programs related to International Security Assistance. Amounts for these programs are not directly presented under the Department in the Appendix, but are reported in the Appendix under the section titled International Assistance Programs. In addition, the Statement of Budgetary Resources includes amounts of unavailable unobligated and obligated balances (primarily for expired annual accounts) that will not be reported in the Appendix. These unavailable unobligated balances in expired accounts (2005 and prior) remain available for adjustment, liquidation of obligations and other purposes authorized by law, until such accounts are closed as required by law and any remaining amounts will be returned to the General Fund of the U.S. Treasury. However, they are not available to incur new obligations since their period of availability to do such has expired.

18 CONSOLIDATED STATEMENT OF FINANCING

Accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources. The Statement of Financing for the years ended September 30, 2006 and 2005, presents information to reconcile these different measures. In doing so, the Statement of Financing provides assurance that the financial information is consistent with similar amounts found in budget reports. The Statement of Financing reconciles obligations of budget authority to the accrual-based net cost of operations. The Net Cost of Operations as presented on the Statement of Financing is determined by netting the obligations as adjusted and non-budgetary resources and making adjustments for the total resources that do not fund net cost of operations, the total costs that do not require resources, and financing sources yet to be provided. The result is Net Cost of Operations as reported on the Statement of Net Cost.

19 CUSTODIAL ACTIVITY

The Department administers certain activities associated with the collection of non-exchange revenues, which are deposited and recorded directly to the General Fund of the Treasury. The Department does not retain the amounts collected. Accordingly, these amounts are not considered or reported as financial or budgetary resources for the Department. At the end of each fiscal year, the accounts are closed and the balances are brought to zero by Treasury. Specifically, the Department collects interest, penalties and handling fees on accounts receivable; fines, civil penalties and forfeitures; and other miscellaneous receipts. In 2006 and 2005, the Department collected \$37.2 million and \$15.3 million, respectively, in custodial revenues that were transferred to the Treasury.

20 RESTATEMENTS

The accompanying FY 2006 and FY 2005 financial statements have been restated as described below.

FY 2006

The Department provides portions of its budget authority to various agencies to conduct activities in support of the Department's mission. For example, the Department allocates monies to the Department of Health and Human Services, the US Agency for International Development, and others for global HIV/AIDS activities. These transfers are commonly referred to as parent (the Department in this case) and child (the recipient agency in this case) accounts. Recipient agencies report back to the Department the financial activities for the allocations which are included in these financial statements. Subsequent to issuance of the Department's financial statements on November 15, 2006, the Department received notification of changes in amounts previously reported by child accounts. The net effect of the corrections was to decrease other advances and increase expenses by \$104.5 million. The change to the Department's FY 2006 financial statements is to decrease Other Assets, Total Assets, Unexpended Appropriations, and Total Net position by \$104.5 million; and to increase Appropriations Used, Total Cost and Net Cost by \$104.5 million. The restatement had no effect on the Statement of Budgetary Resources.

FY 2005

FY 2005 financial statements have been restated, to correct errors with respect to the accounting for certain real property transactions. The effect of the restatement was to decrease Total Net Cost for 2005 by \$160.7 million. Cumulative Results of Operations at the beginning of 2005 has been adjusted for the effects of the restatement on prior years. The restatement had no effect on the Statement of Budgetary Resources or the President's Budget.

In the course of the Department's first-year efforts to implement Appendix A, Internal Control Over Financial Reporting, of OMB's Circular A-123, *Management's Responsibility for Internal Control*, we identified errors in previously reported amounts for real property and associated depreciation and operating expenses as follows.

- ◆ Not identifying and adjusting completed capital projects in a timely manner.
 - Amounts reported as construction-in-progress where the projects had been completed and should have been reclassified to Buildings and Structures and the associated depreciation expense recorded.
- ◆ Expensing capital project costs.
 - Amounts reported as expense for capital projects that should have been recorded to construction-in-progress.

Significant awareness was raised about the importance of the internal controls related to these activities, and a number of corrective actions were taken to strengthen processes and controls to preclude future errors of this nature. For example, procedural guidance was developed, documented and implemented. In addition, processes were established to monitor outstanding projects on a periodic basis for the purpose of identifying any projects that are being improperly expensed, or that are complete but not reclassified to buildings and structures. Also, the Department's on-going A-123 Appendix A program will annually test the controls related to these activities to ensure they are in place and operating effectively.

Consolidated Balance Sheet:

	As of September 30, 2005		
	As Previously Reported	Adjustment	As Restated
Property and Equipment, Net	\$ 7,244,965	\$ 617,647	\$ 7,862,612
Total Assets	\$ 35,737,346	\$ 617,647	\$ 36,354,993
Cumulative Results of Operations	\$ 7,226,709	\$ 617,647	\$ 7,844,356
Total Net Position	\$ 18,657,348	\$ 617,647	\$ 19,274,995

Consolidated Statement of Net Cost:

	For the Year Ended September 30, 2005		
	As Previously Reported	Adjustment	As Restated
Total Cost	\$ 16,114,593	\$ (160,672)	\$ 15,953,921
Total Net Cost	\$ 11,982,777	\$ (160,672)	\$ 11,822,105

Consolidated Statement of Changes in Net Position:

	For the Year Ended September 30, 2005		
	As Previously Reported	Adjustment	As Restated
Cumulative Results of Operations:			
Beginning Balances	\$ 6,312,138	\$ 456,975	\$ 6,769,113
Net Cost of Operations	\$ (11,982,777)	\$ 160,672	\$ (11,822,105)
Ending Balances	\$ 7,226,709	\$ 617,647	\$ 7,844,356

Combined Statement of Budgetary Resources: No Effect

Consolidated Statement of Financing:

	For the Year Ended September 30, 2005		
	As Previously Reported	Adjustment	As Restated
Resources that finance the acquisition of assets	\$ 1,390,661	\$ 257,978	\$ 1,648,639
Total Resources Used to Finance Items not Part of the Net Cost of Operations	\$ 2,463,098	\$ 257,978	\$ 2,721,076
Total Resources Used to Finance the Net Cost of Operations	\$11,811,664	\$ (257,978)	\$ 11,553,686
Depreciation and Amortization	\$ 500,503	\$ 97,306	\$ 597,809
Total Components of Net Cost of Operations that will not Require or Generate Resources	\$ (483,351)	\$ 97,306	\$ (386,045)
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	\$ 171,113	\$ 97,306	\$ 268,419
Net Cost of Operations	\$11,982,777	\$ (160,672)	\$ 11,822,105

Footnote 8, Property and Equipment, Net;

	As of September 30, 2005		
	As Previously Reported	Adjustment	As Restated
Real Property - Overseas:			
Land and Land Improvements:			
Cost	\$ 1,982,304	\$ 4,666	\$ 1,986,970
Accumulated Depreciation	\$ (272)	\$ (847)	\$ (1,119)
Net Value	\$ 1,982,032	\$ 3,819	\$ 1,985,851
Buildings and Structures:			
Cost	\$ 4,362,838	\$ 1,581,438	\$ 5,944,276
Accumulated Depreciation	\$ (2,642,525)	\$ (222,138)	\$ (2,864,663)
Net Value	\$ 1,720,313	\$ 1,359,300	\$ 3,079,613
Construction-in-Progress:			
Cost	\$ 2,165,515	\$ (825,591)	\$ 1,339,924
Accumulated Depreciation	—	\$ —	\$ —
Net Value	\$ 2,165,515	\$ (825,591)	\$ 1,339,924
Leasehold Improvements:			
Cost	\$ 74,985	\$ 138,695	\$ 213,680
Accumulated Depreciation	\$ (27,068)	\$ (58,576)	\$ (85,644)
Net Value	\$ 47,917	\$ 80,119	\$ 128,036
Subtotal – Real Property			
Cost	\$ 9,327,032	\$ 899,208	\$ 10,226,240
Accumulated Depreciation	\$ (2,920,212)	\$ (281,561)	\$ (3,201,773)
Net Value	\$ 6,406,820	\$ 617,647	\$ 7,024,467
Total Property and Equipment, Net			
Cost	\$ 10,909,121	\$ 899,208	\$ 11,808,329
Accumulated Depreciation	\$ (3,664,156)	\$ (281,561)	\$ (3,945,717)
Net Value	\$ 7,244,965	\$ 617,647	\$ 7,862,612

REQUIRED SUPPLEMENTARY INFORMATION

DEPARTMENT OF STATE
COMBINING SCHEDULE OF BUDGETARY RESOURCES
 For the Year Ended September 30, 2006
 (Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Budgetary Resources:						
Unobligated Balance, brought forward, October 1:	\$ 2,969,425	\$ 326	\$ 9,263	\$ 491,809	\$ 800,284	\$ 4,271,107
Recoveries of Prior Year Unpaid Obligations	746,590	8,665	2,044	10,582	66,987	834,868
Budget Authority:						
Appropriations	9,429,296	2,331,512	67,339	1,210,057	4,331,982	17,370,186
Borrowing Authority	378	—	—	—	—	378
Contract Authority	—	—	—	—	—	—
Spending authority from offsetting collections (gross):						
Earned						
Collected	4,163,036	—	6,066	40,342	483,651	4,693,095
Change in receivable from Federal sources	(394,658)	—	78	(420)	(126,627)	(521,627)
Change in unfilled customer orders:						
Advance received	—	—	25	(3,211)	267,425	264,239
Without Advance from Federal Sources	—	—	(751)	—	1	(750)
Anticipated for rest of year, without advance	—	—	—	—	—	—
Previously unavailable	—	—	—	—	—	—
Expenditure transfers from trust funds:	—	—	—	—	—	—
Nonexpenditure transfers, net, anticipated and actual	15,652	—	—	51,800	123,774	191,226
Temporarily not available pursuant to Public Law	(376,869)	—	—	—	—	(376,869)
Permanently not available	(189,976)	(33,496)	(2,050)	(25,630)	(41,740)	(292,892)
Total Budgetary Resources	16,362,874	2,307,007	82,014	1,775,329	5,905,737	26,432,961
Status of Budgetary Resources:						
Obligations Incurred:						
Direct	8,103,317	2,177,139	69,117	1,376,275	4,369,344	16,095,192
Reimbursable	4,320,682	—	5,801	43,037	681,101	5,050,621
Unobligated balance						
Apportioned	3,541,530	129,883	5,940	351,140	733,647	4,762,140
Exempt from apportionment	33,409	—	—	—	7,454	40,863
Unobligated balance not available	363,936	(15)	1,156	4,877	114,191	484,145
Total Status of Budgetary Resources	\$ 16,362,874	\$ 2,307,007	\$ 82,014	\$ 1,775,329	\$ 5,905,737	\$ 26,432,961

DEPARTMENT OF STATE
COMBINING SCHEDULE OF BUDGETARY RESOURCES *continued*
 For the Year Ended September 30, 2006
 (Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Change in Obligated Balance:						
Obligated Balance, net						
Unpaid Obligations, brought forward, October 1	5,558,272	72,516	23,079	796,472	3,828,723	10,279,062
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(760,908)	67	(4,217)	(3,420)	(170,092)	(938,570)
Obligations incurred, net	12,423,999	2,177,139	74,918	1,419,312	5,050,445	21,145,813
Gross Outlays	(11,863,732)	(2,023,095)	(73,908)	(1,356,916)	(4,077,333)	(19,394,984)
Obligated balance transfers, net						
Actual transfers, unpaid obligations	—	—	—	—	—	—
Actual transfers, uncollected customer payments from Federal sources	—	—	—	—	—	—
Less: Recoveries of prior-year unpaid obligations, actual	(746,590)	(8,665)	(2,044)	(10,582)	(66,987)	(834,868)
Change in uncollected customer payments from federal sources	394,658	—	673	420	126,627	522,378
Obligated balance, net, end of period:						
Unpaid obligations	5,371,949	217,895	22,046	848,286	4,734,847	11,195,023
Less: Uncollected customer payments from Federal sources	(366,250)	67	(3,545)	(3,000)	(43,464)	(416,192)
Net Outlays						
Gross outlays	11,863,732	2,023,095	73,908	1,356,916	4,077,333	19,394,984
Less: Offsetting collections	(4,163,036)	—	(6,090)	(37,131)	(751,077)	(4,957,334)
Less: Distributed Offsetting receipts	(249,095)	—	—	—	(1,725)	(250,820)
Net Outlays	\$ 7,451,601	\$ 2,023,095	\$ 67,818	\$ 1,319,785	\$ 3,324,531	\$ 14,186,830

HERITAGE ASSETS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2006 AND 2005

The Department has collections of art objects, furnishings, books, and buildings that are considered heritage or multi-use heritage assets. These collections are housed in the Diplomatic Reception Rooms, senior staff offices in the Secretary's suite, offices, reception areas, conference rooms, the cafeteria and related areas, and embassies throughout the world. The items have been acquired as donations, are on loan from the owners, or were purchased using gift and appropriated funds. The assets are classified into six categories: the Diplomatic Reception Rooms, Art Bank, Art in Embassies, Curatorial Services Program, Library Rare & Special Book Collection, and Secretary of State's Register of Culturally Significant Property. Items in the Register of Culturally Significant Property category are classified as multi-use heritage assets due to their use in general government operations.

Diplomatic Reception Rooms

Under the management of the Curator's Office, the Diplomatic Reception Room collection is comprised of museum-caliber American furnishings from the 1750 to 1825 period. These items are used to decorate the Diplomatic Reception Rooms located on the 8th floor of the Department of State, as well as 19 offices on the 7th floor used by the Secretary of State and the Secretary's senior staff. These items have been acquired through donations or purchases funded through gifts from private citizens, foundations, and corporations. Tax dollars have not been used to acquire or maintain the collection.

Philadelphia mahogany table-desk on which Thomas Jefferson drafted the Declaration of Independence.



Photo: Richard Cheek



Thomas Jefferson State Reception Room.



The Benjamin Franklin State Dining Room.

Photo: Richard Cheek

Art Bank

The Art Bank was established in 1984 to acquire artworks that could be displayed throughout the Department's offices and annexes. The works of art are displayed in staff offices, reception areas, conference rooms, the cafeteria, and related public areas. The collection consists of original works on paper (watercolors and pastels) as well as limited edition prints, such as lithographs, woodcuts, intaglios, and silk-screens. These items are acquired through purchases funded by contributions from each participating bureau.



*Volkmar Wentzel
(clockwise from top left)
U.S. Capitol
The Washington Monument
Q Street Bridge
Pennsylvania Avenue*



Rare & Special Book Collection

In recent years, the Library has identified books that require special care or preservation. Many of these publications have been placed in the Rare Books and Special Collections Room, which is located adjacent to the Reading Room. Among the treasures is a copy of the Nuremberg Chronicles, which was printed in 1493; volumes signed by Thomas Jefferson; and books written by Foreign Service authors.

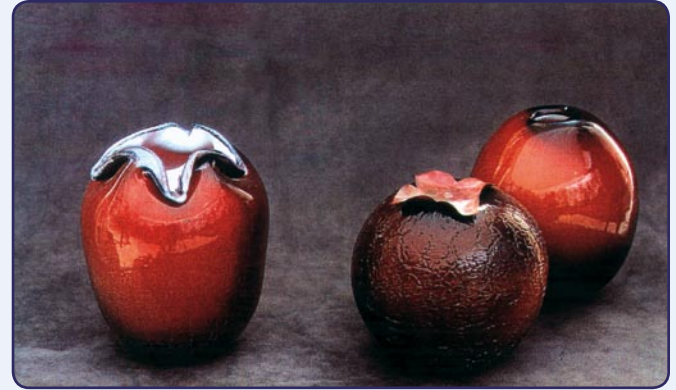
Curatorial Services Program

The Curatorial Services Program, which is managed by Overseas Buildings Operations, Interiors & Furnishings Division, Program Management Branch, is responsible for identifying and maintaining cultural objects owned by the Department of State in its properties abroad. The collections are identified based upon their historic importance, antiquity, or intrinsic value.

Art in Embassies

The Art in Embassies Program was established in 1964 to promote national pride and the distinct cultural identity of America's arts and its artists. The program, which is managed by the Bureau of Overseas Buildings Operations, provides original U.S. works of art for the representational rooms of United States ambassadorial residences worldwide. The works of art were purchased or are on loan from individuals, organizations, or museums.

1. Jerry Hovanec, *Persimmon with Pulled Stem-Cap* 1998, *Persimmon with Copper Stem-Cap* 1997, and *Untitled/Persimmon Vessel* 1997, (17 x 13 x 13 cm) blown glass. Courtesy of the artist, Lusby, Maryland



Secretary of State's Register of Culturally Significant Property

The Secretary of State's Register of Culturally Significant Property was established in January 2001 to recognize the Department's owned properties overseas, which have historical, architectural, or cultural significance. Properties in this category include chanceries, consulates, and residences. All these properties are used predominantly in general government operations and are thus classified as multi-use heritage assets. Financial information for multi-use heritage assets is presented in the principal statements.



Situated adjacent to Regent's Park in London, England, Winfield House is the residence of the U.S. Ambassador to the Court of St. James. Heiress Barbara Hutton built this country manor in 1936, and named it after her grandfather F.W. (Winfield) Woolworth, who had founded the famous Woolworth stores where any item could be purchased for five or ten cents. After World War II, Hutton offered the building to the United States Government to use as the ambassador's residence for the price of one American dollar.

HERITAGE ASSETS
For Years Ended September 30, 2004 through 2006

	Diplomatic Reception Rooms Collection	Art Bank	Art in Embassies Program	Curatorial Services Program	Library Rare & Special Book Collection	Secretary of State's Register of Culturally Significant Property
Description	Collectibles – Art and furnishings from the period 1750 to 1825	Collectibles – American works of art	Collectibles – American works of art	Collections include fine and decorative arts and other cultural objects.	Collectibles – Rare books and other publications of historic value	Noncollection – Buildings of historic, cultural, or architectural significance
Acquisition and Withdrawal	Acquired through donation or purchase using donated funds. Excess items are sold.	Acquired through purchase. Excess items are sold.	Acquired through purchase or donation. Excess items are sold.	The program provides assessment, preservation, and restoration as needed.	Acquired through purchase or donation. Excess items are sold.	Acquired through purchase. Excess items are sold.
Condition	Good to excellent	Good to excellent	Good to excellent	Good to excellent	Good to excellent	Poor to Excellent
Number of Items – 09/30/2004	3,411	2,169	975	4,468	1,033	8
Acquisitions	2	46	5	8	—	—
Adjustments	—	(72)	2	—	—	—
Disposals	—	—	3	1	—	—
Number of Items – 09/30/2005	3,413	2,143	979	4,475	1,033	8
Deferred Maintenance – 09/30/2005	N/A	N/A	N/A	N/A	N/A	\$4,459,522
Acquisitions	8	22	—	74	—	—
Adjustments	—	—	—	—	—	9
Disposals	—	—	—	8	—	—
Number of Items – 09/30/2006	3,421	2,165	979	4,541	1,033	17
Deferred Maintenance – 09/30/2006	N/A	N/A	N/A	N/A	N/A	\$2,716,714

DEFERRED MAINTENANCE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

The Department occupies more than 3,000 government-owned or long-term leased real properties at more than 260 overseas locations. It uses a condition assessment survey method to evaluate the asset's condition, and determine the repair and maintenance requirements for its overseas buildings.

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, requires that deferred maintenance (measured using the condition survey method) and the description of the requirements or standards for acceptable operating condition be disclosed. Fundamentally, the Department considers all of its overseas facilities to be in an "acceptable condition" in that they serve their required mission. Adopting standard criteria for a classification of acceptable condition is difficult due to the complex environment in which the Department operates.

From a budgetary perspective, funding for maintenance and repair has been insufficient in the past. As a result, the Department has identified current maintenance and repair backlog of \$325.8 million for buildings and facilities-related equipment and heritage assets that have not been funded. This figure is less than the \$521.4 million reported for 2005 as a result of transferring function code 7911 projects from maintenance tracking to their long range facilities plan. By doing this, the maintenance is no longer deferred but rather is now scheduled for construction. The current estimate is a more realistic measure of maintenance and repair work that must be done to buildings and equipment to bring them up to where the Department believes they should be.

Supplemental Information and Other Reporting Requirements



FINANCIAL MANAGEMENT PLANS AND REPORTS

OVERVIEW

INTRODUCTION

The Department's Bureau of Resource Management (RM), headed by the Assistant Secretary for Resource Management and Chief Financial Officer (CFO), employs over 500 people around the globe—in Washington, Charleston, South Carolina, and Bangkok, Thailand. With five major operating units, the CFO oversees all strategic and performance planning, State operations and foreign assistance budgeting and resource management, global accounting, disbursing and payroll, financial systems, and issuance of the financial statements and “annual report” of the Department. The CFO also coordinates and leads the remediation of vulnerabilities within the Department's global critical infrastructure. RM produces a number of essential documents including the Joint State/ USAID Strategic Plan, Department Performance Plan, Performance and Accountability Report, Budget-in-Brief, and the Congressional Budget Justification Document.

RM's customers are all embassies, consulates, and missions overseas, nearly 40 other U.S. Government agencies overseas, all domestic bureaus and employees of the State Department, and the Broadcasting Board of Governors. RM's services to its customers are critical in order that they can do their job to create a more secure, democratic, and prosperous world.

MISSION

“To integrate strategy, budgeting, and performance management, and secure and manage the resources necessary to accomplish the Department of State's mission.”

The CFO's mission statement is incorporated into the Department's strategic goal for Management and Organizational Excellence as Performance Goal 5. This Performance Goal has two initiatives, one each for the President's Management Agenda's initiatives for Improved Financial Performance and Budget and Performance Integration.

IMPROVED FINANCIAL PERFORMANCE

GOALS AND STRATEGIES

INITIATIVE GOAL STATEMENT

Provide world-class financial services that support strategic decision-making, mission performance, the President's Management Agenda, and improved accountability to the American people.

Improving financial performance means that the Department knows where every dollar comes from and where every dollar goes in a timely and accurate manner. Accurate and timely information is critical to managing our programs on a day-to-day basis, obtaining the best performance, and ensuring accountability to the American public. It is also a core competency of world-class organizations.

To do this, RM will:

- Produce on-time, accurate and useful financial statements on a routine basis.
- Obtain an unqualified (“clean”) opinion on annual Departmentwide financial statements.
- Produce award winning Performance and Accountability Reports.
- Implement seamless financial systems and processes that meet Federal and Department requirements.
- Ensure effective internal controls are in place and functioning.
- Consolidate and standardize financial operations.
- Leverage best business practices and electronic technologies (E-Gov).
- Build a top-notch finance team.
- Undertake other value-added activities that support strategic decision-making and mission performance.

Key measures of our success in this area are aligned with how OMB scores financial management related to achieving a “green” status rating on the President’s Management Agenda. Other measures of success include:

- Are we implementing the President’s mandate to effectively adopt E-Gov solutions, especially in the areas of payroll, travel and grants?
- Are we adequately investing in our greatest asset – our people?

PERFORMANCE

During FY 2006, the Department satisfied all nine of the criteria and achieved and maintained a “Green” status score for improved financial performance.

OMB-ESTABLISHED CRITERIA	
Criteria	Status
Receives an unqualified audit opinion on its annual financial statements.	Met
Meets financial statement reporting deadlines.	Met
Reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act.	Met
Has no chronic or significant Anti- Deficiency Act Violations.	Met
Has no repeat material auditor-reported internal control weaknesses.	Met
Has no material non-compliance with laws or regulations.	Met
Has no material weaknesses or non-conformances reported under Section 2 and Section 4 of the Federal Managers' Financial Integrity Act that impact the agency's internal control over financial reporting or financial systems.	Met
Currently produces accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operations.	Met (Improved)
Is implementing a plan to continuously expand the scope of its routine data use to inform management decision-making in additional areas of operations.	Met (Improved)

Customer Service

Customer service is the hallmark of the Bureau of Resource Management. As the Department moves to a single world-class financial system, RM has redoubled its emphasis on customer service and support. The Overseas Post Support Desk, in addition to helping posts with implementation of new financial systems and changes, has been expanded to become a state-of-the-art help desk for financial management professionals in the Department and in other agencies we service. As part of this effort, RM is moving the customer support function towards a 24/7 operation, leveraging our presence in time zones roughly equidistant around the globe (Charleston, Bangkok and Paris), and integrating former Washington-based operations into our customer support regime. For example, the former American Payroll Resolution Center is now operational in Charleston.

Building a Top-Notch Finance Team

Establishing a worldwide cadre of qualified financial managers presents a difficult challenge to the CFO. Unlike most other Government agencies, the CFO must manage the dynamics of three personnel systems that include financial management personnel: Foreign Service, Civil Service and Foreign Service Nationals (FSNs). Our primary strategy is to maintain a vigorous and active training program for financial management practitioners. We view the training program as critical — in implementing new systems, establishing RM as the lead bureau within the Department on financial management issues, and also in ensuring that information in the field is current and authoritative. In 2006, the training program was strengthened to provide overseas customers a full line-up of training opportunities — offering over 100 separate courses, for a total of 1,600 training seats available in 14 different locations around the globe. Our training program enjoys customer approval ratings in excess of 90 percent.

THE ROAD AHEAD

Looking ahead, State will continue to achieve fundamental “compliance” results. Moving beyond compliance-based results, State management is making decisions based on meaningful financial information to achieve better performance results in the form of lower costs, improved efficiencies and/or improved outcomes for agency mission.

State will also undertake other value added activities that support effective strategic decision-making and mission performance. These activities include:

- **Enhancing management and internal controls.** The Department maintains a robust system of management controls overseen by senior leadership and administered by RM. The Department's strong commitment to management controls has served as a positive catalyst for change and there are no material weaknesses reported under FMFIA. Recent events in the private sector have increased concerns related to financial management, and in particular on internal controls. To address these concerns, Congress passed the Sarbanes-Oxley Act of 2002, which establishes new demands for corporate accountability and includes several important sections related to internal controls for public companies. In December 2004, OMB revised Circular A-123, *Management's Responsibility for Internal Control*, to strengthen internal control in the Federal government. The Department fully implemented the requirements of revised circular A-123 in FY 2006, as required.
- **Streamlining and consolidating global financial operations.** In FY 2005, State completed a multi-year effort to consolidate and streamline our worldwide financial operations in our Charleston, South Carolina and Bangkok, Thailand locations.
- **Leveraging best business practices and electronic technologies (E-Gov).** The Department has selected and will soon begin implementation of an electronic Travel (eTS) program, beginning with our overseas locations. The program was piloted at several overseas locations in FY 2006. In addition, working with the Department of Agriculture's National Finance Center, State will reach a plan for migrating its current Consolidated American Payroll Processing System (that pays both civil service and foreign service employees).
- **Partnering with other Federal agencies.** The Joint Financial Management System (JFMS) investment is a cooperative effort by the Department of State and USAID to improve service and save money through collaboration on financial systems and functions. USAID and State are working together to migrate from two separate financial systems operations that use commercial off-the-shelf (COTS) software and different technical architectures to a common technical environment. The end goal of the JFMS is to create a common financial systems platform for State and USAID to manage all domestic and overseas financial management activities.

FINANCIAL MANAGEMENT SYSTEMS

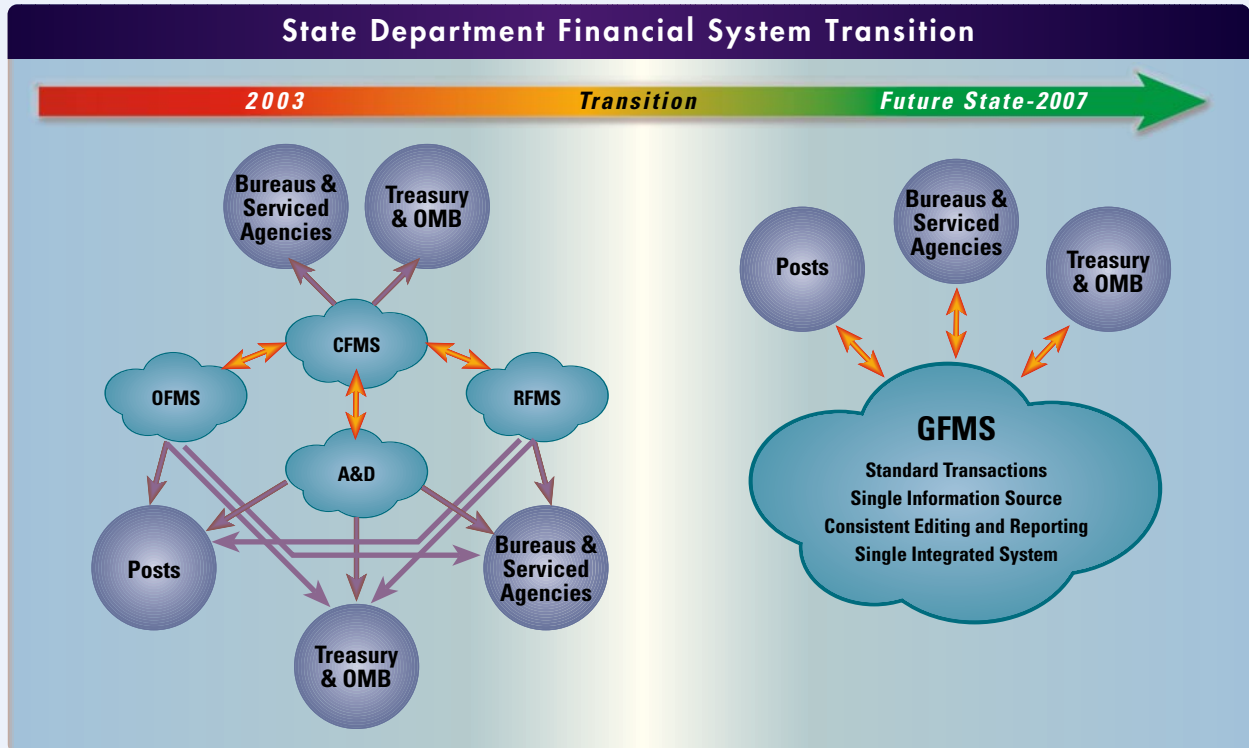
IMPLEMENT A GLOBAL FINANCIAL MANAGEMENT SYSTEM (GFMS)

For the past two decades, the Department accounted for its resources through multiple outdated and disjointed legacy financial systems. Some posts effectively conducted operations through the integration of little more than a collection of Excel spreadsheets. Often, it could take up to 45 days after a financial event occurred for overseas financial data to update the Department's Central Financial Management System (CFMS).

The Global Financial Management System (GFMS) project integrates the Department's overseas and domestic financial operations onto common financial management software platform in Charleston. The GFMS program replaces the Department's 20-year-old overseas systems and legacy mainframe systems with modern open systems technology and COTS federally certified software. The platform will provide a single integrated view of financial data through data standardization, common business processes, and the seamless exchange of information through the Department's financial and administrative sectors. This will dramatically improve operations and reduce costs by eliminating system redundancies and replacing obsolete and unsupported financial systems. It will

also provide the infrastructure for integrating other administrative activities within the Department, such as the Integrated Logistics Management System (ILMS).

The diagram below depicts the state of our financial systems at the beginning of FY 2003 and the end state of our global vision for the beginning of FY 2007 and beyond.



The following implementations will become the Department's Global Financial Management System.

Regional Financial Management System (RFMS)

RFMS is the new global accounting and disbursing system that has been implemented for posts around the world, and the building block of GFMS. RFMS is comprised of a commercial-off-the-shelf, accounting system for funds management, obligation, and voucher processing, and the RFMS/D disbursing system developed by the Department for Treasury disbursing services. The successful worldwide implementation of RFMS replaced the obsolete Paris Accounting and Disbursing system (mainframe-based) used at FSC Paris and the Overseas Financial Management System (Wang-based) used at FSCs Charleston and Bangkok. RFMS incorporates State's standard account structure and improves transaction standardization and timeliness between RFMS and CFMS, which results in the consistent, timely processing and recording of financial data on a worldwide basis. In addition, the overseas interface was reengineered for RFMS and now provides daily updates of overseas financial transactions to CFMS. These daily updates allow headquarters managers to ascertain the worldwide balance of our accounts on a daily basis, something never before possible.

In addition, RM enhanced its reporting tool called COAST which provides daily updates on all financial transactions to 168 posts overseas and domestic bureaus, allowing them to analyze, and "slice and dice" their financial data for local reporting purposes using modern reporting and query tools on their local workstation.

Central Financial Management System (CFMS)

CFMS is the Department's primary and central accounting system in Washington. It is a mainframe-based COTS product that will be upgraded to the same COTS software used by RFMS software in FY 2007. Upon completion of this conversion, the Department will have in place a worldwide core financial management system on a common software platform.

Global Direct Connect

Global Direct Connect will move posts that have operationally practical and reliable network connections (estimated at over 85 percent of our embassies) from their current batch processing environment to a real time, on line connection with GFMS. Currently, there are 59 posts using Global Direct Connect. Our plan is to implement another 39 more posts to Global Direct Connect by the end of FY 2007.

Becoming a Financial Line of Business Center of Excellence

In FY 2004, the Administration asked agencies with the skills and capabilities to function as government-wide service providers in the area of Financial Management to submit business cases for doing so as part of the Fiscal Year 2006 budget process. After assessing potential service providers in several areas, including but not limited to past performance, current capabilities, and ability to operate a customer-focused organization, four agencies were designated Financial Management (FM) Line of Business (LoB) Service Centers.

Recognizing that the offerings of these four service providers were geared toward domestic operations, the Department prepared a FY08 Exhibit 300 business case as well as an accompanying proposal to become a service center of excellence for foreign affairs agencies. The Department welcomes this opportunity to continue to service the foreign affairs community and further the President's Management Agenda.

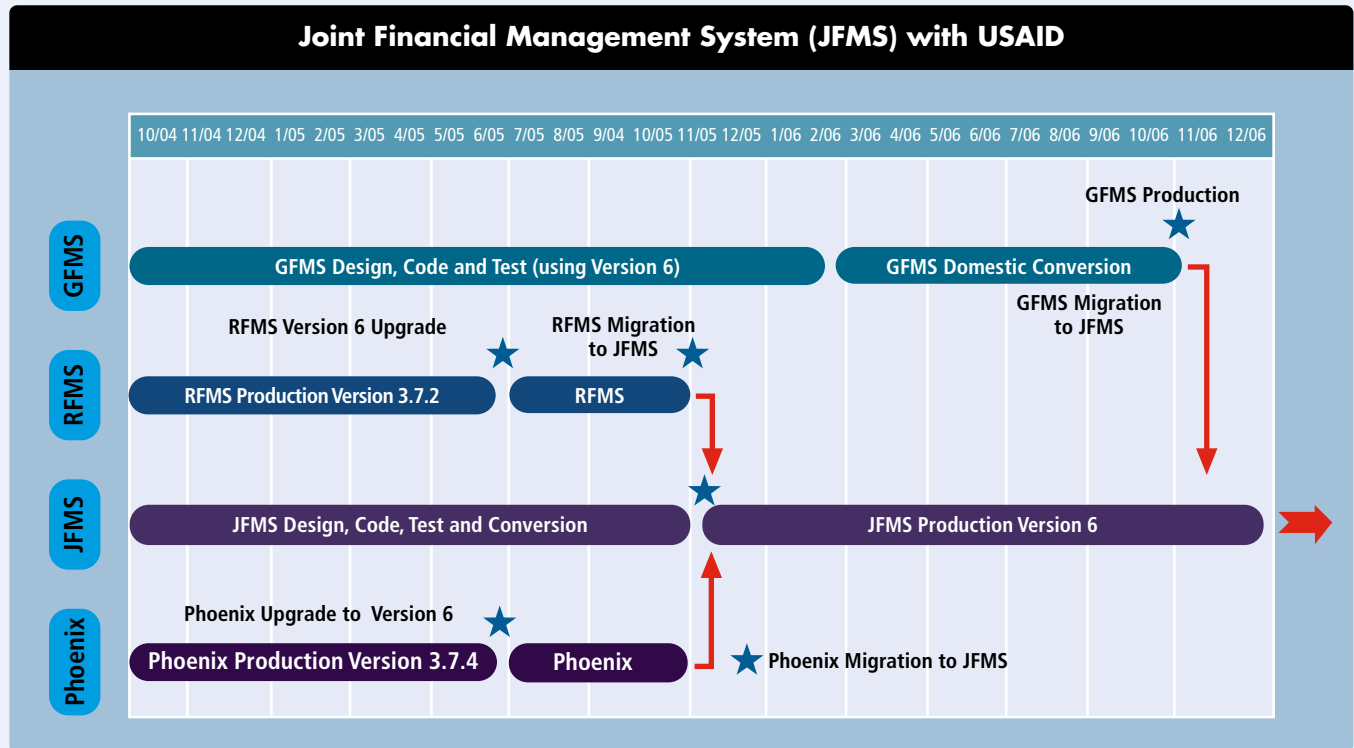
Joint Financial Management System (JFMS) with USAID

The Joint Financial Management System (JFMS) investment is a cooperative effort by the Department of State and the U.S Agency for International Development (USAID) to improve service and save money through collaboration on financial systems and functions. At issue was the pursuit of separate implementations of the same financial system software (CGI-AMS' Momentum) when a joint effort would improve efficiency based on economies of scale.

At the beginning of FY 2006, State and USAID achieved their goal of creating a common financial systems platform for State and USAID to manage financial management activities with the successful move of the USAID financial management system to the State

Department's Charleston Financial Services Center. The JFMS investment combines the Department's Global Financial Management System (GFMS) and USAID Phoenix investments onto a common financial management platform.

The diagram below depicts the end (i.e. target) state of our global financial systems for FY 2007.



Joint Assistance Management System (JAMS) with USAID

USAID and the Department of State are implementing a Joint Assistance Management System (JAMS). The system will collect assistance information and will interface with the Joint Financial Management System being implemented by the two agencies. JAMS will be based on a commercial product called "Grantium." Grantium was selected from a field of commercial products because of its ability to be easily configured for assistance processes. Other features include a robust reporting capability.

During FY 2006 significant progress was made on JAMS. Assistance processes were reconciled between State and USAID. A proof of concept was conducted with support from both domestic and field users of Grantium. The Grantium solution was presented to the government-wide Grants Executive Board which recommended continued development by USAID and State.

FY 2007 will see a second proof of concept to evaluate changes and upgrades resulting from the suggestions in the first session. Pilot deployments will begin in the fourth quarter, setting the stage for domestic rollout in FY 2008. State and USAID teams continue excellent collaboration on the Grantium effort.

MANAGEMENT OF OBLIGATIONS TO THE DEPARTMENT

DEBT MANAGEMENT

Outstanding debt from non-Federal sources (net of allowances) decreased from \$70.3 million in 2005 to \$35.5 million in 2006. Refer to Notes to the Principal Financial Statements, Note 6, for an analysis of Accounts Receivable balances. Non-Federal receivables consist of debts owed to the International Boundary and Water Commission, and amounts owed for Repatriation Loans, medical costs, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

Of the delinquent receivables over 365 days old, \$5.9 million is for the Repatriation Loan Program. These are loans given to destitute American citizens stranded overseas to allow them to return to the United States. The loans are given only if the individual cannot obtain funds from relatives, friends, employers, or another source. The Department acts as the lender of last resort. The loan becomes delinquent 60 days after repatriation to the United States. Due to their poor economic situation, most of these individuals are unable to repay the loans on time.

The Department uses installment agreements, salary offset, and restrictions on passports as tools to collect its receivables. It also receives collections through its cross-servicing agreement with the Department of the Treasury. In 1998, the Department entered into a cross-servicing agreement with the Department of the Treasury for collection of delinquent receivables. In accordance with the agreement and the Debt Collection Improvement Act of 1996 (Public Law 104-134), the Department referred \$1,673,117 to Treasury for cross-servicing in 2006.

Receivables Referred to the Department of the Treasury for Cross-Servicing

	FY 2006	FY 2005	FY 2004
Number of Accounts	1,044	638	253
Amounts Referred (In Thousands)	\$1,673	\$ 956	\$ 261

FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT ACT

The Federal Civil Penalties Inflation Adjustment Act of 1990 established annual reporting requirements for civil monetary penalties assessed and collected by Federal agencies. Civil penalties are defined as any non-criminal penalty, fine or other sanction for which a given dollar amount or maximum amount is specified by Federal law, and which is assessed or enforced by an agency as a result of an administrative proceeding or civil action in the Federal courts. The Department has assessed fines on individuals and companies for exporting defense materials without required approvals and for misrepresenting facts on an export application.

COMPANY NAME	VIOLATION	DATE ASSESSED	AMOUNT ASSESSED	PAYMENT SCHEDULE
SPACE SYSTEMS/LORAL, INC.	Violating the express terms and conditions of the Department's munitions licenses and exporting defense services without a munitions license or other authorization to the People's Republic of China.	1/9/2002	\$14,000,000	\$2,200,000 initially, then \$1,685,714 for seven subsequent years
HUGHES ELECTRONICS CORP. & BOEING SATELLITE SYSTEMS	Violating the terms and conditions of the Department's munitions licenses and exporting defense services without munitions licenses or other authorizations (and conduct relating to two failed launches of rockets carrying spacecraft) to the People's Republic of China.	3/4/2003	\$12,000,000	\$1,500,000 for eight years
EDO CORPORATION	Violations incurred by Condor Systems, Inc. prior to the acquisition of business assets by EDO that included the terms and conditions of the Department's munitions license and exporting defense services without munitions license or other authorizations.	11/24/2003	\$1,750,000	\$583,334 initially, then \$583,333 for two years
ITT CORPORATION	Exporting defense articles and services (night vision products and space remote sensing technical data and defense services) in violation of the terms or conditions of other approvals that were provided by the Department.	11/1/2004	\$3,000,000	\$1,000,000 initially, then \$1,000,000 for two years
GENERAL MOTORS CORPORATION	Exporting defense articles and services (to foreign person employees of proscribed countries) in violation of the terms or conditions of other approvals that were provided by the Department.	11/1/2004	\$8,000,000	\$2,000,000 initially, then \$1,500,000 for four years
ORBIT ADVANCED TECHNOLOGIES INC.	Violating the terms and conditions of the Department's munitions and licenses by agreeing to sell defense articles (Radome Measurement System – AL8098/AL8099) to the People's Republic of China.	08/29/05	\$500,000	\$33,334 initially, then \$33,333 over two years, then \$200,000 over three years
THE BOEING COMPANY	Exporting unauthorized defense articles and services (to foreign person employees of proscribed countries) in violation of the terms and conditions of the Department's International Traffic in Arms Regulations (ITAR).	03/28/06	\$15,000,000	\$15,000,000 within 10 days for complete settlement
GOODRICH CORPORATION	Exporting unauthorized defense articles and services (to foreign person employees of proscribed countries) in violation of the terms and conditions of the Department's International Traffic in Arms Regulations (ITAR).	03/28/06	\$1,250,000	\$500,000 in 10 days, then \$250,000 over three years
L-3 COMMUNICATIONS	Exporting unauthorized defense articles and services (to foreign person employees of proscribed countries) in violation of the terms and conditions of the Department's International Traffic in Arms Regulations (ITAR).	03/28/06	\$2,000,000	\$500,000 in 10 days, then \$500,000 over three years
TOTAL			\$57,500,000	

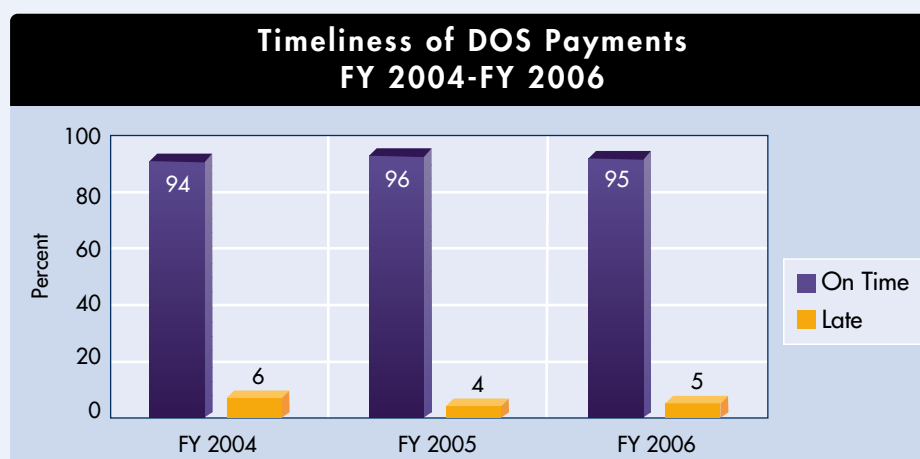
COMPANY NAME	Balance Outstanding September 30, 2005	Fiscal Year 2006 Assessments	Fiscal Year 2006 Collections	Balance Outstanding September 30, 2006
SPACE SYSTEMS/LORAL, INC.	\$ 10,114,284	\$ —	\$ 5,057,142 (Chapter 11 Bankruptcy granted January 2004)	\$ 5,057,142
HUGHES ELECTRONICS CORP. & BOEING SATELLITE SYSTEMS	\$ 5,000,000	\$ —	\$ 3,500,000	\$ 1,500,000
EDO CORPORATION	\$ 583,333	\$ —	\$ 583,333	\$ —
ITT CORPORATION	\$ 2,000,000	\$ —	\$ 1,000,000	\$ 1,000,000
GENERAL MOTORS CORPORATION	\$ 6,000,000	\$ —	\$ 1,500,000	\$ 4,500,000
ORBIT ADVANCED TECHNOLOGIES INC.	\$ 266,666	\$ —	\$ 33,333	\$ 233,333
THE BOEING COMPANY	\$ —	\$ 15,000,000	\$ 15,000,000	\$ —
GOODRICH CORPORATION	\$ —	\$ 1,250,000	\$ 500,000	\$ 750,000
L-3 CORPORATION	\$ —	\$ 2,000,000	\$ 500,000	\$ 1,500,000
TOTAL	\$ 23,964,283	\$ 18,250,000	\$ 27,673,808	\$ 14,540,475

MANAGEMENT OF PAYMENTS

PROMPT PAYMENT ACT

TIMELINESS OF PAYMENTS

The Prompt Payment Act (PPA) requires Federal agencies to pay their bills on time or an interest penalty must be paid to vendors. During FY 2006, the Department made 614,511 payments subject to prompt payment of which 586,434 or 95% were paid on time. Presented below is a chart that reflects the timeliness of the Department's payments from FY 2004 through FY 2006.

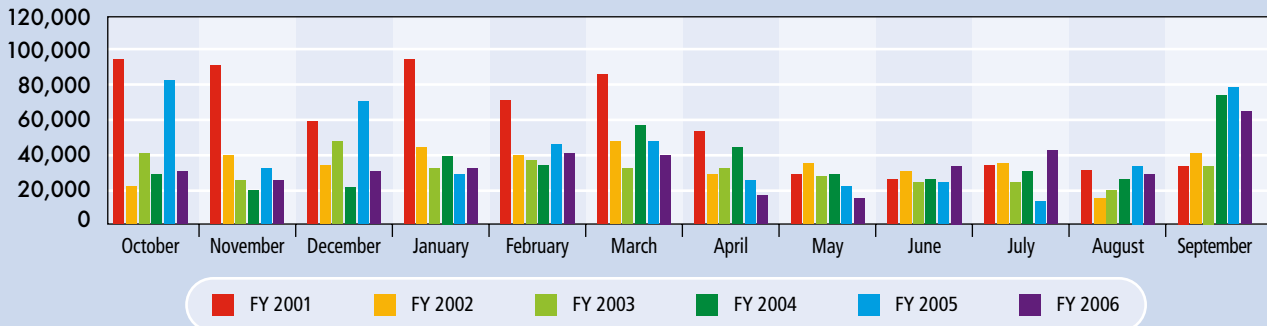


During FY 2006, 1% of invoices required interest penalties compared to 2% for FY 2005. The percentage of interest penalties paid against the total invoices amount paid for domestic payments has been steadily improving: FY 04 – 0.016%, FY 05 – 0.013%, and FY 06 – 0.009%.

SELECTED PAYMENT DATA

	2006	2005	2004
Interest Paid (\$000)	405	557	431
Interest Under \$1 Not Due (\$000)	—	—	—
Interest Due But Not Paid (\$000)	—	—	—
Number of Procurement Card Transactions			
Domestic	45,804	54,061	61,838
Overseas	82,023	75,407	66,416

Domestic Prompt Payment Interest FY 2001 to FY 2006



ELECTRONIC PAYMENTS

Payments made through Electronic Funds Transfer (EFT) were 87 percent of the total payments made for domestic and overseas payments. This is an increase of 2 percent over the fiscal year 2005 rate. EFT payments made for the Domestic operations were 98 percent of the total domestic payments. EFT payments made through the USDO for overseas operations was 81 percent of the total number of overseas payments. This is an increase of over 4 percent of the fiscal year 2005 rate. Payments made for overseas operations will not have the same rate as the domestic payments due to the result of complexities of banking operations in some of the countries where payments are made by the Department of State.

EFT and Check Payment Volumes

Payment Type	2006		2005		2004	
	Number	Percent	Number	Percent	Number	Percent
EFT:						
Domestic	1,095,691	98	1,120,735	98	981,427	97
Overseas	1,455,055	81	1,309,530	77	885,623	67
EFT Subtotal	2,550,746	87	2,430,265	85	1,867,050	80
Checks:						
Domestic	26,869	2	23,539	2	26,012	3
Overseas	352,092	19	400,985	23	440,394	33
Checks Subtotal	378,961	13	424,524	15	466,406	20
Total Domestic	1,122,560	38	1,144,274	40	1,007,439	43
Total Overseas	1,807,147	62	1,710,515	60	1,326,017	57
Total Payments	2,929,707	100	2,854,789	100	2,333,456	100

IMPROPER PAYMENTS INFORMATION ACT

The *Improper Payments Information Act of 2002* (Public Law No. 107-300) (IPIA) requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments. OMB, in OMB Circular A-136, requires detailed information relating to IPIA, which is provided below.

In FY 2004, the Department identified programs that were susceptible to significant improper payments. A risk assessment was performed based on dollar volume, number of vendors or recipients, internal controls, audit reports of the programs, and management’s institutional knowledge. Based on the results of this assessment, the Department classified all payments into the following three categories:

- Employee Pay
- Vendor Payments
- Federal Financial Assistance

Two types of payments were identified as having a potential high risk for significant improper payments; Federal Financial Assistance Programs and Vendor Payments. The following programs were identified as high-risk and tested in FY 2004:

FEDERAL FINANCIAL ASSISTANCE AREA

- International Information Programs (IIP) – U.S. Speaker and Specialist Program
- International Narcotics and Law Enforcement (INL) – Counter-narcotics Program

VENDOR PAY AREA

- Other Contractual Services
- Structures & Equipment (test work in this area was started in FY 2004 and completed in FY 2005)

As shown in the table below, based on the FY 2004 test results for the programs tested, only the Federal Financial Assistance IIP Program was categorized as being susceptible to significant improper payments.

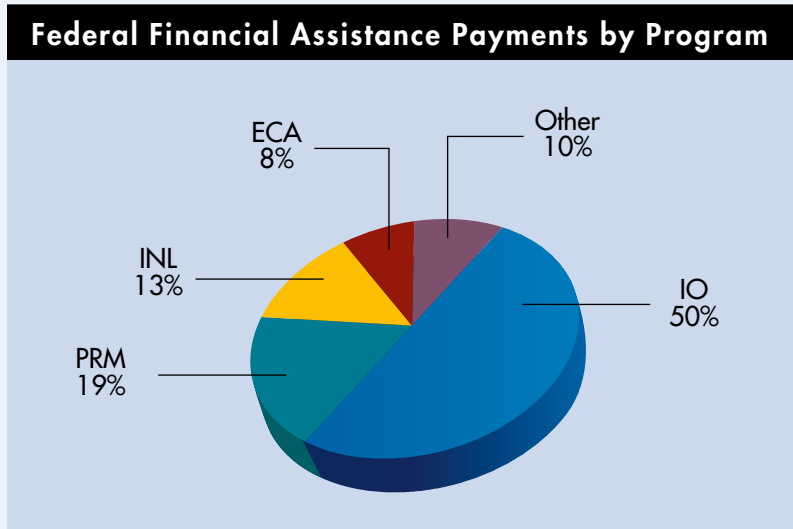
FY 2004 Improper Payments Test Results

Year Reviewed	Payment Category	Program	First Nine Months FY 2005 Outlays	IP %	IP \$
FY 2004	Federal Financial Assistance	INL Counter-narcotics Program	\$ 313	0.87%	\$ 1.7
		IIP - U.S. Speaker and Specialist Program	\$ 30	81.18%	\$ 1.4
	Vendor Payments	Other Contractual Services	\$ 1,534	2%	\$ 0.78

In FY 2005, a reassessment of risk was performed to determine which categories identified in FY 2004 were still susceptible to significant improper payments. Based on the results of this reassessment of risk, the following was noted:

- Employee Pay - Based on the Department’s institutional knowledge and the results of past internal control reviews over this process, this category did not appear to be susceptible to significant improper payments in FY 2005.
- Vendor Payments – Based on the FY 2004 test results, this category of payments was also not considered to be susceptible to significant improper payments in FY 2005.
- Federal Financial Assistance - This was the only category of payments considered to be susceptible to significant improper payments in FY 2005.

As part of this reassessment, using data for the last quarter of FY 2004 and the first three quarters of FY 2005, the population of Federal Financial Assistance payments by specific programs within each bureau was identified. The following is a breakout of these expenditures by bureau:



OMB’s threshold of \$10 million and 2.5% of program payments was applied to each program within the bureaus to identify those programs that could be susceptible to significant improper payments. For the programs meeting the threshold, the reassessment of risk was conducted to determine whether these programs had a High, Moderate, or Low risk of susceptibility to improper payments. In addition, three programs were identified that did not meet the OMB threshold but, based on the Department’s institutional knowledge, could be susceptible to significant improper payments.

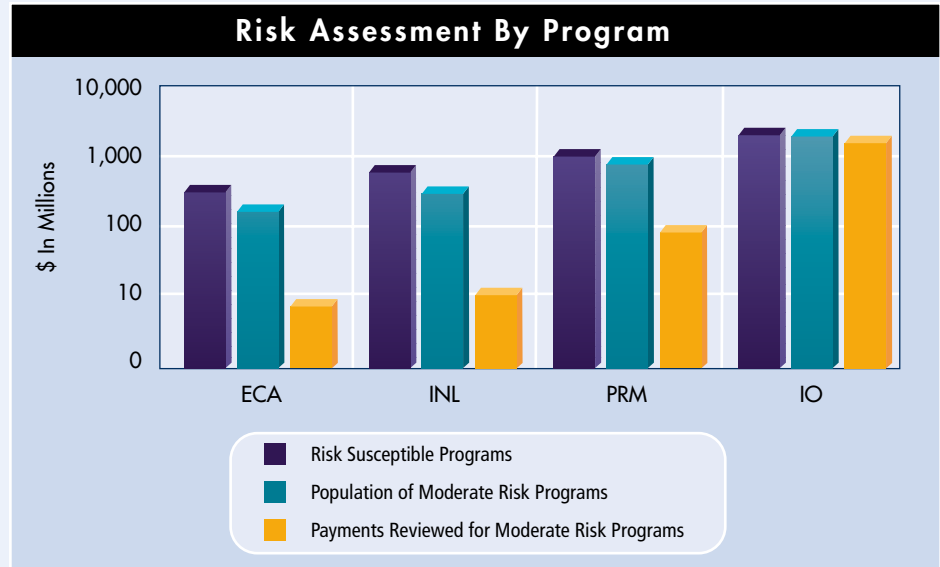
The following is a list of the programs that were classified as being susceptible to significant improper payments and the overall risk assessment for each program.

Program	Risk Assessment
Educational & Cultural Affairs (ECA) – Fulbright Program	Moderate
ECA – Teacher Exchange*	Low
ECA – Humphrey Program*	Low
ECA – Study of the U.S.*	Low
INL – Law Enforcement Support, Eradication, Aviation Support, & Support to the Military	Moderate
Population, Refugees and Migration (PRM) – Humanitarian Migration to Israel	Low
PRM – Refugee assistance through International Organizations	Low
PRM – Refugee Admissions	Low
PRM – Refugee Assistance (grants and contributions)	Moderate
International Organizations (IO) – Contributions to International Organizations and Peacekeeping	Moderate

* Although these programs did not meet the OMB threshold, the Department identified them as being susceptible to improper payments due to the similarity in the scope of these programs to the Fulbright Program. However, based on the results of the risk assessments, these programs were classified as having a low risk of susceptibility to improper payments.

In addition, Structures and Equipment (classified under the Vendor Payments category in FY 2004) was classified as high-risk. The improper payments review for Structures and Equipment was started in FY 2004 and completed in FY 2005.

The following chart shows a breakdown of the Federal Financial Assistance dollars for the risk susceptible bureaus, the population of expenditures for moderate risk programs (identified above) for each risk susceptible bureau, and the payments reviewed for the moderate risk programs in FY 2005.



RESULTS

One of the challenges faced during the testing of the Federal Financial Assistance Programs for improper payments is that the level of testing was performed based on the supporting documentation maintained by the Department. The Department did not extend the testing to the grantee level to obtain further supporting documentation to support whether the funds were spent in accordance with the grant agreement. As a result, the Department’s testing of sampled transactions yielded an actual error rate and amount of error at zero to low levels, the results could have been different if the level of testing was extended to the grantee level.

FY 2005 Improper Payments Test Results

Payment Category	Program	Last quarter of FY 2004 and first three quarters of FY 2005 Outlays (In Millions)	IP %	IP \$
Federal Financial Assistance	ECA - Fulbright Program	\$ 169	0.00%	\$ —
	PRM - Refugee Assistance	\$ 682	0.00%	\$ —
	IO - Contributions to International Organizations and Peacekeeping	\$ 1,891	0.00%	\$ —
Vendor Payments	Structures & Equipment	\$ 485	<1%	\$ 0.235

Program (Dollars in Millions)	ACTUAL					PROJECTED						
	Outlays	IP %	IP \$	Outlays	IP %	Outlays	IP %	Outlays	IP %	IP \$		
Year Reviewed: 2006												
	FY 2006					FY 2007					FY 2009	
Federal Financial Assistance Programs												
* INL Narcotics Program	\$ 313	3.97%	\$180,340.00	\$ 322	<1%	\$185,750.07	\$ 332	<1%	\$191,322.44	\$ 342	<1%	\$197,061.98
	First three quarters of FY 2006					FY 2007					FY 2009	
Federal Financial Assistance Programs												
IIP - U.S. Speaker and Specialist Program	\$ 28	23.81%	\$348,567.00	\$ 29	10.00%	\$361,015.82	\$ 30	<1%	\$373,464.64	\$ 31	<1%	\$385,913.46
Year Reviewed: 2005												
	Last quarter of FY 2004 and first three quarters of FY 2005					FY 2007					FY 2009	
Federal Financial Assistance Programs												
ECA - Fulbright Program	\$ 169	0.00%	\$ —	\$ 187	0.00%	\$ —	\$ 196	0.00%	\$ —	\$ 205	0.00%	\$ —
PRM - Refugee Assistance	\$ 682	0.00%	\$ —	\$ 870	0.00%	\$ —	\$ 1,009	0.00%	\$ —	\$ 1,039	0.00%	\$ —
IO - Contributions to International Organizations and Peacekeeping	\$ 1,891	0.00%	\$ —	\$ 1,948	0.00%	\$ —	\$ 2,006	0.00%	\$ —	\$ 2,066	0.00%	\$ —
Vendor Payments												
Structures & Equipment	\$ 485	<1%	\$ 0.235	\$ 691	0.00%	\$ —	\$ 712	<1%	\$ —	\$ 733	0.00%	\$ 755

* The improper payment testing for INL was started in FY05 and completed in FY06

FY 2006 Improper Payments Test Results

In FY06, a random sample of the detailed payment transaction data was selected for the last month of FY 2004 and first three months of FY 2005 for International Narcotics and Law Enforcement (INL) and the first nine months of FY 2006 for International Information Programs-U.S. Speaker and Specialist Program (IIP). Both programs were identified as high-risk and tested in FY 2004. The sampling methodology used was developed using the OMB guidance. Test results found improper payments in both programs. The projected error rate and dollar amount of improper payments in the population sampled range from approximately 3.97 % and \$180,340 thousand to 23.97 % and \$348,567 thousand.

Program	Transactions in		Dollars in		Error Rate	Projected Improper Payments
	Population	Sample	Population	Sample		
International Narcotics and Law Enforcement- Law Enforcement, Eradication, Aviation Support and Support to the Military.	4,315	126	\$ 313,078,592	\$ 2,366,056	3.97%	\$ 180,340
International Information Programs- U.S. Speaker and Specialist Program	741	126	\$ 28,822,489	\$ 288,548	23.81%	\$ 348,567

Calculation of error rate and payment amounts based on sample results

Actual test results and projected improper payments for Fiscal Years 2007 through are shown in the enclosed table.

STATISTICAL SAMPLING PROCESS

Using OMB guidance, the Department assumed a 2.5 percent or less rate of error for each of the programs sampled since the Department had no historical error rate to use in calculating the sample sizes of the different populations. A sample size of 126 transactions was reviewed for each program. The sample size selected was based on the minimum required to yield an estimate with a 90% confidence level and a confidence interval of plus or minus 2.5%.

Several corrective action recommendations were made to the Office of Financial Policy, Reporting and Analysis (FPRA) in an effort to reduce the amount of the agency’s improper payments and internal control deficiencies.

The following table provides a summary of the improper payments identified in FY 2006, the cause for the improper payment, the impact and corrective action plans to reduce the estimated rate of improper payments:



*The Department of State Charleston Financial Service Center.
Department of State Photo*

Year Reviewed	Payment Category	Program	Improper Payment Findings and Impact	Corrective Actions
FY 2006	Federal Financial Assistance	IIP-U.S. Speaker and Specialist Program	Insufficient documentation provided to support eligibility for the award. Difficulty in validating grantee's eligibility without sufficient documentation.	The Department will enforce and follow its policies and procedures as it relates to proper documenting the biographical information.
			Incorrect financial assistance award instrument used to obligate award.	The Department will review all documentation prior to obligating the award in CFMS to ensure that the correct financial assistance instrument is being used.
			Overpayment.	The Department will review all documentation prior to making an award and ensure that an award is being made from the correct supporting documentation.
	INL-Law Enforcement, Eradication, Aviation Support and Support to the Military	Insufficient supporting documentation. Difficulty in validating the payment.	The Department will enforce and follow policies and procedures as it relates to maintaining sufficient documentation.	
		Prompt Payment Act Violation Cannot validate grantees eligibility without sufficient documentation. Inconsistency in annotating the date of receipt on invoices potentially resulting in overpayment or underpayment of interest.	The Department will enforce policies and procedures as it relates to clearly annotating the date the invoice is received.	

RECOVERY AUDIT PROGRAM RESULTS

Currently the Department of State, Bureau Resource Management, has in place a detection and recovery program to monitor duplicate and erroneous payments. This is a monthly audit of all payments focusing on identifying potential erroneous and duplicate domestic payments. Using data mining software to identify potential duplicate and erroneous payments, payments are validated, and then collection begins. In addition, there is an established debt management support structure, specifically focused on early detection, identification and collection of erroneous and duplicate commercial claims.

For FY 2006, there were 591 (or 0.15%) out of 403,636 payments identified as potential duplicate/erroneous payments. Of these, 259 were confirmed duplicate payments totaling approximately \$2.3 million out of \$10 Billion. Of the 259 confirmed duplicate payments, 214 have been collected totaling \$2.15 million while 45 remain outstanding totaling \$120,450. The cause of the improper payments caused by obligations being recorded to an incorrect vendor and authorized payments to the same claim from multiple funding strips. The Department is committed to reducing erroneous payments issued domestically and overseas. Programs and procedures have been instituted that will strengthen agency management and internal control procedures for prevention, detection and recovery of erroneous payments. The following improvements are being undertaken: Issue updated guidance for performing program reviews and risk assessments. Strengthen policies and procedures with regard to proper documentation requirements for payments. Provide training to affected staff regarding proper payment requirements and documentation. Strengthen payment and debt management programs, policies and practices that will improve detection, referral and recovery efforts.

The cost to run the internal CFSC's (Global Financial Services) erroneous payment program is estimated at approximately \$135,000. In addition, a recovery audit firm was used during the fiscal year. The cost associated with the contracted recovery audit firm was approximately \$30,000 which was paid out of the funds recovered.

U.S. DEPARTMENT OF STATE DEBT RECOVERY PROGRAM									
Audit Program	Amount of Payments Subject to Review	Number of Payments Reviewed	Number				Amount (in \$000)		
			Potential Duplicates	Actual Duplicates Confirmed	Claims Collected	Outstanding Claims	Duplicate Payments Confirmed	Duplicate Payments Collected	Outstanding Claims
Recovery Auditor	\$8.4 Billion	419,688	80	26	26	0	\$ 127.7	\$ 127.7	\$ 0.0
Internal CFSC Audit	\$26.5 Billion	403,636	591	259	214	45	\$ 2,269.5	\$ 2,149.0	\$ 120.5
Total	\$34.9 Billion	823,324	671	285	240	45	\$ 2,397.2	\$ 2,276.7	\$ 120.5

ACCOUNTABILITY

The Department is committed to reducing erroneous payments issued domestically and overseas. Programs and procedures have been instituted that will strengthen agency management and internal control procedures for prevention, detection and recovery of erroneous payments. The following improvements are being undertaken:

- Issue updated guidance for performing program reviews and risk assessments
- Strengthen policies and procedures with regard to proper documentation requirements for payments
- Provide training to affected staff regarding proper payment requirements and documentation
- Strengthen payment and debt management programs policies and practices that will improve detection, referral and recovery efforts
- Report information on improper payments in the annual *Performance and Accountability Report*

INFORMATION SYSTEMS

Based on the improper payment reviews conducted in FY 2005 and FY 2006, the improper payments identified did not result from the lack of proper information systems. Although the Department is currently in transition to implement a global financial management system by FY 2007, the current financial management system did not have an impact on the level of improper payments identified.

ISSUES

As previously mentioned, one of the challenges the Department faced in FY 2006 was determining to what extent federal financial assistance should be tested to obtain reasonable assurance that improper payments are not occurring at the grantee level. The Department performed limited procedures to test for improper payments that did not involve reviewing payments at the grantee level. However, to supplement the test work performed, the Department relied on monitoring procedures performed at the program offices, the A-133 reports of grantees, and the results of OIG reviews. In FY 2007, the Department will consider establishing procedures in the Bureau of Resource Management to monitor financial transactions. The Department will also seek guidance from OMB in FY 2006 to determine the most feasible way to test federal financial assistance for compliance with the IPIA. The Department will also review best practices to follow in FY 2007.

MANAGEMENT OF AUDIT FOLLOW-UP

The information on the Department's follow-up on audit recommendations covers FY 2006. It includes information on the status of recommendations more than one year old without final management decisions as of September 30, 2006. It also includes the dollar value of resolved recommendations in which funds could be put to better use or "questioned costs," as of September 30, 2006.

As of September 30, 2006 there were 22 audit reports that had 47 recommendations resolved without final management decisions that were more than one year old.

Management Statistical Summary 22 Audits Over One Year Old Requiring Final Action		
Program Area	Number of Audit Reports	Recommendations
Financial Management	11	33
Information Management	—	—
Security Oversight	3	4
International Programs	1	1
Property Management and Procurement	2	4
Contracts and Grants	<u>5</u>	<u>5</u>
TOTALS	<u>22</u>	<u>47</u>

Status of Audits with Recommendations that Funds Be Put to Better Use and Questioned Costs

Funds Put to Better Use. On October 1, 2005, there were two (2) audit reports with resolved recommendations to put \$23,549,000 of funds to better use:

- AUD/IQO-05-13, issued 2/8/2005, \$21,749,000. During FY 2006, Management disagreed and the OIG closed it on 3/15/06.
- AUD/PPA-04-22, issued and resolved on 4/19/2004 \$1,800,000 FPTBU and Management agreed with it on 4/27/2006.

Two (2) audit reports were issued during FY 2006 with recommendations for "better used funds" that were resolved without management decision totaling \$9,701,783. One (AUD/PP-06-08) of the two audit reports with a \$1.1 Million recommendation was implemented and closed during FY 2006.

Therefore the balance of open recommendations related to "funds put to better use" at the end of FY 2006 was **\$8,601,783**.

Questioned Costs. On October 1, 2005, there were seven (7) audits with resolved recommendations with questioned costs valued at \$3,746,953. During the year, four (4) audits were issued that had \$2,245,871 of questioned cost recommendations that also were resolved without management decision on 9/30/06.

During FY 2006, management made final decisions and disallowed \$538,278 (related to 4 of the 11 reports) and allowed \$2,296,415 (related to 2 of the 11 reports). Therefore the balance of open recommendations related to "questioned costs" at the end of FY 2006 was **\$3,158,131**.

Summary of Resolved Recommendations with Either Funds Put To Better Use (FPTBU) or Questioned Costs				
	Number of Audit Reports Identifying FPTBU	Dollar Value of FPTBU	Number of Audit Reports Identifying Questioned Costs	Dollar Value of Questioned Costs
Beginning Balance 10/1/05	2	\$23,549,000	7	\$3,746,953
Issued during FY 2006	2	+\$9,701,783	4	+\$2,245,871
Implemented Actions During FY 2006 by Department	<u>3</u>	<u>(\$24,649,000)</u>	<u>6</u>	<u>(\$2,834,693)</u>
Outstanding Ending Balance 9/30/06	<u>1</u>	<u>\$8,601,783</u>	<u>5</u>	<u>\$3,158,131</u>

FINANCIAL PERFORMANCE METRICS

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

For FY 2006, the Department’s financial metrics improved to green in one category and remained constant in the others. The Government-wide metrics are as of June and July FY 2006.

Measure and Frequency	Why Is It Important	State Sept 2006		State Sept 2005		Governmentwide Performance Standards			Governmentwide June/July 2006	
		Actual	Rating	Actual	Rating	Fully Successful	Minimally Successful	Unsuccessful	Actual	Rating
Fund Balance With Treasury - Net Percent Unreconciled [Monthly]	Smaller reconciliation differences translate to greater integrity of financial reports and budget results.	0.90%		2.90%		<= 2%	> 2% to <= 10%	> 10%	0.1247%	
Percent of Amount in Suspense (Absolute) Greater than 60 Days Old [Quarterly]	Timely reconciliation supports clean audits and accurate financial information.	90.00%		83.10%		<= 10%	> 10% to <= 20%	> 20%	60.90%	
Percent of Accounts Receivable from Public Delinquent Over 180 Days [Quarterly]	Actively collecting debt improves management accountability and reduces Treasury borrowing.	40.70%		27.20%		<= 10%	> 10% to <= 20%	> 20%	13.63%	
Percent of Vendor Payments made Electronically [Monthly]	Use of electronic funds transfer saves money, reduces paperwork, and improves cash management.	95.40%		96.00%		>= 96%	>= 90% to < 96%	< 90%	95.61%	
Percent Non-Credit Card Invoices Paid On-Time [Monthly]	Timely payment reduces interest charges and reflects a high degree of accountability and integrity.	79.40%		90.00%		>= 98%	>= 97% to < 98%	< 97%	96.06%	
Interest Penalties Paid as a Percent of Total Payments [Monthly]	Smaller percentages of interest paid shows that an agency is paying its bills on time which saves money and allows funds to be used for their intended purpose.	0.0100%		0.0163%		<= .02%	> .02 to <= .03%	> .03%	0.0141%	
Travel Card Delinquency Rates - Individually Billed Accounts [Monthly]	Reducing outstanding travel card balances helps increase rebates to agencies.	2.30%		2.30%		<= 2%	> 2% to <= 4%	> 4%	3.16%	
Travel Card Delinquency Rates - Centrally Billed Account [Monthly]	Reducing outstanding travel card balances helps increase rebates to agencies.	0.90%		0.90%		= 0%	> 0% to <= 1.5%	> 1.5%	1.17%	
Purchase Card Delinquency Rate [Monthly]	Reducing outstanding purchase card balances helps increase rebates to agencies and reduces interest payments.	0.88%		0.88%		= 0%	> 0% to <= 1.5%	> 1.5%	0.98%	

HISTORICAL NOTES ON U.S. DIPLOMACY

DIPLOMACY'S BEST DEAL

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

DIPLOMACY AND THE TELEGRAPH

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

Appendices



This section contains *Justifications for Excluded Indicators, PART Summaries, Efficiency Measures, and a Glossary.*

JUSTIFICATIONS FOR EXCLUDED INDICATORS

Justifications are provided for indicators from the FY 2006 Joint Performance Plan not included in the Joint Performance Section of the PAR.

Strategic Goal 1: Regional Stability	
I/P: Military Assistance for New NATO and NATO Aspirant Nations	
Indicator: Number of Countries Reaching Sustainable State of Niche Capabilities	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Regional Stability in East Asia and the Pacific	
Indicator: Status of U.S.-South Korean Relations	
Indicator Type	Outcome
Justification	Scope of indicator too narrow. Does not directly measure expected result.
I/P: Conflict Management and Mitigation	
Indicator: Number of African Armed Conflicts Resolved and Peace Support Missions Concluded	
Indicator Type	Outcome
Justification	Scope of indicator too narrow. Does not directly measure expected result. Issue covered by another indicator.
I/P: Peace Support Operations	
Indicator: Percentage of EIPC-funded, PSO-Trained Countries That Pledge Military Units or Participate in the UN Peacekeeping Standby Arrangement System or Multinational Military Operations of High U.S. Foreign Policy Interest	
Indicator Type	Output
Justification	Scope of indicator too narrow. Does not directly measure expected result.
I/P: Iraq Reconstruction and Economic Development	
Indicator: Per Capita Growth Domestic Product (GDP)	
Indicator Type	Outcome
Justification	Does not directly measure expected result. Result not attributable to USG activities.
I/P: Security Assistance to Sub-Saharan Africa	
Indicator: Rate of Program Country Sustainment – Cost to Train and Equip One Battalion of U.S.-trained or U.S. Trainer-trained African Peacekeeping Troops	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Contributions for International Peacekeeping Activities	
Indicator: Total Assessed UN Peacekeeping Mission Expenditures Divided by the Total UN Peacekeeping Mission Staff	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
Indicator: Per Unit Cost of USG-Funded OSCE Election Observation	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

Strategic Goal 2: Counterterrorism	
I/P: Diplomatic Engagement	
Indicator: Number of Completed Bilateral and Multilateral Counterterrorism (CT) Meetings and Conferences	
Indicator Type	Input
Justification	Appropriate for internal management purposes, not report to general public.
I/P: Anti-Terrorism Assistance	
Indicator: Average Length of Time a Country Spends in Basic Training Programs Before Achieving Sustainment of Basic Anti-Terrorism Capacities	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Terrorist Interdiction Program	
Indicator: Number of Terrorist Interdiction Program (TIP) Personal Identification Secure Comparison and Evaluations System (PISCES) Phased Installations Completed per Yearly Appropriation	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
Indicator: Percentage of the Highest Priority Countries Capable of Screening for Terrorists Through Implementation of the Terrorist Interdiction Program	
Indicator Type	Outcome
Justification	Issue covered by another indicator.
Indicator: Number of Highest Priority Foreign Ports of Entry Equipped to Conduct Terrorist Watchlisting in Cooperation with the United States	
Indicator Type	Output
Justification	Scope of indicator too narrow. Does not directly measure expected result.
I/P: Foreign Military Financing (FMF) and International Military Education and Training (IMET) in the Western Hemisphere (PART Program)	
Indicator: Ratio of FMF Program Costs to the Number of Personnel in the Colombian Armed Forces	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Combating Terrorist Financing	
Indicator: Yearly Number of Names Designated Under Executive Order (E.O.) 13224 for Terrorist Asset Freezing	
Indicator Type	Output
Justification	Scope of indicator too narrow. Does not directly measure expected result.
Indicator: Number of Groups Designated as Foreign Terrorist Organizations (FTO) Pursuant to U.S. Law and Timeliness of Review of Such Groups	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Does not directly measure expected result.
Indicator: Number of Foreign Countries Submitting Names to the UN 1267 Sanctions Committee's Consolidated List	
Indicator Type	Output
Justification	Scope of indicator too narrow. Does not directly measure expected result.

Strategic Goal 2: Counterterrorism (continued)	
I/P: Foreign Emergency Support Team (FEST)	
Indicator: The Department's Ability to Respond to Terrorist Incidents and Exercise Its Lead Agency Responsibilities with the Foreign Emergency Support Team (FEST)	
Indicator Type	Input
Justification	Appropriate for internal management purposes not report to general public.
I/P: Terrorist Financing Assistance Initiative	
Indicator: Number of Financial Action Task Force (FATF) Members Evaluated; if Approved, Number of Evaluations Successfully Conducted by the USG on Behalf of FATF	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.
I/P: Top Officials Exercise (TOPOFF)	
Indicator: The Department's Ability to Provide the International Component to the DHS Top Officials National Exercise Plan	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Does not directly measure expected result.
I/P: Bioterrorism Response	
Indicator: Status of the Global Health Security Action Group (GHSAG)	
Indicator Type	Input
Justification	Appropriate for internal management purposes not report to general public. Does not directly measure expected result.
I/P: Diminish Potential Underlying Conditions of Terrorism in Iraq	
Indicator: Level of Economic Aid to Iraq	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Does not directly measure expected result.
Indicator: Progress of Alternative Education System Establishment in Iraq	
Indicator Type	Output
Justification	USAID is no longer implementing education programs in Iraq.
Indicator: Progress of Economic Opportunity in Iraq	
Indicator Type	Output
Justification	The indicator "Progress of Economic Opportunity in Iraq" does not measure its intended result and thus does not provide an accurate representation of USAID's economic development programs.
Indicator: Progress of Local Governance Establishment in Iraq	
Indicator Type	Outcome
Justification	Does not directly measure expected result. Result not attributable to USG activities.
I/P: Diminish Potential Underlying Conditions of Terrorism in Afghanistan	
Indicator: Moderate Government Strength in Afghanistan	
Indicator Type	Outcome
Justification	Does not directly measure expected result. Result not attributable to USG activities.

Strategic Goal 2: Counterterrorism (continued)

I/P: Diminish Conditions Exploited by Terrorist Recruitment in Other Frontline States

Indicator: Extent of Support for Alternative Education Systems

Indicator Type	Outcome
Justification	Does not directly measure expected result. Issue covered by another indicator.

Indicator: Progress of Civilian Livelihood Opportunities Expansion

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Does not directly measure expected result.

I/P: Diminish Conditions Exploited for Terrorist Sanctuary in Other Frontline States

Indicator: Progress of Stable and Moderate Governments Establishment

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Does not directly measure expected result.

Strategic Goal 3: Homeland Security

I/P: Protect Transportation and Cyber Infrastructure

Indicator: Implementation of International Security Standards for Shipping and Ports

Indicator Type	Output
Justification	Result not attributable to Department/USAID activities.

I/P: Critical Infrastructure Protection

Indicator: Number of Countries with Critical Infrastructure Protection (CIP) Action Plans

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

Strategic Goal 4: Weapons of Mass Destruction

I/P: Counter the Proliferation of Weapons of Mass Destruction

Indicator: Extent to Which States With Entities or Individuals Identified as Part of the A.Q. Khan Network Take Action to Eliminate the Network Permanently and Ensure That Similar Proliferation Can Be Detected and Prevented in the Future

Indicator Type	Outcome
Justification	Does not directly measure expected result. Issue covered by another indicator.

I/P: Export Controls

Indicator: Average Dollars Expended for Contract Training Elements Under the International Support Service Contract (ISSC)

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

I/P: Cooperation With Allies/Friends on Missile Defense

Indicator: Status of Cooperation With Allies/Friends on Missile Defense

Indicator Type	Outcome
Justification	Multi-component narrative describes activities rather than measuring results.

Strategic Goal 4: Weapons of Mass Destruction (continued)	
I/P: Cooperation With Allies/Friends on Missile Defense (continued)	
Indicator: Levels of Offensive Warheads; Transparency in Reductions and Missile Defense Plans; Level of Treaty Implementation; and Operation of JDEC	
Indicator Type	Outcome
Justification	Multi-component narrative describes activities rather than measuring results.
I/P: Nonproliferation and Disarmament Fund (NDF) (PART Program)	
Indicator: Ratio of Total Administrative Cost to Program Cost	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Nonproliferation of WMD Expertise (NWMDE) (PART Program)	
Indicator: Number of Reconfigured Former Biological Weapons Production Facilities for Peaceful Uses and Number of Engaged Former BW Scientists in Drug and Vaccine Development	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
Indicator: Number of Russian and Other Eurasian Proliferation-Relevant Institutes Engaged in U.S.-Funded Civilian Research Projects	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
Indicator: Cost to Assist a WMD Institute to Reach Financial Self-Sufficiency	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
Indicator: Number of Institutes and Scientists Graduated Into Commercially Sustainable Ventures	
Indicator Type	Output
Justification	This issue is covered by another performance indicator in the FY 2006 PAR (Redirect WMD Expertise, Material and Equipment).
I/P: Strengthen the Global Nuclear Nonproliferation Regime	
Indicator: Status of the Convention on Physical Protection of Nuclear Material (CPPNM)	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public.
I/P: Strengthen Export Conditions	
Indicator: Replacement or Closure of Old/Unsafe Reactors in the Former Soviet States	
Indicator Type	Outcome
Justification	This initiative was a one-time event, not an on-going program.
Indicator: Status of North Korean Nuclear Weapons Programs	
Indicator Type	Outcome
Justification	Issue covered by another indicator.

Strategic Goal 4: Weapons of Mass Destruction (continued)

I/P: Verification

Indicator: Extent to Which Libya Dismantles Its Nuclear Program, Completes Destruction or Conversion of All Chemical Weapons and Related Facilities, and Adheres to its December 19, 2003, Commitments Relating to Missiles

Indicator Type	Outcome
Justification	Issue largely resolved.

Indicator: Progress of Establishment of Verification Policy Related to a Fissile Material Cut-off Treaty

Indicator Type	Input
Justification	Appropriate for internal management purposes not report to general public.

Indicator: Progress of Establishment of Measures to Improve Compliance Judgments Related to Former Soviet Union (FSU) Fissile Material Agreements and Commitments

Indicator Type	Input
Justification	Appropriate for internal management purposes not report to general public.

I/P: Compliance Assessment and Reporting

Indicator: Status of Implementation of a Global Norm of Compliance with Arms Control, Nonproliferation, and Disarmament Treaties, Agreements and Commitments

Indicator Type	Input
Justification	Appropriate for internal management purposes not report to general public.

I/P: Compliance Enforcement and Diplomacy

Indicator: Extent of Implementation and Enforcement of Compliance with Arms Control, Nonproliferation, and Disarmament Bilateral Treaties, Agreements, and Commitments

Indicator Type	Output
Justification	Issue covered by another indicator.

I/P: Effectiveness of International Organizations to Contribute to Verification and Compliance

Indicator: Extent of Enhancement of Arms Control, Nonproliferation and Disarmament-Related International Organizations' Contribution to Verification and Compliance

Indicator Type	Input
Justification	Issue covered by another indicator.

I/P: All Source Intelligence Collection and Technology R&D

Indicator: Extent to Which Robust Verification Activities and Assets Fund (V Fund) Are Successfully Advocated, Endowed, and Expended

Indicator Type	Input
Justification	Appropriate for internal management purposes not report to general public.

I/P: Reliable Communications And Timely Upgrades

Indicator: Level of Usage of Information Technology to Enhance Verification and Compliance and Communications Domestically and Overseas

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

Strategic Goal 4: Weapons of Mass Destruction (continued)	
I/P: Reliable Communications And Timely Upgrades (continued)	
Indicator: Status of New Communications System Replacing Current Government-to-Government Communications Links (GGCL) Systems with FSU	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

Strategic Goal 5: International Crime and Drugs	
I/P: Andean Counterdrug Initiative	
Indicator: Cost Per Hectare Sprayed	
Indicator Type	Efficiency
Justification	Efficiency Indicators will be reported in PAR appendix.
Indicator: Foreign Cultivation of Coca in Hectares	
Indicator Type	Outcome
Justification	Issue covered by another indicator.

I/P: International Law Enforcement	
Indicator: Status of UN Convention Against Corruption	
Indicator Type	Outcome
Justification	The data set that we rely on for the measure comes from the Defense Intelligence Agency's (DIA) Interagency Assessment of Cocaine Movement (IACM). Over the past several years, DIA has been increasingly concerned about the validity of its estimate for cocaine entering the U.S. arrival zone, and since 2005 DIA has decided not to publish an official estimate but to give an increasingly widening range that undermines the indicator's usefulness as a performance measure (for 2005 the range is between 397 MT and 964 MT).

Indicator: Status of Regional Anticorruption Initiatives	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

Indicator: Status of Financial Action Task Force on Money Laundering (FATF) List of Non-Cooperative Countries and Territories (NCCT)	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

I/P: Combating Environmental Crime	
Indicator: Capacity for Good Environmental Governance in Key Developing Countries	
Indicator Type	Outcome
Justification	Does not directly measure expected result.

I/P: International Narcotics and Law Enforcement in the Western Hemisphere (PART Program)	
Indicator: Seizures Per Program Cost; Cash Value of Illicit Drugs Seized Over International Network on Environmental Compliance and Enforcement Funds Expended	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

Strategic Goal 5: International Crime and Drugs (continued)

I/P: International Narcotics and Law Enforcement in the Western Hemisphere (PART Program) (continued)

Indicator: Reduce the Flow of Illicit Drugs into the U.S. Arrival Zone by Improving International Law Enforcement Capabilities

Indicator Type	Outcome
Justification	The data set that we rely on for the measure comes from the Department of Defense's Interagency Assessment of Cocaine Movement (IACM). Since 2005, Defense has decided not to publish an official estimate but to give an increasingly widening range that undermines the indicator's usefulness as a performance measure (for 2005 the range is between 397 MT and 964 MT).

Strategic Goal 6: American Citizens

I/P: Secure Passport Issuance

Indicator: Number of Days Between Receipt of Routine Passport Application by Passport Services and Issuance of a Passport

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

Strategic Goal 7: Democracy and Human Rights

I/P: Engagement to Advance Democracy

Indicator: Strength of Local Governance

Indicator Type	Outcome
Justification	Does not directly measure expected result. Does not provide context for result.

Indicator: Civil Society Functioning

Indicator Type	Outcome
Justification	Does not directly measure expected result. Does not provide context for result.

Indicator: Corruption Mitigated in Priority USAID Countries

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

Indicator: Constituencies Political Parties Represent

Indicator Type	Outcome
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator.

Indicator: Country Ratings in Human Rights Reports of the Right of Citizens to Change Their Government

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

I/P: Reform of Democratic Systems and Practices in Europe and Eurasia

Indicator: Monitoring Country Progress Democracy Index

Indicator Type	Outcome
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator.

Strategic Goal 7: Democracy and Human Rights (continued)

I/P: Human Rights & Democracy Fund (HRDF)

Indicator: Percentage of HRDF-funded Countries Which Show a Positive Change (Decrease on the Scale) on Their Freedom House (FH) Freedom in the World Score

Indicator Type	Outcome
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Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
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Indicator: Operating Costs Divided By the Number of Projects Managed

Indicator Type	Efficiency
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Justification	Efficiency measures are included in a separate PAR appendix.
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I/P: Support for East European Democracy (SEED) / Freedom Support Act (FSA)

Indicator: ACE Administrative Costs as a Percent of All Assistance Coordinated by ACE

Indicator Type	Efficiency
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Justification	Efficiency measures are included in a separate PAR appendix.
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I/P: Economic Support Fund (ESF) – Western Hemisphere Affairs

Indicator: Corruption Perceptions Index for ESF Recipients in WHA

Indicator Type	Outcome
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Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
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Indicator: Ratio of Administrative Costs to Program Funding

Indicator Type	Efficiency
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Justification	Efficiency measures are included in a separate PAR appendix.
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I/P: Bilateral and Multilateral Diplomacy

Indicator: Number of UNCHR States With Negative Human Rights Records

Indicator Type	Outcome
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Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
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I/P: Labor Diplomacy and Advocacy for Workers' Rights

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

Indicator Type	Output
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Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
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Strategic Goal 8: Economic Prosperity and Security

I/P: Growth and Development Strategies

Indicator: Monitoring Country Progress Index for Economic Reform

Indicator Type	Output
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Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
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I/P: Science-Based Decision-Making and Standards Development

Indicator: Effectiveness of Contacts Between Science and Technology (S&T) Communities and Policymakers

Indicator Type	Outcome
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Justification	Appropriate for internal management purposes not report to general public.
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Strategic Goal 8: Economic Prosperity and Security (continued)

I/P: United Nations Development Program (UNDP)

Indicator: Operational Support Costs as a Percentage of Total Costs

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

I/P: Create Open and Dynamic World, Regional and National Markets

Indicator: Non-Oil Exports from USAID-Assisted Countries

Indicator Type	Output
Justification	USAID's Economic Growth Agriculture and Trade Bureau (EGAT) is unable to verify the FY 2006 results.

Indicator: Number of Market Opening Transportation Agreements in Place

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

Indicator: Number of Countries with Laws and Regulations Inconsistent with the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

Indicator: Adoption of U.S. Telecom, Information Technology (IT), and Radio Communication Proposals/Positions and Standards/ Recommendations Favorable to U.S. Businesses in International Telecommunications Agreements and Declarations

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

I/P: Integrating Environmental Protection and Trade

Indicator: Progress of Establishment of Trade Agreements and Environmental Cooperation Mechanisms That Enhance International Protection and Preservation of the Environment While Avoiding Disguised Barriers to Trade

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

I/P: Genetic Resources Initiative

Indicator: Extent to Which International Environmental Regulations Concerning Agricultural, Medicinal, and Other Biotechnology Products Do Not Create Unreasonable Restrictions to Markets

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Does not directly measure expected result. Issue covered by another indicator.

I/P: Secure Energy Supplies

Indicator: Level of Support for Energy Sector Policy Reform

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Does not directly measure expected result.

I/P: Food Security

Indicator: Number of People Receiving Title II Food Assistance

Indicator Type	Output
Justification	The results for this indicator are covered in the "Number and Percent of Beneficiaries Assisted by USAID Title II Emergency Food Aid" indicator.

Strategic Goal 9: Social and Environmental Issues	
I/P: Maternal and Reproductive Health	
Indicator: Total Fertility Rate (TFR) - Trend	
Indicator Type	Outcome
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator.
Indicator: Percent of Need Satisfied with Modern Contraceptive Methods	
Indicator Type	Output
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator.
Indicator: Percent of Births Parity 5 or Higher	
Indicator Type	Output
Justification	Does not directly measure expected result. Does not provide context for result. Issue covered by another indicator. Not clear to lay reader.
I/P: Population	
Indicator: Management Reforms at UNFPA	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public.
I/P: Institutionalizing Sustainable Development	
Indicator: Extent to Which Key Institutions and Processes Highlight Energy, Water, Domestic Good Governance Issues, Education, Agriculture, Environment, and Economic Growth and Adopt Approaches that Support the Implementation of Sustainable Development Projects	
Indicator Type	Outcome
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.
I/P: Coastal and Marine Resources	
Indicator: Status of Agreements Regarding Living Marine Resources	
Indicator Type	Outcome
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.
Indicator: Status of Agreements to Promote International Ocean Governance	
Indicator Type	Output
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.
Indicator: Partnerships to Build Capacity for the Sustainable Use and Protection of Marine Resources	
Indicator Type	Output
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.
Indicator: Impact of Scientific Research on Marine Resource Decision-Making	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
Indicator: Hectares of Coastal and Marine Ecosystems Under Management	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Does not provide context for result.

Strategic Goal 9: Social and Environmental Issues (continued)

I/P: Coastal and Marine Resources (continued)

Indicator: Number of Coastal and Marine Policies, Laws, or Regulations Developed, Adopted, and Implemented

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Does not provide context for result. Issue covered by another indicator.

I/P: International Fisheries Commissions

Indicator: Great Lakes Fishery Commission (GLFC): Percentage of Habitat Controlled with Sea Lamprey Barriers

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

Indicator: Northwest Atlantic Fisheries Organization (NAFO): Average Publishing and Correspondence Expenditure Per Document in Canadian Dollars

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

Indicator: International Whaling Commission (IWC): Intersessional Meeting Costs as a Percentage of Total Meeting Costs

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

I/P: Conservation of Biological Diversity, Protected Areas, Forests, and Other Natural Resources

Indicator: Status of Agreements and Programs Related to Forest Conservation

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public.

I/P: Global Climate Change

Indicator: Status of Bilateral Climate Change Partnerships

Indicator Type	Outcome
Justification	Multi-component narrative describes activities rather than measuring results. Appropriate for internal management purposes not report to general public.

Indicator: International Treaties and Organizations

Indicator Type	Outcome
Justification	Multi-component narrative describes activities rather than measuring results. Issue covered by another indicator.

Strategic Goal 10: Humanitarian Response	
I/P: Humanitarian Assistance	
Indicator: UNHCR Inventory Control: Value of Non-Expendable Items Procured/ Total Value of Recorded Non-Expendable Property Procured (PART Program: United Nations High Commissioner for Refugees)	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
Indicator: Reduction in Time Migrants From the Former Soviet Union Stay at Absorption Centers, Thereby Reducing Cost (PART Program: Humanitarian Migrants to Israel)	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Refugee Admissions to the U.S.	
Indicator: Total Average Cost per Refugee Arrival in the U.S.	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Humanitarian Mine Action	
Indicator: Percentage of Countries Targeted for End State in 2009 That Are Meeting All Capacity-Building Targets as Defined in Their Country Plans	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Not easily understood by lay reader.
Indicator: Number of U.S. Program Countries in Sustainment or End State	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Not easily understood by lay reader.
Indicator: Countries Reaching Sustainment of End State/ Cumulative Budget Authority	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Partner Accountability	
Indicator: Percentage of International Organization and NGO Partners That Take Corrective Action Within One Year of Receiving Negative Findings in Financial Audits	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.
I/P: Capacity Building	
Indicator: Number of People and Number/Percent of Partner Institutions That Received Training and Technical Support	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public.
Indicator: Number of Institutions Reconstructed and Rehabilitated (Homes, Water/Sanitation Facilities, Schools, Markets, etc.)	
Indicator Type	Output
Justification	The data for the number of institutions reconstructed and rehabilitated have not been reported by the USAID missions in a consistent, verifiable manner. As a result, USAID is unable to accurately measure the FY 2006 results, impact, "reason for shortfall" and "steps to improve" for this indicator.

Strategic Goal 11: Public Diplomacy and Public Affairs

I/P: Muslim Outreach

Indicator: Science and Technology Diplomacy with the Arab and Muslim World

Indicator Type	Outcome
Justification	Multi-component narrative describes activities rather than measuring results. Appropriate for internal management purposes not report to general public.

I/P: The U.S. as Agent of Change for a More Hopeful Future

Indicator: Level of Foreign Target Audience Awareness of U.S. Policies and Actions on Issues of Global Concern

Indicator Type	Outcome
Justification	Indicator not defined or used.

I/P: Reaching Out to Allies and Regional Powers

Indicator: Number of Weekly Page Views to Department’s International Website, Mission Websites and Listservs

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public.

I/P: Global Educational and Cultural Exchanges

Indicator: Ratio of Administrative Costs to Program Costs in Grant Programs

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

I/P: Engage Young People

Indicator: Number of On-line and Hard Copy Readers of “hi” Magazine

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

I/P: Educational and Cultural Exchange Programs in SA and NEA

Indicator: The Percentage of Near Eastern and South Asian Participants Who Initiate or Implement Positive Change in Their Organization or Community Within Five Years of Their Experience Based on Knowledge Gained From Their Exchange Program

Indicator Type	Outcome
Justification	Issue covered by another indicator.

I/P: Engaging Audiences More Deeply

Indicator: Percentage of Participants Who Remain in Contact with Host Country Nationals One Year or Longer After Program Termination

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

Indicator: Percentage of Participants Who Continue Professional Collaborations More Than Five Years After Their Exchange Experience

Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.

Strategic Goal 11: Public Diplomacy and Public Affairs (continued)	
I/P: Outreach to Expanded U.S. Audience	
Indicator: Number of "hits" on the Department's Domestic Website	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

Strategic Goal 12: Management and Organizational Excellence	
I/P: Operational Readiness	
Indicator: Status of Operational Readiness - Development of Active & Reserve Response Corps	
Indicator Type	Output
Justification	Does not directly measure expected result. Does not provide context for result. Indicator not well defined.

Indicator: Average Number of Work Days Between Announcement Close and Offer (PART Program: USAID Operating Expenses)	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public.

I/P: Locally Engaged Staff	
Indicator: Percent of Family Members Employed Overseas	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

I/P: Leverage Technology	
Indicator: Technology-Based Distance Learning (DL) Enrollments	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

I/P: Overseas Schools	
Indicator: Number of Advanced Placement Exams Taken by Students in Department-Assisted Schools	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Indicator not used.

I/P: Secure Global Network and Infrastructure	
Indicator: Level of Global Network Availability	
Indicator Type	Outcome
Justification	Data for this indicator is consolidated under the indicator "progress towards centralized, secure, and modern global IT infrastructure."
Indicator: Status of Implementation of Information Security Program With the Resources and in the Time Periods Required by the Federal Information Security Management Act (FISMA)	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public.

Strategic Goal 12: Management and Organizational Excellence (continued)

I/P: Modern, Worldwide, Integrated Messaging

Indicator: Level of Access to International Affairs Information and IT Support for Public Diplomacy

Indicator Type	Outcome
Justification	Multi-component narrative describes activities rather than measuring results. Appropriate for internal management purposes not report to general public.

I/P: Diplomatic Security / Worldwide Security Upgrades

Indicator: Number of Staff and Time Needed to Complete Background Investigation Cases

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

Indicator: Replacement of Armored Vehicles

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

Indicator: Installation of DOS Access Control Systems (ACS)

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

I/P: Capital Security Construction Program

Indicator: Ratio of Construction Management Costs to Total LROBP Construction Project Costs for Projects in Excess of \$25 Million

Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

Indicator: Percent of Capital Security Construction Projects Completed Within the Schedule Authorized in the Construction Contracts

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

Indicator: Percent of Capital Security Construction Projects Completed Within the Authorized Budget

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

I/P: Foggy Bottom Renovation/ Consolidation

Indicator: Renovation of the Harry S Truman Building (HST)

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

Indicator: ECA/IIP Relocation to Foggy Bottom

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

Strategic Goal 12: Management and Organizational Excellence (continued)	
I/P: Integrate Budget and Performance	
Indicator: State Department Budget and Performance Integration (President's Management Agenda, OMB Scoring)	
Indicator Type	Outcome
Justification	Included in PMA status report in Management's Discussion and Analysis.
Indicator: Implementation of Central Financial Planning System (CFPS) Modules	
Indicator Type	Outcome
Justification	Appropriate for internal management purposes not report to general public.
I/P: Improved Financial Performance	
Indicator: State Department - Improved Financial Performance (President's Management Agenda, OMB Scoring)	
Indicator Type	Output
Justification	Included in PMA status report in Management's Discussion and Analysis.
Indicator: Number of Federal Managers' Financial Integrity Act (FMFIA) and Auditor-Identified Material Weaknesses	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.
Indicator: Procurement Cost-Effectiveness Ratio (Millions of Contract and Grant Dollars Awarded per Procurement Employee) (PART Program: USAID Operating Expenses)	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
Indicator: Status of Implementation of Joint Financial Management System (JFMS)	
Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public. Issue covered by another indicator.
I/P: Percentage of Service Contract Dollars That Are Performance-Based (Department-wide)	
Indicator: Percentage of Service Contract Dollars That Are Performance-Based (Department-wide)	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.
I/P: Competitive Sourcing	
Indicator: Competitive Sourcing	
Indicator Type	Efficiency
Justification	Efficiency measures are included in a separate PAR appendix.

Strategic Goal 12: Management and Organizational Excellence (continued)

I/P: Allowances

Indicator: Status of E-Allowances System

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

I/P: Records and Publishing Services

Indicator: Record Declassification Backlog Reduction

Indicator Type	Output
Justification	Appropriate for internal management purposes not report to general public.

I/P: Customer-Oriented Management Services

Indicator: Average "Margin of Victory" on Customer Service Survey for Management Offices

Indicator Type	PART Output
Justification	USAID did not complete an Agency-wide customer survey in FY 2006.

DEPARTMENT OF STATE PART ASSESSMENT RATINGS AND SCORES (2002-2006)

Strategic Goal	Bureau	Program Name	Scores and Ratings as of November 15, 2006
Weapons of Mass Destruction	ISN	Contributions to the International Atomic Energy Agency	■ 98% – Effective
Public Diplomacy	ECA	Educational and Cultural Exchange Programs, Near East and South Asia	■ 97% – Effective
Public Diplomacy	ECA	Global Educational and Cultural Exchanges	■ 97% – Effective
Management Excellence	OBO	Capital Security Construction	■ 97% – Effective
Humanitarian Response	PRM	Migration and Refugee Assistance- Protection	■ 96% – Effective
Humanitarian Response	PRM	United Nations High Commissioner for Refugees	■ 96% – Effective
Regional Stability	SCA	South Asia Military Assistance	■ 93% – Effective
Humanitarian Response	PM	Humanitarian Demining	■ 93% – Effective
Humanitarian Response	PRM	Migration and Refugee Assistance- Other PRM Programs	■ 93% – Effective
Social and Environmental	WHA	International Boundary and Water Commission	■ 92% – Effective
Homeland Security	CA	Visa and Consular Services	■ 92% – Effective
Management Excellence	DS	Worldwide Security Upgrades	■ 92% – Effective
Humanitarian Response	PRM	Humanitarian Migrants to Israel	■ 91% – Effective
Economic Prosperity and Security	IO	Contribution to United Nations Development Program	■ 91% – Effective
Social and Environmental	IO	Contribution to United Nations Children’s Fund and Other Programs	■ 91% – Effective
Regional Stability	WHA	Security Assistance for Western Hemisphere	■ 90% – Effective
Weapons of Mass Destruction	ISN	Export Control Assistance	■ 90% – Effective
Weapons of Mass Destruction	ISN	Nonproliferation and Disarmament Fund	■ 89% – Effective
Management Excellence	FSI	Foreign Service Institute	■ 88% – Effective
Democracy and Human Rights	EUR	Support for East European Democracy/ Freedom Support Act	■ 88% – Effective
Management Excellence	OBO	U.S. Embassy Compound Security	■ 87% – Effective
Regional Stability	IO	Contributions for International Peacekeeping Activities	■ 86% – Effective
Humanitarian Response	PRM	Refugee Admissions to the U.S.	■ 86% – Effective
Management Excellence	OBO	Non-Security Embassy Construction	■ 86% – Effective
Counterterrorism	S/CT	Terrorist Interdiction Program	■ 85% – Effective

(continued)

Strategic Goal	Bureau	Program Name	Scores and Ratings as of November 15, 2006
Counterterrorism	S/CT	Anti-Terrorism Assistance	85% – Effective
Regional Stability	EUR	Peacekeeping Operations – OSCE	83% – Moderately Effective
Regional Stability	IO	Contributions to International Organizations	82% – Moderately Effective
Regional Stability	EUR	Military Assistance to new NATO and NATO Aspirant Nations	82% – Moderately Effective
Regional Stability	AF	Security Assistance to Sub-Saharan Africa	77% – Moderately Effective
Weapons of Mass Destruction	ISN	Nonproliferation of Weapons of Mass Destruction Expertise	76% – Moderately Effective
Social and Environmental	S/GAC	President’s Emergency Plan for AIDS Relief (PEPFAR) Focus Countries	73% – Moderately Effective
Management Excellence	DS	Protection of Foreign Missions and Officials	72% – Moderately Effective
Economic Prosperity	WHA	Economic Support Fund- Western Hemisphere	71% – Moderately Effective
Regional Stability	NEA	Security Assistance for Near East Asia	69% – Adequate
Economic Prosperity	AF	Economic Support Fund- Africa	67% – Adequate
Democracy and Human Rights	DRL	Economic Support Fund- Human Rights and Democracy Fund	66% – Adequate
Social and Environmental	S/GAC	PEPFAR - Global Fund	65% – Adequate
Management Excellence	RM	Interagency Cooperative Administrative Support Services	65% – Adequate
Social and Environmental	OES	Contributions to International Fisheries Commissions	59% – Adequate
Public Diplomacy	R	Public Diplomacy	59% – Adequate
Social and Environmental	S/GAC	PEPFAR- Other Bilateral Programs	58% – Adequate
International Crime and Drugs	INL	International Narcotics Control and Law Enforcement Programs, Africa/Asia	53% – Adequate
International Crime and Drugs	INL	International Narcotics and Law Enforcement Programs, South Asia	53% – Adequate
International Crime and Drugs	INL	International Narcotics and Law Enforcement Programs, Western Hemisphere	53% – Adequate
International Crime and Drugs	INL	Andean Counterdrug Initiative	52% – Adequate
Public Diplomacy	IIP	International Information Programs	50% – Adequate

Programs in bold type were assessed in 2006.

DEPARTMENT OF STATE EFFICIENCY MEASURES: 2002-2005 PART PROGRAMS

Program	ANDEAN COUNTERDRUG INITIATIVE						
Description	Flying hour cost (U.S. dollars) for aerial coca eradication in Colombia						
	2002	2003	2004	2005	2006	2007	2008
Target	Baseline	\$391	\$395	\$399	\$391	\$375	\$375
Actual	\$375	\$391	\$435	\$391	N/A*		
Notes	Per unit cost efficiency measure; *data available in PARTWeb November 2006						

Program	ANTI-TERRORISM ASSISTANCE			
Description	Average length of time participant country spends in basic training programs before achieving a basic level of anti-terrorism capacity			
	2005	2006	2007	2008
Target	9 years	8 years	7 years	7 years
Actual	9 years	N/A*		
Notes	Program effectiveness measure; *data available in PARTWeb November 2006			

Program	CAPITAL SECURITY CONSTRUCTION					
Description	Ratio of management costs to total construction project costs over \$25 million					
	2003	2004	2005	2006	2007	2008
Target	7.50%	7.00%	6.5%	6.5%		
Actual	7.50%	5.30%	3.80%	3.04%*		
Notes	Administrative efficiency indicator; *data through June 30, 2006					

Program	CONTRIBUTIONS FOR INTERNATIONAL PEACEKEEPING ACTIVITIES				
Description	Total assessed UN peacekeeping mission expenditures divided by total UN peacekeeping mission staff				
	2004	2005	2006	2007	2008
Target	\$42,400	\$41,400	\$40,400	\$39,400	
Actual	\$42,400	\$41,400	N/A*		
Notes	Per unit cost efficiency measure; *data available in PARTWeb June 2007				

Program	CONTRIBUTIONS TO INTERNATIONAL FISHERIES COMMISSIONS				
Description	Average publishing and correspondence expenditure per document (Canadian \$)				
	2004	2005	2006	2007	2008
Target	\$87.72	\$87.72	\$66.67	\$66.67	\$64.20
Actual	\$87.72	\$68.66	N/A*		
Notes	Per unit cost; *data available in PARTWeb November 2006				

Program	CONTRIBUTIONS TO THE UNITED NATIONS DEVELOPMENT PROGRAM					
Description	Operational support cost as a percentage of total cost					
	2003	2004	2005	2006	2007	2008
Target	13.0%	11.5%	11.0%	11.0%	11.0%	
Actual	12.0%	10.9%	10.1%	N/A*		
Notes	Administrative efficiency measure; * data available Summer 2007					

Program	ECONOMIC SUPPORT FUND FOR AFRICA				
Description	Ratio of administrative cost to program funding				
	2004	2005	2006	2007	2008
Target	Baseline	0.49%	0.46%	0.44%	0.44%
Actual	0.75%	0.30%	N/A*		
Notes	Administrative efficiency measure; * data available in PARTWeb November 2007				

Program	ECONOMIC SUPPORT FUND FOR HUMAN RIGHTS AND DEMOCRACY FUND					
Description	Operating cost divided by the number of projects managed					
	2003	2004	2005	2006	2007	2008
Target			\$7,739	\$7,498		
Actual			\$5,798	\$4,481		
Notes	Administrative efficiency measure					

Program	ECONOMIC SUPPORT FUND FOR THE WESTERN HEMISPHERE					
Description	The ratio of administrative cost to non-cash transfer program funding					
	2003	2004	2005	2006	2007	2008
Target	.25%	0.20%	0.19%	0.18%	0.17%	0.16%
Actual	0.21%	0.17%	0.11%	N/A*		
Notes	Administrative efficiency measure; * data available in PARTWeb November 2006					

Program	EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS IN NEAR EAST ASIA AND SOUTH ASIA					
Description	Administrative cost as a percentage of total program cost					
	2003	2004	2005	2006	2007	2008
Target	34%	38%	25%	23%	21%	
Actual	34%	19.7%	24.73%	25.1%*		
Notes	Administrative efficiency measure; * data as of June 30, 2006					

Program	EXPORT CONTROL ASSISTANCE				
Description	Average cost reduction per training course				
	2004	2005	2006	2007	2008
Target	5%	7%	9%		
Actual	10%	7%	N/A*		
Notes	Per unit cost efficiency measure; *data available in PARTWeb November 2006				

Program	GLOBAL EDUCATIONAL AND CULTURAL EXCHANGES					
Description	Administrative cost as a percentage of total program cost					
	2003	2004	2005	2006	2007	2008
Target	34%	38%	25%	23%	21%	
Actual	34%	19.70%	24.73%	32.95%		
Notes	Administrative efficiency measure					

Program	HUMANITARIAN MIGRATIONS TO ISRAEL					
Description	Average cost per migrant					
	2003	2004	2005	2006	2007	2008
Target	Baseline	\$7,880	\$6,123	\$6,000	\$5,880	\$5,763
Actual	\$8,041	\$6,428	\$4,648	N/A*		
Notes	Per unit cost efficiency measure; *data available in PARTWeb November 2006					

Program	INTERAGENCY COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES					
Description	Ratio of customer direct hire Americans to service provider direct hire Americans					
	2004	2005	2006	2007	2008	
Target	Baseline	15.9	16	17	18	
Actual	15.6	16.48	N/A*			
Notes	Administrative efficiency measure; *data available in PARTWeb November 2006					

Program	INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT PROGRAMS, AFRICA/ASIA					
Description	Program development and support cost as a percentage of total program cost					
	2003	2004	2005	2006	2007	2008
Target	Baseline	25%	20%	17%	15%	15%
Actual	30%	25%	17%	N/A*		
Notes	Administrative efficiency measure; *data available in PARTWeb November 2006					

Program	INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT, WESTERN HEMISPHERE						
Description	Foreign nation seizures of illicit drugs (USD) per funds expended						
	2002	2003	2004	2005	2006	2007	2008
Target	\$95	\$95	\$95	\$100	\$110	\$120	\$130
Actual	\$479	\$422	\$473	\$133	N/A*		
Notes	Program effectiveness measure; *data available in PARTWeb November 2006						

Program	MIGRATION AND REFUGEE ASSISTANCE – OTHER PROGRAMS			
Description	Number of working days between receipt of project proposal and funding action			
	2005	2006	2007	2008
Target	Baseline	53	50	48
Actual	66	N/A*		
Notes	Administrative efficiency measure; *data available in PARTWeb November 2006			

Program	MIGRATION AND REFUGEE ASSISTANCE – PROTECTION						
Description	Field protection program costs as a percentage of total protection costs						
	2002	2003	2004	2005	2006	2007	2008
Target	Baseline	94.5%	94.9%	94.9%	95.0%	95.0%	95.0%
Actual	94.3%	94.9%	95.7%	96.0%	N/A*		
Notes	Administrative efficiency measure; *data available in PARTWeb November 2006						

Program	MILITARY ASSISTANCE TO NEW NATO AND NATO ASPIRANT NATIONS					
Description	Percentage of aspirants making progress on Membership Action Plans					
	2004	2005	2006	2007	2008	
Target	100%	100%	100%	100%	100%	100%
Actual	100%	100%	100%			
Notes	Program effectiveness measure					

Program	NONPROLIFERATION AND DISARMAMENT FUND						
Description	Ratio of administrative cost to program cost						
	2003	2004	2005	2006	2007	2008	
Target	4.9%	4.9%	4.8%	5.0%	5.0%	4.9%	
Actual	5%	5%	5%	5%*			
Notes	Administrative efficiency measure; *data through June 30, 2006						

Program	NONPROLIFERATION OF WEAPONS OF MASS DESTRUCTION EXPERTISE				
Description	Cost for institute to reach financial self-sufficiency (USD thousands)				
	2004	2005	2006	2007	2008
Target	\$810	\$806	\$790	\$775	
Actual	\$822	\$806	N/A*		
Notes	Per unit cost efficiency measure; *data available in PARTWeb November 2006				

Program	NON-SECURITY EMBASSY CONSTRUCTION PROGRAM			
Description	Ratio of management costs to total construction project costs over \$25M			
	2005	2006	2007	2008
Target	6.50%	6.50%	6.50%	6.00%
Actual	5.48%	1.7%*		
Notes	Administrative efficiency measure; *data as of June 30, 2006			

Program	PEACE KEEPING OPERATIONS: ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE				
Description	Per unit cost of USG-funded election observation (long-term and short-term)				
	2004	2005	2006	2007	2008
Target		15% below baseline	10% below baseline	10% below baseline	
Actual	Baseline: \$6,500 per LT; \$3,700 per ST	5% above baseline	5% above baseline		
Notes	Per unit cost efficiency measure				

Program	PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF: FOCUS COUNTRIES				
Description	Dollars per target reached				
	2004	2005	2006	2007	2008
Target	Baseline	\$334	\$223	\$189	\$147
Actual	\$412	\$321	N/A*		
Notes	Administrative efficiency measure; *data available in PARTWeb November 2006				

Program	PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF: GLOBAL FUND					
Description	Operating expenses as a percentage of total expenditures					
	2003	2004	2005	2006	2007	2008
Target	Baseline	10.0%	10.0%	10.0%	10.0%	10.0%
Actual	12.6%	4.5%	2.5%	N/A*		
Notes	Administrative efficiency indicator; *data available in PARTWeb November 2006					

Program	PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF: OTHER BILATERAL PROGRAMS		
Description	Ratio of operational cost to total program cost		
	2006	2007	2008
Target	Baseline	10:100	8:100
Actual	N/A*		
Notes	Administrative efficiency measure; * data available in PARTWeb November 2006		

Program	PROTECTION OF FOREIGN MISSIONS AND OFFICIALS				
Description	Percent of invalid reimbursement submissions				
	2004	2005	2006	2007	2008
Target	Baseline	0%	0%	0%	0%
Actual	Data are now being collected and will be entered into PARTWeb November 2006.				
Notes	Administrative efficiency measure				

Program	REFUGEE ADMISSIONS TO THE U.S.						
Description	Total average cost per refugee arrival in the U.S.						
	2002	2003	2004	2005	2006	2007	2008
Target	Baseline	None	\$4,000	\$3,700	\$3,600	\$3,500	\$3,400
Actual	\$4,445	\$4,428	\$3,500	\$3,565	\$4,052*		
Notes	Per unit cost efficiency measure; * data as of June 30, 2006						

Program	SECURITY ASSISTANCE TO SUB-SAHARAN AFRICA				
Description	Cost to train and equip one battalion of African peacekeeping troops				
	2004	2005	2006	2007	2008
Target	Data are now being collected and will be entered into PARTWeb November 2006.				
Actual					
Notes	Per unit cost measure				

Program	SOUTH ASIA MILITARY ASSISTANCE				
Description	Ratio of administrative costs to program funding				
	2004	2005	2006	2007	2008
Target	0.14%	0.12%	0.11%	0.10%	0.09%
Actual	0.14%	0.12%	N/A*		
Notes	Administrative efficiency measure; * data available in PARTWeb November 2006				

Program	SUPPORT FOR EAST EUROPEAN DEMOCRACY / FREEDOM SUPPORT ACT				
Description	Administrative costs as a percentage of all assistance coordinated				
	2004	2005	2006	2007	2008
Target	0.2%	0.195%	0.19%	0.185%	
Actual	0.18%	0.10%	N/A*		
Notes	Administrative efficiency measure; *data available in PARTWeb Spring 2007				

Program	TERRORIST INTERDICTION PROGRAM					
Description	Number of phased installations completed per yearly appropriation (USD millions)					
	2003	2004	2005	2006	2007	2008
Target	1	1.2-1.4	1.2-1.4	1.2-1.4	1.3-1.5	
Actual	1.2	1.4	1.4	N/A*		
Notes	Per unit cost measure; *data available in PARTWeb November 2006					

Program	UNITED NATIONS HIGH COMMISSION FOR REFUGEES (UNHCR)						
Description	Value of non-expendable items procured to total value of non-expendable property						
	2002	2003	2004	2005	2006	2007	2008
Target	Baseline	2.0:1	2.0:1	1.5:1	1.5:1	1.4:1	1.4:1
Actual	2.4:1	1.8:1	1.5:1	1.5:1	N/A*		
Notes	Administrative efficiency measure; *data available in PARTWeb November 2006						

Program	VISA AND CONSULAR SERVICES					
Description	Number of days between receipt of application and issuance of a passport					
	2003	2004	2005	2006	2007	2008
Target	90% in 23	90% in 21	90% in 19	90% in 19	90% in 19	90% in 19
Actual	90% in 23	90% in 21	87.1% in 19	N/A*		
Notes	Administrative efficiency measure; *data available in PARTWeb November 2006					

Program	WORLDWIDE SECURITY UPGRADES					
Description	Number of staff needed to complete a certain percentage of background investigation cases over a certain number of days					
	2003	2004	2005	2006	2007	2008
Target						
Actual	159, 63%	130, 38%	N/A	N/A*		
Notes	Administrative efficiency measure; *data available in PARTWeb November 2006					

PART SUMMARIES AND IMPROVEMENT PLANS

Summaries of Department of State PART assessments (2002-2005) and improvement plans are listed below and available on the web at www.expectmore.gov. Completion status is as of September 30, 2006. Information on the Department's 2006 PART assessments will be publicly available February 2007.

Program Name	ANDEAN COUNTERDRUG INITIATIVE
PART Summary	The program helps partner governments in the Andean region of South America to fight the illicit drug industry. Program combines drug eradication, interdiction, alternative development, and rule of law programs in drug producing and transit countries to reduce the impact of the illegal drug trade in the hemisphere.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Develop annual goals that show how the program is helping foster alternative ways for communities and families to earn a living outside the illicit drug trade. ◆ Ensure that financial management system can track and report information to make effective strategic planning and funding decisions. ◆ Link funding requests to overall program goals.
Status of Actions	Actions taken but not completed.

Program Name	ANTI-TERRORISM ASSISTANCE
PART Summary	The Anti-Terrorism Assistance program builds the capacity of key countries abroad to fight terrorism; establishes security relationships between U.S. and foreign officials to strengthen cooperative anti-terrorism efforts; and shares modern, humane and effective anti-terrorism techniques.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Increase the effectiveness of the program by expanding in-country training programs in countries critical to the U.S. counter-terrorism effort. ◆ Use a formal needs assessment program and country rating system to inform budget development and justifications. ◆ Integrate performance measures into budget documents and institutionalize tracking and reporting of progress against performance measures.
Status of Actions	Completed.

Program Name	CAPITAL SECURITY CONSTRUCTION PROGRAM
PART Summary	The purpose of the Capital Security Construction Program is construct secure, safe, and functional facilities for U.S. diplomatic and consulate missions abroad. Program activities include planning, programming, design, and construction of new embassy and consulate compounds.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Develop cost containment strategies for new embassy and consulate operating costs. ◆ Ensure that all new embassy compounds are sized based on rightsizing reviews and staffing levels.
Status of Actions	Completed.

Program Name	CONTRIBUTION TO THE UNITED NATIONS DEVELOPMENT PROGRAM
PART Summary	The purpose of the program is for the U.S. Government to participate in United Nations activities to promote development. Programs assist developing countries' economic and social development, including reducing poverty and promoting democracy.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Promote results-based management in UNDP meetings, especially to monitor progress toward goals and targets in the performance plan. ◆ Justify requested funding for the program on the basis of achieved results.
Status of Actions	Actions taken but not completed.

Program Name	CONTRIBUTIONS FOR INTERNATIONAL PEACEKEEPING ACTIVITIES
PART Summary	The Contributions for International Peacekeeping Activities account funds the U.S. Government's share of United Nations (UN) peacekeeping missions. The UN Security Council, of which the U.S. is a member, approves new missions when there is a need to maintain international peace and security.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Work with the UN Department of Peacekeeping Operations and member states to ensure that peacekeeping missions focus on more efficient ways of achieving its goals.
Status of Actions	Actions taken but not completed.

Program Name	CONTRIBUTIONS TO INTERNATIONAL FISHERIES COMMISSIONS
PART Summary	The State Department makes contributions and coordinates U.S. input to several international fisheries commissions and related organizations. These commissions protect and allocate fishing rights, advance marine science, maintain and improve the well-being of coastal communities, and protect natural habitats.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Improve program-wide measures that apply to all commissions, in order to evaluate the effectiveness of the total U.S. contribution to international fisheries commissions. ◆ Work to increase the independence and transparency of the constituent advisory committees, such as by changing the implementing legislation for the commissions. ◆ Solicit independent evaluations of sufficient scope, quality, and regularity to analyze the impact of the fisheries program and inform program improvement.
Status of Actions	Action to improve program measures completed. Other actions taken, but not completed.

Program Name	ECONOMIC SUPPORT FUND - HUMAN RIGHTS AND DEMOCRACY FUND
PART Summary	The Human Rights and Democracy Fund provides small grants to non-governmental organizations to help fulfill the Department of State's mandate to monitor and promote human rights and democracy worldwide.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Refining performance goals to better reflect the program's purpose in supporting U.S. policy priorities to improve the protection of human rights and the strengthening of democratic institutions. ◆ Using the findings of independent evaluations and internal performance data to inform resource allocation.
Status of Actions	Action to refine performance goals completed. Action taken but not completed to analyze the findings of independent evaluations.

Program Name	ECONOMIC SUPPORT FUND FOR AFRICA
PART Summary	Economic Support Fund programs in Africa support U.S. foreign policy goals in the region by strengthening democratic institutions, helping nations recover from conflict, and promoting economic stability, trade and investment.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Initiating more frequent independent evaluations of specific activities within the program to help inform management decision making, strategic planning and budgeting. ◆ Making better use of performance data to inform management decision making, strategic planning and resource allocation.
Status of Actions	Actions taken to refine performance measures and develop more transparent processes for analyzing performance data.

Program Name	ECONOMIC SUPPORT FUND FOR THE WESTERN HEMISPHERE
PART Summary	The Economic Support Fund programs of the Department of State in the Western Hemisphere region work to strengthen democratic institutions, civil society, and trade capacity building, to aid in the resolution of regional conflicts, and to assist nations faced with difficult economic and political crises.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Improving coordination between State and USAID in the Western Hemisphere in increase effectiveness and accountability for results. ◆ Analyzing results and performance data to more clearly inform the development of budgets for the region, subsequent budget justifications, and public reports.
Status of Actions	All planned actions completed. Worked with USAID to coordinate performance goals, indicators, and targets.

Program Name	EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS IN NEAR EAST ASIA AND SOUTH ASIA
PART Summary	These programs help to increase mutual understanding and respect by managing exchanges that promote personal, professional, and institutional ties between private citizens and organizations in the United States and abroad, as well as by presenting U.S. history, society, art and culture to overseas audiences.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Determining if current programs are the most effective to reach target audiences and ensuring that those targeted are the most influential to make the most short and long term impacts. ◆ Developing an overarching U.S. Government Public Diplomacy Strategic Plan.
Status of Actions	Actions taken to develop a USG-wide public diplomacy strategic plan.

Program Name	EXPORT CONTROL ASSISTANCE
PART Summary	The export controls program and related border security assistance seek to stop the illegal shipment of weapons and dangerous materials by building effective export control systems in foreign countries. Assistance focuses on helping countries create and enforce laws and regulations improving border security.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Reviewing methods for determining country priorities and incorporating the results of an independent evaluation to further assess the country program needs. ◆ Refining budget submissions to further tie funding requests to specific measures of progress in key countries.
Status of Actions	New interagency strategic planning process considers the country's threat assessment, identifies deficiencies in strategic trade control development, and defines future program plans.

Program Name	GLOBAL EDUCATIONAL AND CULTURAL EXCHANGES
PART Summary	This program manages exchange programs that help increase mutual understanding and respect by promoting personal, professional, and institutional ties between private citizens and organizations in the United States and abroad, as well as by presenting U.S. history, society, art and culture to overseas audiences.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Developing an overarching USG Public Diplomacy Strategy. ◆ Determining if current programs are the most effective to reach target audiences and ensuring that those targeted are the most influential to make the greatest impacts.
Status of Actions	Actions taken, but not completed. A consolidated evaluation unit was established in November 2005.

Program Name	HUMANITARIAN DEMINING
PART Summary	The U.S. Humanitarian Demining Program provides landmine awareness and mine clearance training and assistance with the goal of helping foreign mine-affected nations develop indigenous mine action capabilities.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Supporting an expanded humanitarian demining program while working to further refine performance measures. ◆ Tying resource requests to anticipated performance targets.
Status of Actions	Funding is tied to joint efforts between the USG and host nations to determine and develop country-specific mine action objectives.

Program Name	HUMANITARIAN MIGRANTS TO ISRAEL
PART Summary	The program provides assistance for resettlement in Israel of humanitarian migrants from the former Soviet Union, countries in Eastern Europe, Africa, and the Near East, and other countries of distress. A program grant to the United Israel Appeal is renegotiated annually.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Strengthening long-term and annual targets to ensure continued improvements in efficiency and effectiveness. ◆ Maintaining funding level in 2007 despite historically low levels of migrants in order to expedite the migration of Ethiopians.
Status of Actions	FY 2007 budget includes the same level of funding as FY 2006 to expedite the migration of Ethiopians.

Program Name	INTERAGENCY COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES
PART Summary	This program is a voluntary shared administrative services platform for agencies at U.S. diplomatic facilities overseas. The purpose of program is to provide quality, cost-effective administrative support services through a shared service, full-cost recovery system.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Developing specific management strategies and tools to assist service providers in meeting individual and overall global performance targets. ◆ Working with State Department and customer agencies to develop a business case analysis format for agencies to justify the self provision of services that could be duplicative of this program.
Status of Actions	Actions taken but not completed.

Program Name	INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT PROGRAMS, AFRICA/ASIA
PART Summary	This program curbs the impact of international drug traffickers and other crime groups in Asia and Africa on the United States and our allies. The program disrupts the overseas production and trafficking of illicit drugs; coordinates international law enforcement activities; and facilitates stable criminal justice systems.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Reconfiguring performance report for crime and drugs to better reflect International Narcotics and Law Enforcement program functions. ◆ Linking annual funding requests for each component of the program to relevant program goals and updating annual performance goals as necessary to ensure they remain ambitious.
Status of Actions	Criminal Justice Sector Index currently in pilot stages. FY 2008 Budget Submission will explicitly link program goals to funding requests.

Program Name	INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT PROGRAMS, WESTERN HEMISPHERE
PART Summary	This program curbs the impact of international drug traffickers and other crime groups in this hemisphere on the United States and our allies. The program disrupts the overseas production and trafficking of illicit drugs; coordinates international law enforcement activities; and facilitates stable criminal justice systems.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Contracting for an independent evaluation of key assistance activities to examine the program's mixed results and lead to corrective actions. ◆ Ensuring that the financial management system can report information needed to make effective strategic planning and funding decisions. ◆ Linking funding requests for each component of the program to program goals and updating program measure targets as necessary to reflect recent program performance.
Status of Actions	Evaluation currently on hold. Bureau is in the process implementing the new financial management system. FY 2008 Budget Submission will explicitly link program goals to funding requests.

Program Name	MIGRATION AND REFUGEE ASSISTANCE – OTHER POPULATION, REFUGEE AND MIGRATION PROGRAMS
PART Summary	This program addresses refugee and migration needs by providing funding to NGOs and the International Organization for Migration. Protection from gender-based violence and trafficking in persons are high priorities in this program area.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Expanding formal monitoring and evaluation of programs for priority activities. ◆ Improving presentation of budget information to include stronger links between NGO funding levels and anticipated program performance in protection, assistance, and durable solutions.
Status of Actions	Actions taken but not completed.

Program Name	MIGRATION AND REFUGEE ASSISTANCE – PROTECTION
PART Summary	The United States aims to protect refugees, conflict victims, and internally displaced persons through contributions to the International Committee of the Red Cross and the United Nations High Commissioner for Refugees. Voluntary returns and resettlements are the primary long term solutions for refugee situations.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Improving and standardizing the program’s budget presentation documents to ensure that budget requests are clearly linked to program goals and performance measures. ◆ Reviewing the findings of the 2006 Inspector General’s review of the Bureau and address any areas for improvement identified for the protection and durable solutions program.
Status of Actions	Actions taken but not completed.

Program Name	MILITARY ASSISTANCE TO NEW NATO AND NATO ASPIRANT NATIONS
PART Summary	The program provides U.S. military equipment, services, and training to the governments of countries that have recently joined or been offered membership in the North Atlantic Treaty Organization (NATO) including the Czech Republic, Hungary, Poland, Estonia, Latvia, Lithuania, Bulgaria, and Romania.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Pressing new and aspirant NATO nations that are lagging on defense reform efforts to make necessary improvements. ◆ Ensuring that all Allies possess the military capabilities required for future NATO Alliance operations.
Status of Actions	All actions completed.

Program Name	NON-SECURITY EMBASSY CONSTRUCTION PROGRAM
PART Summary	The purpose of the non-security capital construction program is to construct secure, safe, and functional facilities for U.S. Diplomatic and Consulate Missions abroad. Program activities include planning, programming, design, and construction of New Embassy and Consulate Compounds.
Improvement Plan Actions	◆ Restructuring non-security construction program to eliminate redundancy. The program will evolve into a new program called the Strategic Capital Program.
Status of Actions	All actions completed.

Program Name	NONPROLIFERATION AND DISARMAMENT FUND
PART Summary	The Nonproliferation and Disarmament Fund supports projects that halt the proliferation of nuclear, radiological, biological and chemical weapons; destroy existing weapons of mass destruction and related sensitive materials; and control and secure dangerous materials.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Evaluating long-term performance measures and working to ensure that all projects approved for program funding meet cost, schedule and performance goals. ◆ Decreasing the ratio of administrative costs to overall program level below five percent.
Status of Actions	All actions completed.

Program Name	NONPROLIFERATION OF WEAPONS OF MASS DESTRUCTION EXPERTISE
PART Summary	The Nonproliferation of Weapons of Mass Destruction Expertise program seeks to redirect the work of former WMD scientists and technicians in the former Soviet Union and elsewhere from efforts that might harm the U.S. toward peaceful and economically sustaining work.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Reviewing the feasibility of long-term tracking of participating scientist activities to demonstrate long-term program success. ◆ Engaging Russia and other countries to ensure program continuity and success, and expanding the program to new countries of concern such as Iraq and Libya.
Status of Actions	Ukrainian National Academy of Sciences will raise its financial contributions in 2007. Annual audit planning conference established 2007 audit schedule.

Program Name	PEACE KEEPING OPERATIONS – ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE PROGRAMS
PART Summary	This program provides funding to the Organization for Security and Cooperation in Europe to support stability operations in the independent states of the Former Soviet Union and southeastern Europe including Bosnia and Herzegovina, and Croatia.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Ensuring that managers and program partners are held accountable for key program results. ◆ Prioritizing funding for this activity within regional allocations in the Support for East European Democracy and FREEDOM Support Act.
Status of Actions	All actions completed.

Program Name	PRESIDENT’S EMERGENCY PLAN FOR AIDS RELIEF: FOCUS COUNTRIES
PART Summary	The purpose of the President’s Emergency Plan for AIDS Relief, a five year, \$15 billion initiative, is to turn the tide against the global AIDS pandemic. The focus country effort is to increase national HIV/AIDS treatment, care and prevention programs in 15 nations of the world where the need is most urgent.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Implementing a system to capture program expenditures by country. ◆ Working with the Office of the Global AIDS Coordinator to review budget allocations based on performance data and pipeline capacity.
Status of Actions	Office of the Global AIDS Coordinator is using both country performance data as well as pipeline data to develop FY 2007 country budgets.

Program Name	PRESIDENT’S EMERGENCY PLAN FOR AIDS RELIEF: GLOBAL FUND
PART Summary	The Global Fund is an international effort to manage and disburse resources to reduce infections, illness and death from AIDS, tuberculosis and malaria. The United States contributes to this multilateral effort to address these diseases and to encourage other countries to increase their contributions.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Working with the Global Fund Secretariat and other donor countries to develop annual performance measures that demonstrate impact and capture data reportedly collected by each grantee. ◆ Improving the Global Fund’s financial management practices.
Status of Actions	Agreed upon annual performance measures and developed tools to increase the quality of information reported by grant recipients.

Program Name	PRESIDENT’S EMERGENCY PLAN FOR AIDS RELIEF: OTHER BILATERAL PROGRAMS
PART Summary	Other bilateral programs increase the quality and capacity of national HIV/AIDS prevention, treatment, and care programs in up to 90 countries as part of the USG effort to turn the tide against the Global AIDS epidemic.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Completing implementation of USAID’s new financial management systems discussed above. ◆ Providing an aggressive target for the program’s long-term measure.
Status of Actions	Working to identify aggressive targets that will effectively capture the long-term outcomes of activities in the other bilateral countries.

Program Name	PROTECTION OF FOREIGN MISSIONS AND OFFICIALS
PART Summary	This program ensures the physical protection of visiting dignitaries to the United States. It is the only USG program that reimburses law enforcement for extraordinary protection services to foreign dignitaries and diplomats currently working in or visiting the United States.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Providing more consistent data for measures. ◆ Linking budget requests to expected performance and outcomes.
Status of Actions	Bureau of Diplomatic Security to conduct management review of the program.

Program Name	REFUGEE ADMISSIONS TO THE U.S.
PART Summary	Provides refugees of special humanitarian concern to the U.S. the opportunity to resettle in the United States. Through NGOs and international organizations, the program assists refugees through the overseas admittance process as well as through acclimation to life in the U.S.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Working with Congress to increase the budget for this program in order to continue increasing the number of refugees resettled in the U.S. ◆ Aligning the budget request with the establishment of the annual ceiling for refugee admissions.
Status of Actions	The Administration will work to more closely align the budget request with the establishment of the annual ceiling for refugee admissions.

Program Name	SECURITY ASSISTANCE FOR THE WESTERN HEMISPHERE
PART Summary	Security assistance to the Western Hemisphere includes grants to purchase U.S. military equipment, services, and training. These programs strengthen military and political reform, promote ties between military forces, promote counter-drug efforts, and support overall U.S. security goals and objectives.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Proposing security assistance funding levels that enable more robust counter-drug programs in Colombia and the Andean region and that promote regional personnel exchanges. ◆ Coordinating annual budgets between the State and Defense Departments to develop more specific long-term goals with timeframes.
Status of Actions	All actions completed.

Program Name	SECURITY ASSISTANCE TO SUB-SAHARAN AFRICA
PART Summary	The U.S. provides a wide range of military assistance to Sub-Saharan Africa countries including equipment, services, and training. This assistance promotes peace and stability, develops indigenous African peacekeeping and humanitarian response capabilities, and creates more professional African militaries.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Evaluating and refining the performance measure for these programs to ensure that they provide useful information to inform management, budget and policy decisions. ◆ Instituting performance metrics for global peacekeeping training.
Status of Actions	Evaluate and strengthen performance measure to ensure that they inform management, budget and policy decisions.

Program Name	SOUTH ASIA MILITARY ASSISTANCE
PART Summary	The U.S. provides a wide range of military assistance to countries in South Asia including equipment, services, and training. This assistance promotes peace and stability, develops security forces and creates more professional militaries, and promotes respect for human rights.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Incorporating security assistance plans for South Asia countries within the budget justification for military assistance programs. ◆ Reviewing South Asia military assistance planning for best practices that can be applied to performance and budgetary planning for assistance to other regions of the world.
Status of Actions	Plan to incorporate security assistance plans into budget justification.

Program Name	SUPPORT FOR EAST EUROPEAN DEMOCRACY/FREEDOM SUPPORT ACT
PART Summary	The Office of the Coordinator of U.S. Assistance to Europe and Eurasia is responsible for strategic planning, budgeting, and performance measurement for U.S. Government assistance to the Central and Eastern European and Eurasian countries intended to promote democratic, economic and other types of reform.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Implementing recommendations of a recently conducted evaluation, including further clarifying and communicating the Coordinator's mandate and improving relations with regional program management. ◆ Finalizing guidance to address issues of coordination, oversight of performance, and resource allocation and disseminating to all involved in U.S. assistance to Europe and Eurasia.
Status of Actions	All actions completed.

Program Name	TERRORIST INTERDICTION PROGRAM
PART Summary	The Terrorist Interdiction Program provides foreign governments with a secure database system that enables border control officials to quickly identify and detain or track suspect persons seeking to cross their borders and collect, compare, and analyze traveler data.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Taking action to tie funding requests to key indicators of the program. ◆ Improving coordination with other complementary USG programs to ensure that a comprehensive approach is pursued to address a host nation's border control vulnerabilities.
Status of Actions	Actions taken but not completed.

Program Name	UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES
PART Summary	The United States' contribution to the United Nations High Commissioner for Refugees is a major component of the State Department's comprehensive response to the protection and assistance needs of refugees.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Supporting the protection activities and initiatives of the High Commissioner for Refugees. ◆ Finalizing implementation of financial management and supply chain system.
Status of Actions	Actions taken but not completed.

Program Name	VISA AND CONSULAR SERVICES
PART Summary	The program protects U.S. citizens in U.S. and abroad and safeguards U.S. borders through programs, processes and systems. Consular Affairs administers laws, formulates regulations and implements policies relating to the adjudication of visa and passport applications and a broad range of consular services provided to U.S. citizens.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Implementing new surcharges to address shortfalls in fee revenues and to pay for initiatives. ◆ Implementing e-passport and developing travel document options in consultation with other relevant agencies.
Status of Actions	Actions taken but not completed.

Program Name	WORLDWIDE SECURITY UPGRADES
PART Summary	Supports U.S. foreign policy objectives by providing a secure work environment through the protection of American lives, property and information overseas and domestically from attacks by foreign terrorist and other harmful entities.
Improvement Plan Actions	<ul style="list-style-type: none"> ◆ Presenting resource requests in a complete and transparent manner; and linking resources to program activities. ◆ Reviewing on-going versus new programs and initiatives in relation to the budget in order to improve prioritization.
Status of Actions	Actions taken but not completed

GLOSSARY OF ACRONYMS

A	Bureau of Administration (DoS)	DIA	Defense Intelligence Agency
ACOTA	African Contingency Operations Training and Assistance	DHS	Department of Homeland Security
ACI	Andean Counterdrug Initiative	DOC	U.S. Department of Commerce
AETN	American Embassy TV Network	DOD	Department of Defense
AF	Bureau of African Affairs (DoS)	DOE	U.S. Department of Energy
AFR	Bureau of African Affairs (USAID)	DOI	U.S. Department of the Interior
AMA	Agreement on Movement and Access	DOJ	Department of Justice
ANE	Bureau of Asian and the Near East (USAID)	DOL	Department of Labor
APEC	Asia-Pacific Economic Cooperation	DOS	U.S. Department of State
ASEAN	Association of Southeastern Asian Nations	DQA	Data Quality Assessments
ATA	Anti-Terrorism Assistance	DRI	Diplomatic Readiness Initiative
AU	African Union	DRL	Bureau of Democracy, Human Rights and Labor (DoS)
BII	Bio-Industry Initiative	DS	Bureau of Diplomatic Security (DoS)
BIT	Bilateral Investment Treaty	DTRA	Defense Threat Reduction Agency
BWC	Biological Weapons Convention (BWC)	EAP	Bureau of East Asian and Pacific Affairs (DoS)
CA	Bureau of Consular Affairs (DoS)	EB	Bureau of Economic and Business Affairs (DoS)
CAFTA	Central America Free Trade Agreement	ECA	Bureau of Educational and Cultural Affairs (DoS)
CCD	Consular Consolidated Database	ECE	Economic Commission for Europe
CDC	Centers for Disease Control	ECOWAS	Economic Community of West African States
CEQ	President's Council on Environmental Policy	EGAT	Bureau of Economic Growth, Agriculture, and Trade (USAID)
CFE	Conventional Forces in Europe	EPA	U.S. Environmental Protection Agency
CIA	Central Intelligence Agency	ERMA	Emergency Refugee & Migration Assistance
CIPA	Contributions for International Peacekeeping Activities	ESF	Economic Support Fund
CIO	Contributions to International Organizations	EU	European Union
CPA	Comprehensive Peace Agreement	EUR	Bureau of European and Eurasian Affairs (DoS)
CRS	Office of Reconstruction and Stabilization (DoS)	EXIM	Export-Import Bank
CSI	Container Security Initiative	FAA	Federal Aviation Agency
CTAG	Counterterrorism Action Group	FAST	Free and Secure Trade Program
CTC	Counterterrorism Committee	FBI	Federal Bureau of Investigations
CTED	Counterterrorism Executive Directorate	FMF	Foreign Military Financing
CWC	Chemical Weapons Convention	FMFIA	Federal Managers' Financial Integrity Act
D&CP	Diplomatic and Consular Programs	FSA	Freedom Support Act
DCHA	Bureau of Democracy, Conflict and Humanitarian Assistance (USAID)	FSAT	Financial Systems Assessment Teams
DA	Development Assistance	FSI	Foreign Service Institute (DoS)
DEA	Drug Enforcement Agency	FTA	Free Trade Agreement
DDR	Disarmament, Demobilization and Reintegration	FTE	Full Time Employee
		G-8	Group of Eight (major industrialized nations)

GAO	Government Accountability Office	ISAF	International Security Assistance Force
GDP	Gross Domestic Product	ISN	International Security and Nonproliferation Bureau (DoS)
GH	Bureau of Global Health (USAID)	ISPS	International Ship and Port Facility Security (UN)
GHSAG	Global Health Security Action Group	ISTC	International Science and Technology Center
G/IWI	International Women's Issues (DoS)	IWC	International Whaling Commission
GMRA	Government Management Reform Act	JAAMS	Joint Acquisition and Assistance Management System
GPRA	Government Performance and Results Act	JFMS	Joint Financial Management System
G/TIP	Office to Monitor and Combat Trafficking in Persons (DoS)	JMC	Joint Management Council
HHS	Department of Health and Human Services	JPP	Joint Performance Plan
HR	Bureau of Human Resources (DoS)	KFOR	Kosovo Force (NATO)
HRDF	Human Rights and Democracy Fund	LAC	Latin America and the Caribbean (USAID)
IAEA	International Atomic Energy Agency	LPA	Bureau for Legislative and Public Affairs (USAID)
IBWC	International Boundary and Water Commission	LROBP	Long-Range Overseas Buildings Plan
ICAO	International Civil Aviation Organization	M	Office of the Under Secretary for Management (DoS)
ICASS	International Cooperative Administrative Support Services (DoS)	MANPADS	Man Portable Air Defense System
ICRC	International Committee of the Red Cross	MCA	Millennium Challenge Account
IDENT	Automated Biometric Identification System	MEPI	Middle East Partnership Initiative
IDFA	International Disaster and Famine Assistance	N/A	Not Applicable
IDP	Internally Displaced Persons	NADR	Nonproliferation, Anti
IEA	International Energy Agency	NAFO	Northwest Atlantic Fisheries Organization
IFI	International Financial Institution	NAPHSIS	National Association for Public Health Statistics and Information Systems
IIP	Bureau of International Information Programs (DoS)	NARA	National Archives and Records Administration
ILEA	International Law Enforcement Academies	NATO	North American Trade
ILMS	Integrated Logistics Management System	NCMEC	National Center for Missing and Exploited Children
ILO	International Labor Organization	NEA	Bureau of Near Eastern Affairs (DoS)
IMET	International Military Education and Training	NEC	New Embassy Compound
IMF	International Monetary Fund	NED	National Endowment for Democracy
IMO	International Maritime Organization	NGO	Non Government Organization
INCLE	International Narcotics Control and Law Enforcement	NOAA	National Oceanic and Atmospheric Administration
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)	NPT	Nuclear Non-Proliferation Treaty
INR	Bureau of Intelligence and Research (DoS)	NRC	U.S. Nuclear Regulatory Commission
INTERPOL	International Criminal Police Organization	NRF	NATO Response Force
IO	Bureau of International Organizations (DoS)	NSC	National Security Council
IOM	International Organization for Migration	NSF	National Science Foundation
I/P	Initiative/Program	NSLI	National Security Language Initiative
IRF	International Religious Freedom	OAS	Organization of American States
IRM	Bureau of Information Resource Management (DoS)	OBO	Bureau of Overseas Buildings Operations (DoS)
IRRF	Iraq Relief and Reconstruction Fund	OECD	Organization for Economic Cooperation and Development

OES	Bureau of Oceans, International Environmental and Scientific Affairs (DoS)	UNAIDS	United Nations Program on HIV/AIDS
OFDA	Office of Foreign Disaster Assistance (USAID)	UNAMSIL	UN Mission in Sierra Leone
OIG	Office of Inspector General	UNCHR	UN Commission on Human Rights
OMB	Office of Management and Budget	UNCTAD	United Nations Conference on Trade and Development
OPIC	Overseas Private Investment Corporation	UNDPKO	United Nations Department for Peacekeeping Operations
OSCE	Organization for Security and Cooperation in Europe	UNDP	UN Development Program
OSD	Office of Secretary of Defense	UNESCO	United Nations Educational, Scientific and Cultural Organization
PA	Bureau of Public Affairs (DoS)	UNFAO	United Nations Food and Agriculture Organization
PART	Program Assessment Rating Tool	UNGA	UN General Assembly
PEPFAR	President's Emergency Plan for AIDS Relief	UNHCR	UN High Commission for Refugees
PKO	Peacekeeping Operations	UNHRC	UN Human Rights Council
PM	Bureau of Political/Military Affairs (DoS)	UNICEF	United Nations Children's Fund
PMA	President's Management Agenda	UNMIS	UN Mission in Sudan
PPC	Bureau for Policy and Program Coordination (USAID)	UNSCR	UN Security Council Resolution
PRM	Bureau of Population, Refugees and Migration (DoS)	USAID	United States Agency of International Development
PSI	Proliferation Security Initiative	USG	U.S. Government
R	Bureau of Public Diplomacy and Public Affairs (DoS)	USMS	U.S. Marshals Service
RM	Bureau of Resource Management (DoS)	USTR	U.S. Trade Representative
S/CRS	Office of the Coordinator for Reconstruction and Stabilization (DoS)	VCI	Bureau of Verification, Compliance and Implementation (DoS)
S/CT	Coordinator for Counterterrorism (DoS)	WB	World Bank
SCA	Bureau of South and Central Asian Affairs (DoS)	WFP	World Food Program
SEED	Support for East European Democracy	WHA	Bureau of Western Hemisphere Affairs (DoS)
S/GAC	Office of the U.S. Global AIDS Coordinator (DoS)	WHO	World Health Organization
SMART	State Messaging and Archive Retrieval Toolset	WMD	Weapons of Mass Destruction
TI	Transparency International	WTO	World Trade Organization
TIP	Terrorist Interdiction Program	YES	Youth Exchange Study
UN	United Nations		

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