



USAID
FROM THE AMERICAN PEOPLE

Performance and Accountability Report Fiscal Year 2005

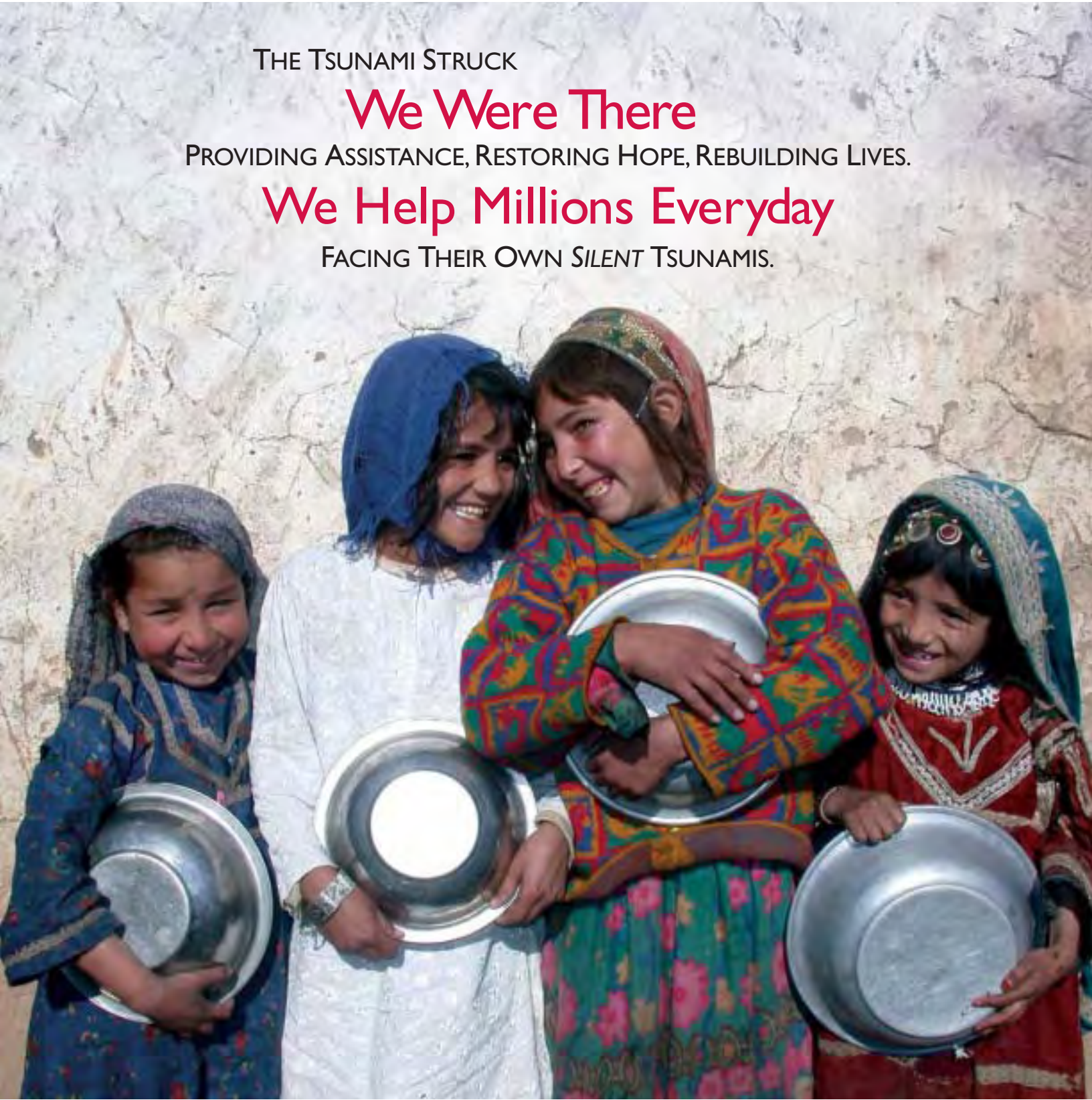
THE TSUNAMI STRUCK

We Were There

PROVIDING ASSISTANCE, RESTORING HOPE, REBUILDING LIVES.

We Help Millions Everyday

FACING THEIR OWN SILENT TSUNAMIS.





USAID

FROM THE AMERICAN PEOPLE

In January 2005, USAID launched a **Branding Campaign** to ensure U.S. taxpayers receive full credit for the foreign aid they finance. We added a new “brandmark” with a tagline that clearly communicates our assistance is **“From the American people.”** The new branding is now required by federal regulation on all programs, projects, activities, public communications, and commodities USAID finances through all implementing partners.



USAID
من الشعب الأمريكي



USAID
AMERIKA XALQINDAN



USAID
ОТ АМЕРИКАНСКОГО НАРОДА



USAID
DU PEUPLE AMERICAIN



USAID
DO POVO DOS
ESTADOS UNIDOS



USAID
АМЕРИКАНЫН ЭЛИНЕН



USAID
DO POVO AMERICANO



USAID
DEL PUEBLO DE LOS ESTADOS
UNIDOS DE AMÉRICA



USAID
ВІД АМЕРИКАНСЬКОГО НАРОДУ



USAID
FROM THE AMERICAN PEOPLE

Performance and Accountability Report Fiscal Year 2005

IN MORE THAN 100 COUNTRIES

We Are There

HELPING THOSE WHO FACE THEIR OWN *SILENT* TSUNAMIS.

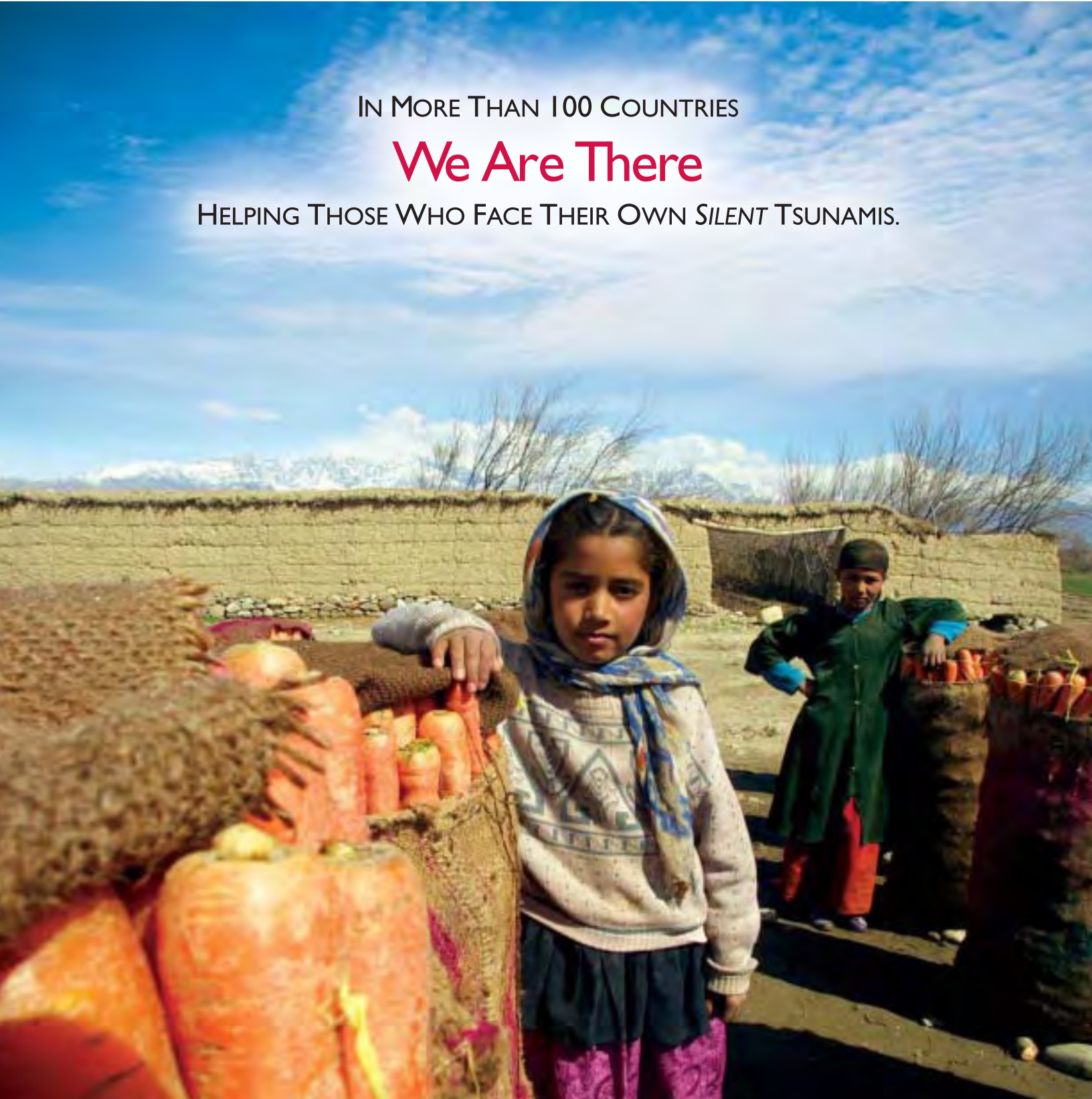


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A MESSAGE FROM THE USAID ADMINISTRATOR

I am pleased to present our Performance and Accountability Report (PAR) for Fiscal Year (FY) 2005 on behalf of the U.S. Agency for International Development (USAID). This year's report highlights our efforts to support President Bush's National Security Strategy, which recognized development as a cornerstone of U.S. foreign policy, along with defense and diplomacy.

As USAID's Administrator, I am proud of the work we have accomplished meeting the challenges of an expanding foreign assistance agenda. Our new framework has given the Agency a more coherent approach, helping us identify core operational goals, better align resources with goals, and improve our overall management.

The results of these new efficiencies could be seen in our response to the catastrophic tsunami of December 26, 2004. As the lead agency for the U.S. government, we immediately sent a special Disaster Assistance Response Team (DART) to the region along with 100 others to assess the damage. Working in close partnership with the U.S. military, we provided critically needed food, water, medical care, and shelter. The speed with which we acted saved many lives and mitigated much suffering. In Washington, we set up a Tsunami Task Force to oversee and analyze efforts. In another first, we used funds from our disaster account to begin reconstruction in short order. At every stage, we focused on both short-term needs and long-term objectives: initiating microcredit programs; assisting displaced people; offering cash-for-work; restoring fisheries and farms; rebuilding essential infrastructure; developing early warning systems; and rehabilitating and rebuilding schools, health clinics, and public utilities.

USAID has employees in more than 100 countries who stand ready to meet any ensuing wave of development. Whether it be the Tsunami that affected dozens of countries and hundreds of thousands of people across Southeast Asia on one fated morning, or the silent tsunamis of poverty, instability, illiteracy,



USAID Administrator Natsios with head engineer Askar in Muftie, Rodat (Nangarhar), Afghanistan. Building gabion walls and removing 25 years of built-up silt from the canals will significantly increase the flow of water to the affected area, enabling farmers to grow crops needing multiple floodings. PHOTO: USAID/MICHELLE PARKER

inequality, hunger, pollution, disease, and corruption that affect more than half the world population every day.

We also continued vital humanitarian assistance to Sudan this year, particularly in Darfur, where conditions remain acute. USAID was by far the largest donor of food assistance to Darfur during FY 2005, providing more than 376,000 metric tons, enough for approximately two million people. In addition to our extensive efforts in the South, which contributed to the accord between the North and South and the new interim Constitution, the Agency redirected some 8,450 metric tons of food already on the high seas in a quick response to a worsening food shortage in several regions of the country. Along with our immunization, sanitation, and security programs, the food helped



USAID Administrator Natsios discussing development plans with Cofan indigenous people in Ecuador. PHOTO: USAID/MICHELLE PARKER

sustain life in the country's many refugee camps and improved conditions in surrounding villages.

In accordance with President Bush's National Security Strategy, USAID has given heightened attention to weak and fragile states. Addressing these problems in their infancy are critical for international stability and American security, as about a third of the world lives in zones of conflict and recurrent instability. Consequently, we developed a new Fragile States Strategy this year to guide our efforts to reverse state decline and advance recovery to a point where transformational development can take place.

Iraq is our biggest program and largest challenge. In January, the country's first democratic elections in half a century were held, with 60 percent of the eligible voters participating despite widespread threats from insurgents. USAID devoted \$86 million to this effort, funding voter registration, education, and monitoring. We also worked closely with women leaders to ensure their participation in reconstruction programs. With our encouragement, the Governing Council adopted equal rights legislation so that women can contribute to the country's social, political, and economic life with full legal and human rights. USAID has also promoted the status of women in Afghanistan,

providing more than \$50 million to support women's issues since the fall of the Taliban through programs ranging from education to business ventures.

Part of USAID's work is to promote far-reaching, fundamental changes in governance and institutions so that countries can make needed economic and social reforms. Consequently, we have encouraged programs to fuel local economies and train officials. Encouraging partnerships within poor countries not only engages local businesses, but enables governments and communities to rely more on their own resources and be less dependent on foreign aid.

USAID also provides significant assistance in areas such as disease control and forest management in support of several presidential initiatives. One of the most prominent is PEPFAR, the President's Emergency Plan for AIDS Relief, for which we provide 60 percent of the overall funding. Fighting HIV/AIDS is one of the Administration's top priorities, and we are actively working in each of the priority countries. We are taking particular steps to alleviate the suffering of women and children who bear the brunt of the disease, as they are victims of both the pandemic and HIV/AIDS discrimination.

In order to support President Bush's new initiative to fight malaria, USAID increased its funding budget, targeted at 21 African countries with the highest level of transmission, to \$89 million this fiscal year. In collaboration with other donors, we have relied on a comprehensive strategy that unites prevention and treatment approaches, including interventions to reduce malaria among pregnant women. Approximately 10 percent of our malaria budget is devoted to research on malaria vaccine, new and improved anti-malarial drugs, and improving prevention and treatment options.

To make USAID operations more efficient and transparent, our Business Transformation Initiative is standardizing and streamlining administrative systems and management tools, as well as implementing reforms in human resources, knowledge management, and strategic budgeting. These initiatives support USAID programs worldwide and strengthen the Agency's ability to manage and account for taxpayers' funds. We have now established an Executive Information System which facilitates reporting, and have substantially completed the worldwide rollout of Phoenix, a unified financial management system, which will be complete in early 2006.

Implementing the Joint State-USAID Strategic Plan has increased our administrative and policy coherence through the Joint Management and Joint Policy Councils. We have also created an Office of Military Affairs to improve our coordination with the Department of Defense, a fact that was crucial in our tsunami response and has reaped many benefits in Iraq and Afghanistan.

Ultimately, our success has been a direct result of the efforts of the foreign service officers, civil servants, and foreign service nationals (FSN), many of whom work on the front lines of foreign policy. Recognizing the need to improve our human resources department, we are offering new training and new opportunities for career development, especially for our FSNs. We have also begun training specialists who can be quickly mobilized during crises and hired new foreign service officers to deal with fragile states.

Last year USAID launched a branding campaign to credit U.S. taxpayers for the foreign assistance they finance. We developed a new standard graphic identity that clearly communicates the message that our aid is "From the American People." It is being used consistently on all programs, projects, activities, public

communications, and commodities. Beginning in January 2006, all non-governmental organizations (NGO) and contractors will be required to use the new marking.

The roll-out of the new branding policy corresponded with the Agency's remarkable response to the Asian tsunami and together they produced a powerful and positive impact. Prior to the disaster, only 37 percent of the population had a favorable opinion of the United States. Afterwards, favorable opinions shot up to 66 percent. As Secretary of State Rice has said, USAID "is America's best public diplomacy."

In summary, I hereby certify that as of September 30, 2005, the management accountability and control systems of USAID provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA) were achieved. This statement is based on the results of an Agency-wide management control assessment and input from senior officials. In addition, I certify that the financial and performance data in the FY 2005 PAR are reliable and complete. A detailed discussion of material inadequacies and actions that USAID is taking to resolve them is provided in this report.

Finally, this Performance and Accountability Report contains the Agency's performance information as required by the Government Performance and Results Act (GPRA); our audited consolidated financial statements as required by the Chief Financial Officers Act and the Government Management Reform Act (GMRA); a report on management decisions and actions in response to audit reports issued by the Agency's Inspector General as required by the Inspector General Act; and a report on our management controls as required by the FMFIA.



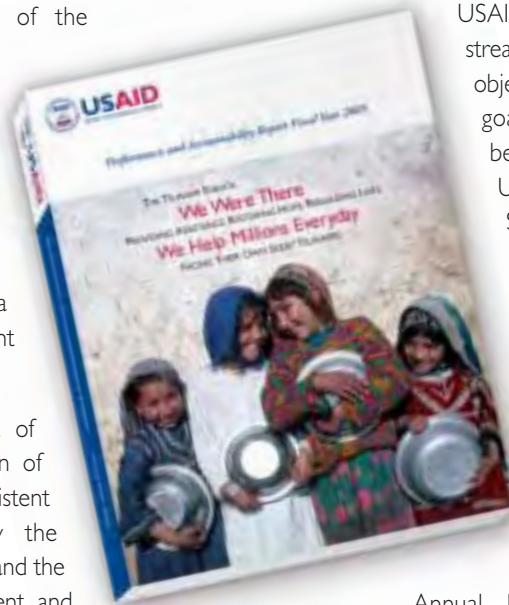
Andrew S. Natsios
Administrator
U.S. Agency for International Development
November 15, 2005

ABOUT THIS REPORT

PURPOSE OF REPORT

The U.S. Agency for International Development's (USAID) Performance and Accountability Report (PAR) for fiscal year (FY) 2005 provides performance and financial information that enables Congress, the President, and the public to assess the performance of the Agency relative to its mission and stewardship of the resources entrusted to it. This PAR satisfies the reporting requirements of the following legislation:

- Inspector General (IG) Act of 1978 (Amended) – requires information on management actions in response to IG audits.
- Federal Managers' Financial Integrity Act of 1982 (FMFIA) – requires a report on the status of management control issues.
- Chief Financial Officers (CFO) Act of 1990 – provides for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the government and the Congress in the financing, management, and evaluation of federal programs.
- Government Management Reform Act of 1994 – requires Agency audited financial statements.
- Government Performance and Results Act of 1993 (GPRA) – requires an annual report of performance results achieved against Agency goals.
- Federal Financial Management Improvement Act of 1996 (FFMIA) – requires an assessment of financial systems for adherence to government-wide requirements.
- Reports Consolidation Act of 2000 – authorized federal agencies to consolidate various reports in order to provide performance, financial, and related information in a more meaningful and useful format.



FY 2005 USAID PERFORMANCE AND ACCOUNTABILITY HIGHLIGHTS

- For the third year in a row, the Agency received an unqualified (“clean”) audit opinion from its independent auditors, attesting to its exemplary stewardship of the public funds entrusted to it.
- FY 2005 is the second year in which USAID’s PAR is structured around a streamlined and cohesive set of strategic objectives, strategic goals, and performance goals that were established jointly between the Department of State and USAID in the Joint State-USAID Strategic Plan for FY 2004 – 2009.
- ◆ For the second consecutive year, the Agency is presenting provisional or preliminary performance results information for the fiscal reporting year just ended (FY 2005), rather than prior year results data as it has been forced to do in the past, due to the data lag associated with the Agency’s Annual Report performance management system prepared by each of its operating units. This information has been collected from and vetted by its Regional, Pillar, and Functional Bureaus.
- Also for the second time, USAID will supplement the preliminary FY 2005 performance results information contained in this report with a FY 2005 USAID PAR Addendum (Addendum), which will be available in the Spring of 2006. The Addendum will contain all final, verified, and validated performance results against the Agency’s goals, indicators, and targets for FY 2005, and will be made available in hard-copy format and electronically. For more information on the Addendum, please contact USAID’s Office of Strategic and Performance Planning at (202) 712-0175.

HOW THIS REPORT IS ORGANIZED

■ MESSAGE FROM THE ADMINISTRATOR, USAID

The Administrator's message includes significant USAID accomplishments and an assessment of whether financial and performance data in the report is reliable and complete, and a statement of assurance as required by the FMFIA indicating whether management controls are in place and financial systems conform with government-wide standards.

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

The MD&A is a concise overview of the entire report, similar to an Executive Summary in a private company's annual report. It includes an organizational overview; a summary of the most important performance results and challenges for FY 2005; a brief analysis of financial performance; a brief description of systems, controls, and legal compliance; and information on the Agency's progress in implementing the President's Management Agenda (PMA) and addressing the management challenges identified by the Office of Inspector General (OIG). The MD&A is supported and supplemented by detailed information contained in the Performance Section, Financial Section, and Appendices.

■ PERFORMANCE SECTION

This section contains the annual program performance information required by the GPRA, and combined with the MD&A and Appendices, includes all of the required elements of an annual program performance report as specified in the Office of Management and Budget (OMB) Circular A-11, *Preparing, Submitting and Executing the Budget*. The results are presented by strategic goal, with a chapter covering each of USAID's eight strategic goals from the Joint State-USAID Strategic Plan for FY 2004 – 2009. For more information on this section, please contact USAID's Office of Strategic and Performance Planning at (202) 712-0175.

■ FINANCIAL SECTION

This section contains a message from the Chief Financial Officer (CFO) describing progress and challenges pertaining to the Agency's financial and performance management, including information on the Agency's compliance with laws and regulations, the Agency's financial statements and related Independent Auditor's Report, and other Agency-specific statutorily required reports pertaining to the Agency's financial management. For more information on this section, please contact the office of the CFO at (202) 712-1980.

■ APPENDICES

- USAID Staff Listings by Type
- Global Development Alliance (GDA) Secretariat
- USAID Data Estimation Methodology
- Glossary of Terms
- Abbreviations and Acronyms

MANAGEMENT'S DISCUSSION AND ANALYSIS



ALLEVIATING POVERTY THROUGH ECONOMIC GROWTH

SILENT TSUNAMI
POVERTY

MORE THAN
HALF THE
WORLD LIVES
ON LESS THAN A
DOLLAR A DAY



USAID programs support: Microfinance, Market Reform, Market

Stability, Job Creation, Technology Transfer, Trade Promotion, WTO

Ascension, Global Trade and Investment, Economic Policy and Governance,

Private Enterprise Development, Economic and Social Infrastructure,

Agricultural Productivity, and Asset Protection for the Poor.

MISSION AND VALUES

MISSION

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

VALUES

Loyalty: Commitment to the United States and the American people.


Character: Maintenance of high ethical standards and integrity.

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

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

Community: Dedication to teamwork, professionalism, and the customer perspective.

USAID HISTORY

 In September 4, 1961, the U.S. Congress passed the Foreign Assistance Act, which reorganized the U.S. foreign assistance programs, including separating military and non-military aid. The Act mandated the creation of an agency to administer economic assistance programs, and on November 3, 1961, President John F. Kennedy established the U.S. Agency for International Development (USAID).

USAID became the first U.S. foreign assistance organization whose primary emphasis was on long-range economic and social development assistance efforts. Freed from political and military functions that plagued its predecessor organizations, USAID was able to offer direct support to the developing nations of the world.

The Agency unified already existing U.S. aid efforts, combining the economic and technical assistance operations of the International Cooperation Agency, the loan activities of the Development Loan Fund, the local currency functions of the Export-Import Bank, and the agricultural surplus distribution activities of the Food for Peace program of the U.S. Department of Agriculture (USDA).

While some could argue that the creation of USAID simply represented a bureaucratic reshuffling, the Agency, and the legislation creating it, represented a re-commitment to the very purposes of overseas development. USAID was established to unify assistance efforts, to provide a new focus on the needs of a changing world, and to assist other countries in maintaining their independence and become self-supporting.

U.S. FOREIGN AID: MEETING THE CHALLENGES OF THE 21ST CENTURY



“We are revitalizing our cutting-edge technical leadership and reforming critical business operations. We have integrated our emergency, transition, and food operations into a single capacity to respond to failing states, complex crises, and postconflict reconstruction, and augmented it with a new conflict mitigation and management focus.”

— Andrew S. Natsios, Administrator
U.S. Agency for International Development

The end of the Cold War and the new international challenges that now face the United States have prompted the most thorough reassessment of the country's development mission since the end of the Second World War. As part of this reassessment, USAID has embraced five core operational goals:

- Supporting transformational development
- Strengthening fragile states and reconstructing failed states
- Supporting U.S. geo-strategic interests
- Addressing transnational problems
- Providing humanitarian relief in crisis countries

Each of these goals is vitally relevant to combating terrorism and strengthening U.S. security at home and abroad.

Supporting transformational development. In the developing world, USAID supports far-reaching, fundamental changes in institutions of governance; human services, such as health and education; and economic growth. Through this assistance, capacity is built for a country to sustain its own progress. While these efforts have long been justified in terms of U.S. generosity, they must now be understood as investments in a stable, secure, and interdependent world.

Strengthening fragile states and reconstructing failed states. The President's National Security Strategy wisely recognizes the growing global risks of failing states: "The events of September 11, 2001 taught us that weak states... can pose as great a danger to our national interests as strong states... poverty, weak institutions and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders."

The failure of states such as Zaire, Afghanistan, Lebanon, Bosnia, Somalia, and Liberia had repercussions far beyond their own regions. The consequences are being dealt with today. There is perhaps no more urgent matter, no more difficult and intractable set of problems facing USAID's portfolio than that of fragile states.

Fragile states present a leading threat to U.S. national security in the 21st century; one clearly recognized in the 2002 National Security Strategy. Strengthening fragile states emerged as a discrete category among the five operational goals identified in USAID's White Paper, *U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century*. Although USAID has worked in fragile states for decades, it had treated them much the same as countries on a development path. The Agency recognized the need to do business differently in such environments for which it has formulated a new and separate strategy. Fragile states include those that are failing, failed, and recovering where conditions are not viable for long-term development. Hence, the purpose of USAID assistance in fragile states is to advance recovery to a point where development progress is possible. Stabilization efforts, support for reform, and capacity development are priorities in such environments. Basic security and strengthening essential institutions provide the cornerstones for recovery.

In order to assist fragile states more effectively:

- USAID will establish an early warning system using sound criteria and thresholds and bolster its capacity to respond quickly. Need, vulnerability to instability, and conflict, as well as policy performance will be core to designating a state as fragile.



USAID delivers aid to Pakistan. PHOTO: USAID/ANE

- The Agency will analyze the nature and sources of fragility. USAID will analyze effectiveness and legitimacy along four key dimensions—security, political, economic, and social—and the motivations and objectives of key actors in order to understand the critical points of vulnerability. USAID assistance will target the sources of fragility, and where necessary, address the symptoms.
- USAID will apply the principle of selectivity. Assistance will be directed to states based on foreign policy importance and the ability to contribute to constructive change.

Fragile states present an inherently risky challenge. The best analysis, skilled assistance personnel, and generous resources will not necessarily be able to pre-empt failure: the primary responsibility for that remains within the country itself. Moreover, among outside actors, USAID cannot meet the challenge of fragile states alone. The Agency has taken the lead by developing its Fragile States Strategy which now provides the foundation for a coherent U.S. government response. In addition, USAID, together with the Department for International Development (DFID) and the Low Income Countries Under Stress (LICUS) group at the World Bank, is actively promoting a concerted response with other donors and international actors to the challenge posed by fragile states based on its new strategy. Complementary engagement by national and international actors offers the greatest potential to arrest or mitigate a country's slide into failure.

Supporting U.S. geo-strategic interests. Aid is an important component of U.S. foreign assistance, while countries strive to win their own battles against terrorism. The tasks today are broader and more demanding than just winning the allegiance of key leaders around the world. For example, while it is vital that the U.S. government help keep a nuclear-armed Pakistan allied with the United States in the war on terrorism, the United States must also help Pakistanis move toward a more stable, prosperous, and democratic society. USAID's support for reform of Pakistan's educational system and political institutions is critical in this regard.

Addressing transnational problems. Global and transnational issues are those where progress depends on collective effort and cooperation among countries. Examples include HIV/AIDS and other infectious diseases, international trade agreements, and criminal activities such as trafficking in persons and narcotics. USAID will continue to play a leading role on these issues, assisting countries to address these problems that could otherwise bring danger and instability.

Providing humanitarian relief in crisis countries. The United States has always been a leader in humanitarian aid and disaster relief. The United States is the largest contributor of food aid that has fed the hungry and combated famine around the world. This is a moral imperative that has not changed. As an agency, USAID must, however, do a better job of combining such assistance with longer term development goals. And USAID must make sure that the recipients are aware of help and U.S. generosity. This is particularly important in areas of the world subjected to anti-Americanism and terrorist propaganda.

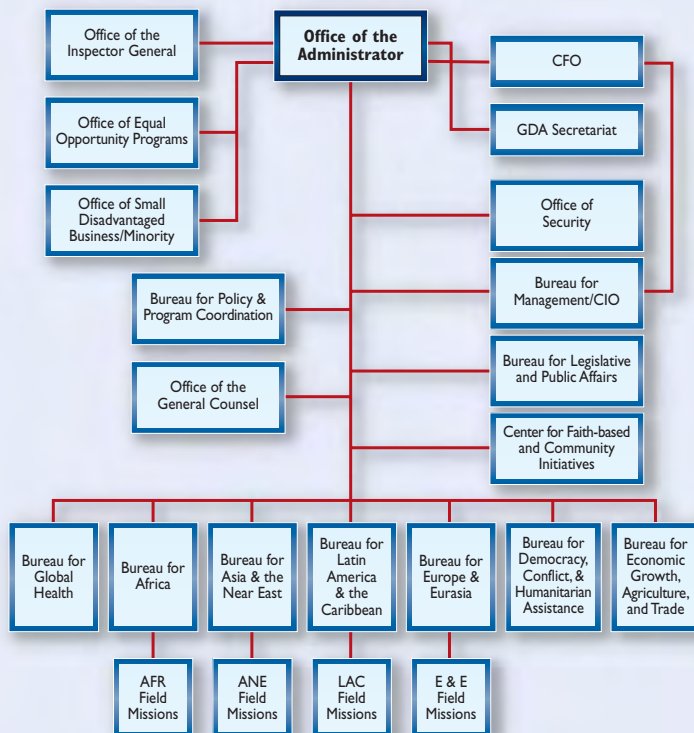
OUR ORGANIZATION

ORGANIZATIONAL STRUCTURE IN WASHINGTON, D.C.

At its Washington, D.C., headquarters, USAID's mission is carried out through four regional bureaus: Africa, Asia and the Near East (ANE), Latin America and the Caribbean (LAC), and Europe and Eurasia (E&E). The regional bureaus are supported by three technical (or pillar) bureaus that provide expertise in democracy promotion, governance accountability, humanitarian assistance in times of crisis, economic growth incentives, trade opportunities, agricultural productivity and technology, and global health challenges such as maternal and child health and HIV/AIDS. The Bureau for Policy and Program Coordination provides overall policy guidance and

program oversight. The Bureau for Management administers a centralized support services program for the Agency's worldwide operations. The Bureau for Legislative and Public Affairs develops and implements outreach programs to promote understanding of USAID's missions and programs. The secretariat for the Global Development Alliance (GDA) operates across the four regional bureaus to support the development of public-private alliances. USAID also includes five offices that support the Agency's security, business, compliance, and diversity initiatives. It also maintains a Center for Faith-Based and Community Initiatives.

USAID ORGANIZATION CHART



ORGANIZATIONAL STRUCTURE AT MISSIONS AND OTHER LOCATIONS

USAID organizational units located overseas are known as "field missions." Full missions usually consist of nine to 15 U.S. direct-hire (USDH) employees. They conduct USAID's major programs worldwide, managing a program of four or more strategic goals. Medium missions (five to eight USDH) manage a program of two to three goals, and small missions (three to four USDH) manage one or two strategic goals. These missions provide assistance based on an integrated strategy that includes clearly defined program objectives and performance targets.

Regional support missions (typically 12 to 16 USDH), also known as regional hubs, provide a variety of services. The hubs retain a team of legal advisors, contracting and project design officers, and financial services managers to support small and medium-sized missions. In countries without integrated strategies, but where aid is necessary, regional missions work with non-governmental organizations (NGO) to implement programs to facilitate the emergence of a civic society, help alleviate repression, meet basic human needs, or enhance food security. Regional missions can also have their own bilateral program of strategic goals to manage.

NEW MILITARY OFFICE TO IMPROVE COOPERATION IN AID DELIVERY

USAID has created an office to coordinate with the U.S. armed forces on development issues, following close Agency-military cooperation in a series of operations in Afghanistan, Iraq, and countries affected by the Asian tsunami. The Office of Military Affairs, created March 25, 2005, lies within the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), and addresses the need for greater understanding and operational interaction between the two sectors. The



office will develop training, education, and operational programs designed to improve communications between USAID and the U.S. military. It will develop guidance, policy, and military doctrine to improve coordination and cooperation. It will also build planning, operations, and evaluation links that aim to inform and enhance field operations, addressing areas of common interest.

Distribution of USAID aid by military forces in Indonesia after the tsunami. PHOTO: AP/WORLD WIDE PHOTOS

USAID missions operate under decentralized program authorities, allowing them to design and implement programs and negotiate and execute agreements. Mission directors and principal officers are delegated authority to:

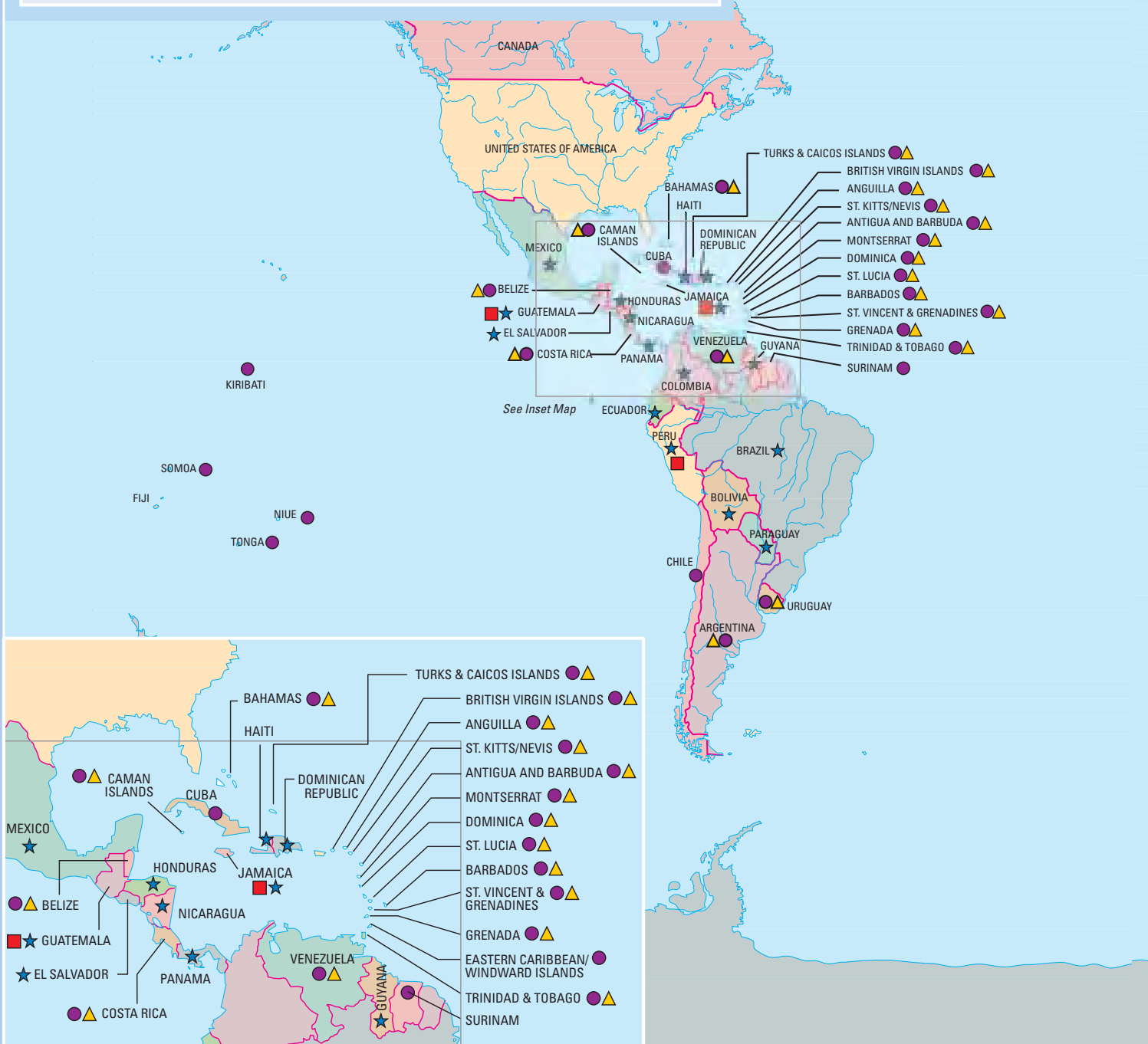
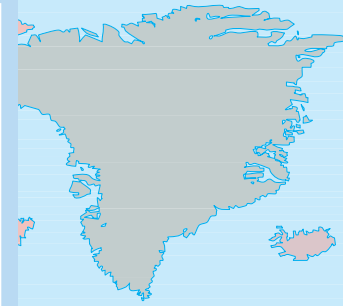
- conduct strategic planning and develop country strategic plans
- coordinate with other U.S. government agencies
- waive source, origin, and nationality requirements for procurement of goods and services
- negotiate, execute, and implement food aid agreement
- implement loan and credit programs.

The director of USAID's Office of Acquisitions and Assistance issues warrants to contracting officers authorizing them to negotiate, execute, amend, and modify contracts, grants, and cooperative agreements. Executive officers are delegated authority to sign leases for real property.

The field mission workforce is typically composed of three major categories of personnel: USDH employees, U.S. personal services contractors (USPSC), and foreign service nationals (FSN). USDH are career foreign service employees assigned to missions for two- to four-year tours. USPSCs are contractors hired for up to five years to carry out a scope of work specified by USAID. FSNs, professionals recruited in their host countries by USAID, make up the core of the USAID workforce. Many FSNs, recognized leaders and experts in their fields, devote their careers to USAID. FSNs are the bridge to effective contacts with key host country officials and decisionmakers, and they provide the institutional memory for and continuity of USAID's country programs. The U.S. ambassador serves as the chief of mission for all U.S. government agencies at post, and the USAID director reports to the ambassador. Development, defense, and diplomacy are the three major components of the U.S. national security strategy. USAID, as the lead agency responsible for development planning and programming, thus plays a critical and lead role in the foreign policy arena. The USAID mission director is a key member of the country team, and is often called upon to stand in for the ambassador or the deputy chief of mission during their absences.

USAID Locations

- ★ USAID Bilateral Programs with U.S. Direct Hire Presence
- USAID Regional Platforms with U.S. Direct Hire Presence
- USAID Programs with No U.S. Direct Hire Presence
- ▲ Non-presence Countries with USAID Funding Over \$1 Million (significant management oversight often required)
- ◆ USAID One-person Posts

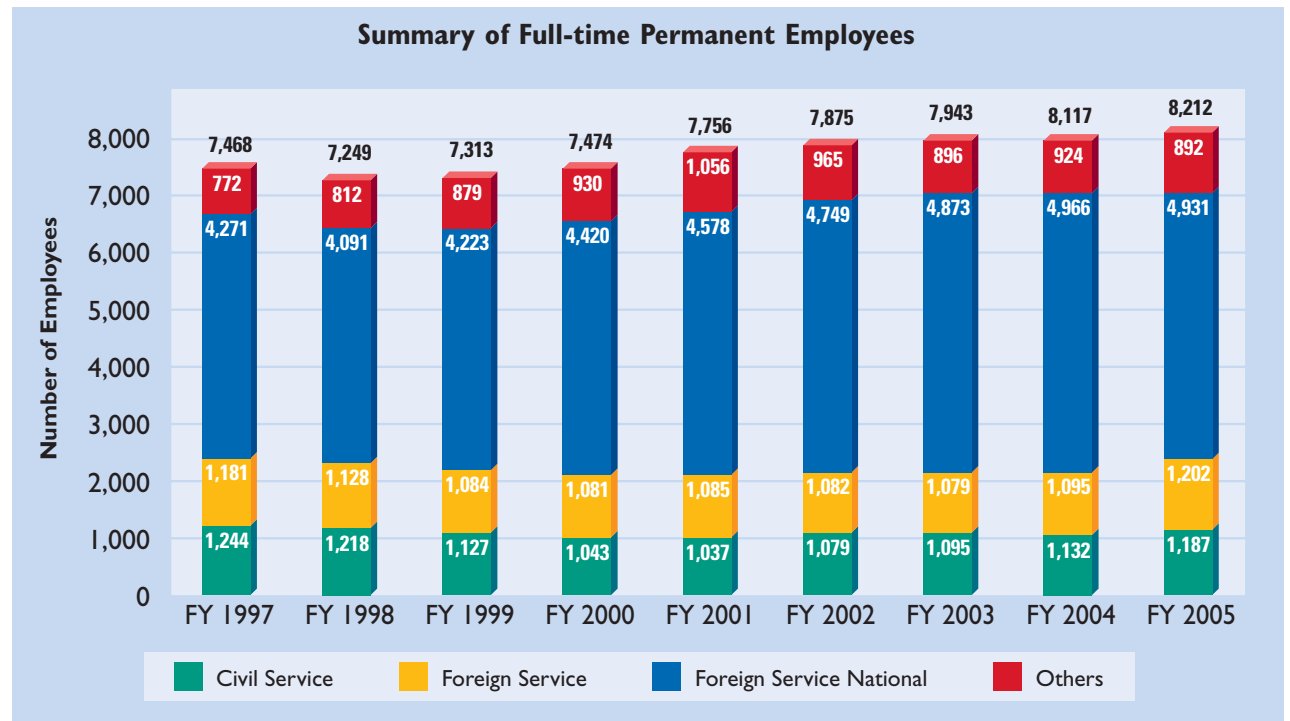
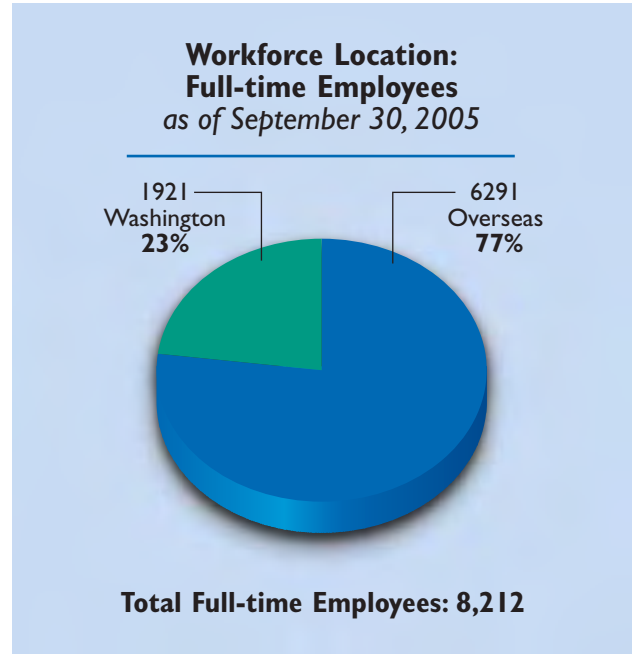
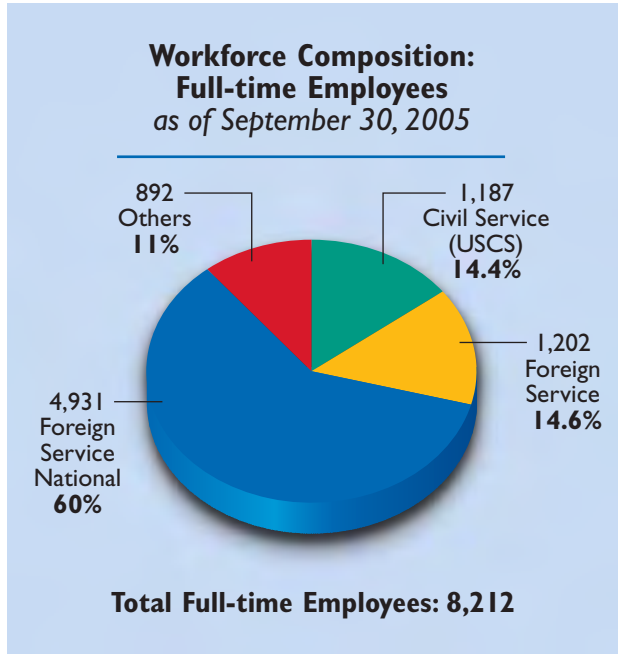




USAID'S PEOPLE

USAID's workforce consists of more than 8,200 employees in the foreign service, civil service, those serving as foreign service nationals, and those in other employee categories, including employees detailed from other U.S. government agencies,

personal service contractors, and fellows. As the table indicates, foreign service nationals make up 60 percent of USAID's workforce, and 77 percent of the total workforce serves overseas.



MANAGEMENT INITIATIVES

BUSINESS TRANSFORMATION AT USAID



"The most fundamental changes in national security policy since the beginning of the Cold War are occurring. And President Bush has been emphatic that development will play a central role. This is, then, a turning point for USAID as it is for the country as a whole. To remain effective, the Agency must enhance its business systems and processes. I have made management reform one of my highest priorities so that this Agency can meet the challenges of the new era."

— Andrew S. Natsios, Administrator
U.S. Agency for International Development

During fiscal year (FY) 2005, USAID made substantial progress in meeting the goals of its business transformation – a multi-year, multi-step plan to reform the Agency's management systems and improve organizational performance. The plan has been designed to address the President's Management Agenda (PMA), the Administrator's Management Reform Principles, and the Management and Organizational Excellence strategic and performance goals of the Joint State-USAID Strategic Plan.

The Agency's Business Transformation Executive Committee (BTEC) meets monthly to review progress, set priorities, and make decisions regarding the initiatives associated with the major components of USAID's business transformation plan. The BTEC, composed of senior career executives across the Agency,

is based on the recognized "best practice" that successful, large-scale transformation requires active collaboration, shared ownership, and accountability across an organization's entire top leadership team.

USAID's Business Transformation Plan is an integrated and coordinated plan with mutually reinforcing performance goals organized around four focus areas that describe how the Agency is applying its most important assets—its people, its ideas, and its technology—to improve its results in development and humanitarian initiatives around the world. The plan, which directly supports the goals of the PMA, is composed of the following four components: Strategic Management of Human Capital, Business Systems Modernization, Knowledge for Development, and Strategic Budgeting.

USAID AND DEPARTMENT OF STATE WORKING TOGETHER – EFFECTIVELY AND EFFICIENTLY



"[USAID] is the epitome of what I call transformative diplomacy . . . our job is to be a partner with young democracies and close the gap between capability and expectation."

– *Dr. Condoleezza Rice*
Secretary of State

With the issuance of the Joint FY 2004-2009 Strategic Plan and subsequent FY 2006 Joint Performance Plan, USAID and the Department of State are realizing joint objectives and missions based on the foundation of required coordination and integration when it best serves the American public. Together, USAID and the Department of State collaborate to ensure focus on both short-term diplomatic issues as well as longer-term institutional and capacity building efforts.

To achieve the shared goals and priorities, USAID and the Department of State are in the process of replicating the best practice models of field coordination and decision-making, and establishing a more institutionalized process and structure for all key joint policy and program issues. To accomplish this task, joint policy and management councils comprised of senior USAID and Department of State officials have been established.

The Joint Policy Council is ensuring that development programs are fully aligned with foreign policy goals. An Executive Committee and 12 working groups, led by senior Department of State and USAID officials, are addressing ways to improve coordination on key policy and program issues. The working groups cover the six world regions represented by the geographic bureaus and the following functional areas:

Democracy, Human Rights, and Justice; Economic Growth; Humanitarian Response; Social and Environmental Issues; Security and Regional Stability; and Public Diplomacy. There are also three crosscutting issue working groups: Foreign Assistance Effectiveness, Outreach to the Muslim World, and Law Enforcement Issues.

The Joint Management Council is overseeing efforts to create more integrated structures to advance the goals of both institutions, support employees, and reduce costs. An Executive Management Committee and eight senior-level working groups are implementing joint business plans that are addressing the following issues: resource management, management services, management processes, information and communication technology, electronic-government (E-Gov), facilities, security, and human capital. Examples of specific accomplishments to date include: synchronizing budget and planning cycles (including information technology (IT) capital planning), providing mutual intranet access, integrating shared administrative support services in the field, increasing coordination with the NGO community on security training, and implementing a pilot program for cross training and assignments.

THE PRESIDENT’S MANAGEMENT AGENDA





“**W**hat matters most is performance and results. In the long term, there are few items more urgent than ensuring that the federal government is well run and results-oriented. This Administration is dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used. We owe that to the American people.”

– President George W. Bush

USAID has made significant progress in its business transformation and this has been reflected in the Agency’s progress and status scores on each of the government-wide initiatives in the President’s Management Agenda (PMA). Issued quarterly by the OMB, an Executive scorecard rates progress and overall status in each of the PMA initiatives using a color-coded system for all federal agencies. As of September 30, 2005, USAID achieved five “green” scores and one “yellow” score for progress in achieving the OMB-developed, government-wide criteria and remains

“red” in status for four of the six initiatives. The Agency currently has “yellow” status scores for Human Capital, Budget and Performance Integration, and the PMA Agency-specific Faith-Based and Community Initiative. A score card for Real Property will be tracked beginning in FY 2006. The following is a summary of USAID’s overall progress towards achieving the goals of the PMA during FY 2005. The progress and status scores below are as of September 30, 2005.

PROGRESS 	USAID STRATEGIC MANAGEMENT OF HUMAN CAPITAL	STATUS 
Goal		
Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with strategic objectives.		
Progress		
<ul style="list-style-type: none"> ◆ Reduced skill gaps through Human Capital (HC)/workforce strategies and began integrating competitive sourcing and E-Gov into strategies. ◆ Completed information technology (IT) competency gap assessment and developed plan to identify and close gaps. ◆ Developed plan to use redeployment and de-layering for adjustment of Headquarters (HQ)/field organizational structures based on workforce analysis model. ◆ Submitted request for 2005 Senior Executive Service (SES) provisional plan certification. ◆ Showed results of improved succession strategies. ◆ Contracted for diversity study. ◆ Analyzed Federal Human Capital Survey (FHCS) and communicated results to employees. Posted results of FHCS on Agency Web site. 		

Continued on next page

**Upcoming Actions**

- ◆ Complete and demo refinements to the workforce planning model.
- ◆ Develop HQ/Workload assessment tool.
- ◆ Implement redeployment and de-layering to optimize HQ/field organizational structures.
- ◆ Complete draft SES performance plan enhancements.
- ◆ Demonstrate continued results in closing skill and competency gaps.
- ◆ Provide the Agency's diversity action plan.
- ◆ Ensure Agency accountability plan incorporates the FHCS criteria and results.
- ◆ Evaluate General Service (GS) performance system using Office Personnel Management (OPM) tool. Identify beta site and develop implementation schedule to test system to link pay to the performance appraisal system and awards program.
- ◆ Plan with OPM to conduct review of Agency accountability system and use results to strengthen HC results.
- ◆ Prepare briefing on working towards "Rightsizing Strategy."
- ◆ Hold discussions with the Office of Management and Budget (OMB) and the Department of State's Office of Rightsizing.

**Goal**

- ◆ Improve accountability through audited financial statements; strengthen management controls; implement financial systems that produce timely, accurate, and useful financial information to facilitate better performance measurement and decision-making.

Progress

- ◆ Closed two remaining Integrity Act weaknesses.
- ◆ Took actions to support closure of one of one auditor weakness.
- ◆ Completed prior year data clean-up from the Latin America and the Caribbean (LAC) Phoenix deployment.
- ◆ Completed deployment of Phoenix to the missions in LAC and Europe and Eurasia (E&E).

Upcoming Actions

- ◆ Issue FY 2005 PAR on time.
- ◆ Receive unqualified audit opinion on all financial statements for FY 2005.
- ◆ Compile action plan to address any auditor material weaknesses, reportable conditions, or material non-compliances identified in FY 2005 Government Management Reform Act (GMRA) audit report.
- ◆ Have no chronic or significant Anti-Deficiency Act violations.
- ◆ Deploy Phoenix to the missions in Asia Near East (ANE) and Africa.
- ◆ Complete move of Phoenix production operations to the Department of State facility in Charleston, SC.
- ◆ Brief OMB on current progress and plan for completing move to Object Class Coding (OCC) program funds.

**BUDGET AND PERFORMANCE INTEGRATION****Goal**

Improve performance of programs and management by linking performance to budget decisions and improve performance tracking/management. The ultimate goal is to better control resources and have greater accountability of results. Eventual integration of existing segregated and burdensome paperwork requirements for measuring the government's performance and competitive practices with budget reporting.

Progress

- ◆ Results of the Human Capital Model incorporated into the Bureau Program Budget Submission (BPBS) review materials, at the country and mission level.
- ◆ All bureaus completed the analysis that incorporates marginal cost data into their reviews of FY 2007 budget submissions.
- ◆ Program Assessment and Rating Tool (PART) results and final scores uploaded into PARTWeb, appeals filed and resolved, and Agency recommendations negotiated and resolved with OMB.
- ◆ Supporting documentation of the incorporation of performance into budget formulation included in the Annual Budget Submission (ABS).
- ◆ Fully institutionalized the process of collecting, analyzing, and reporting on performance information generated by the quarterly monitoring process.

Upcoming Action

- ◆ Incorporate comments into draft Marginal Cost Report.
- ◆ Summarize and include in the MD&A portion of the FY 2005 PAR, PART ratings and programmatic impacts.
- ◆ For all completed PARTs, submit status on follow-up actions and propose new follow-up actions.
- ◆ Propose programs to be assessed under PART in FY 2006, and certify that 100% of programs will now have been PARTed, or exempted by OMB.
- ◆ Develop applicability of common performance indicators for previously PARTed programs, evaluate for use in new PARTed programs, document planned use.
- ◆ Formalize and communicate accountability plan for bureau and mission submission of performance data.
- ◆ Submit first rough draft of Shadow Budget plan.

**COMPETITIVE SOURCING****Goal**

Achieve efficient, effective competition between public/private sources; establish infrastructure to support competitions and validate savings and/or significant performance improvements.

Progress

- ◆ Completed feasibility study for building services.
- ◆ Alternative approaches for grouping B-positions discussed with the Competitive Sourcing Working Group (CSWG). Discussions were undertaken with the Department of Transportation (DOT) (a green Competitive Sourcing (CS) agency) and USAID will consider a Line of Business (LOB) strategy in FY 2006 based on a DOT proof of concept.

Upcoming Action

- ◆ Announce competition for building services.
- ◆ Develop and approve "soft landing" policies as needed for possible impacts on direct-hires affected by competition.
- ◆ Meet with OMB on options for grouping activities for competition.
- ◆ Update CS strategic plan as needed to track to OMB approved 2005 inventory, and results of discussions with OMB.
- ◆ Issue call for 2006 inventory preparation.

**Goal**

Expand the federal government's use of electronic technologies (such as e-Clearance, Grants.gov, and e-Regulation), so that Americans can receive high-quality government service, reduce the expense and difficulty of doing business with the government, cut government operating costs, and make government more transparent and accountable.

Progress

- ◆ Drafted USAID Earned Value Measurement System (EVMS) Policy document.
- ◆ Finalized EVMS Process Surveillance Group Draft Charter.
- ◆ Developed EVMS system description.
- ◆ Completed applicable OMB-approved E-Gov/LOB/SmartBuy Implementation and Alignment Plans.
- ◆ Delivered an update on the Joint State-USAID enterprise architecture (EA) effort.
- ◆ USAID and the Department of State developed a joint EA communications strategy promoting enterprise architecture.
- ◆ Completed data analysis of existing Agency grant forms per guidance provided in the Grants.gov Guide for Data Analysis and Form Development.
- ◆ Posted >25% of all discretionary grant application packages on Grants.gov, including all discretionary grant programs using only the SF-424 family of forms.

Upcoming Action

- ◆ Provide baseline of the Agency's EA.
- ◆ Identify gaps in performance measures and areas of duplication by utilizing the mapping of architectural layers and the Federal Enterprise Architecture (FEA) reference model. Provide report to OMB and Geospatial One-Stop identifying all grant programs related to geospatial information.
- ◆ Provide report to OMB and E-Authentication identifying all existing and planned Web-based systems requiring electronic authentication.
- ◆ Demonstrate Integrated Portfolio Level EVMS in Lab Environment.
- ◆ Provide Grants.gov an outreach plan for discretionary grant programs.

Goal

Identify and remove the inexcusable barriers that thwart the work of faith-based and community organizations.

Progress

- ◆ Staff visited Uganda and Ethiopia missions, key countries in pilot projects, to conduct outreach on the Initiative.
- ◆ Outreach workshop delivered in Denver (September 13-15) with potential partners.
- ◆ Launched fifth of five planned pilot projects after receiving final clearance from the Department of State (Global AIDS Coordinator), Health and Human Services (HHS), and USAID Global Health Bureau.
- ◆ Completed comprehensive evaluation of CORE Initiative pilot program, and provided interim reports on four other pilots.
- ◆ USAID General Counsel wrote a guidance memo on the strategy for addressing potential violations of the new equal treatment regulation and confirmed that no complaints alleging violations have been received to date.
- ◆ Secured funding and support for data collection.
- ◆ Reviewed end- of-FY 2005 reporting plan and confirmed that requirements can be met.
- ◆ Established plan for enhanced FY 2006 data collection.

Upcoming Action

- ◆ Draft Annual Report for FY 2005 summarizing actions to date and barriers removed.
- ◆ Expand technical assistance workshops in cooperation with White House regional conferences.
- ◆ Complete FY 2005 data reporting using new systems and resolve any outstanding gaps in collection.
- ◆ Provide interim quarterly reports on pilot programs.
- ◆ Continue regular monitoring on regulation compliance.

HOW WE MANAGE AND MEASURE PERFORMANCE

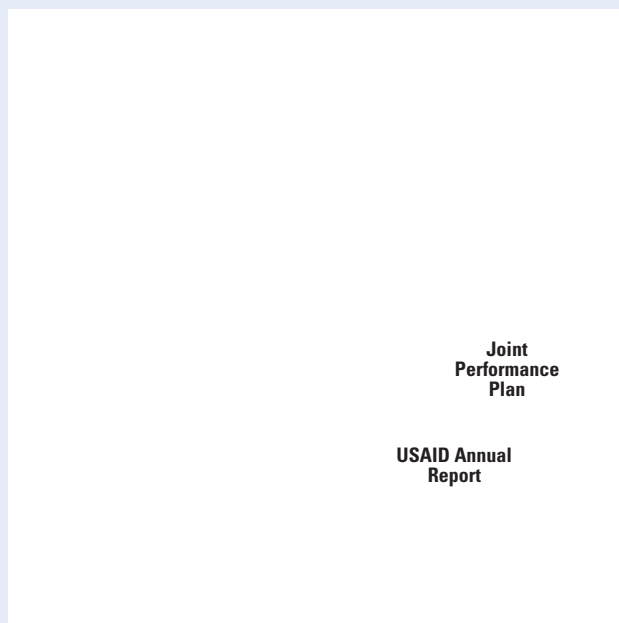
PERFORMANCE MANAGEMENT - A LEADERSHIP PRIORITY

USAID uses strategic management processes to ensure that its program planning, management, and reporting capabilities:

- effectively support U.S. foreign policy
- are able to respond quickly to today's rapidly evolving global environment
- achieve and report on desired results.

USAID MISSION PERFORMANCE PLANS (MPP)

USAID and the Department of State have issued a historic Joint State-USAID Strategic Plan for FY 2004-2009. This historic Joint State-USAID Strategic Plan utilizes a strategic goal framework that captures and articulates the agencies' highest priority goals and objectives focusing on policy, program, and management direction. Complementing the Joint Plan's framework, USAID is developing an Agency Policy Framework directed at "operationalizing" the Joint State-USAID Strategic Plan and the many policy and strategic directives guiding Agency program



operations. USAID's performance management planning processes are driven by senior leadership direction and coordination as described below:

USAID PERFORMANCE MANAGEMENT PLANNING PROCESS	
The Planning Process	USAID
Step #1 Mission Plans <i>Winter/Spring</i>	Each of USAID's missions prepares a Strategic Plan identifying key objectives, performance targets, and resource requirements covering a five-year range. Every year an Annual Report (AR) recaps the progress made by the missions in the year just passed, and outlines resource requirements for the year ahead. Information from the AR feeds into an overall MPP, which takes into account both USAID and Department of State activities. These plans are forwarded upward for review by USAID bureaus and by the Bureau for Policy and Program Coordination.
Step #2 Bureau Plans <i>Spring/Early Summer</i>	After the AR process is completed, each of USAID's regional and functional bureaus prepares a Bureau Program and Budget Submission (BPBS) laying out goals, targets, and resource requirements for the coming year. The BPBS documents are forwarded upward for review by Agency Assistant Administrators (AA).
Step #3 Agency Plans	Using the planning and performance information contained in the BPBS, together with other related information available at the national and international levels, USAID and the Department of State develop a coordinated Joint Performance Budget (Plan). This budget focuses on the highest priority issues facing both agencies, and is consistent with the Joint State-USAID Strategic Plan.

The Agency strategic planning document can be found online at the following link:

FY 2004-2009 State-USAID Strategic Plan: <http://www.state.gov/m/rm/rls/dosstrat/2004/>

OUR CURRENT SYSTEM AND OUR PLANS FOR THE FUTURE

USAID must set targets and measure results at various levels, including Agency, bureau, and country/mission, and in varying country contexts ranging from failed states to those that are near graduation. The Joint State-USAID Strategic Plan presents the overarching construct for managing and measuring all Agency performance. However, the foundation and critical input for any USAID performance system is the country mission and operating level, and the Agency has not always been totally successful in realistically setting targets and then gathering operating level results in a form compatible with Agency reporting needs.

To correct this, USAID introduced a set of far-reaching strategic management reforms intended to more closely link foreign aid programs with the goals and objectives of the Joint State-USAID Strategic Plan, to improve the effectiveness of the assistance that USAID manages, to be more precise and realistic in establishing foreign aid rationale and expected outcomes in particular situations, and overall to improve the measurement and reporting of results at all organizational levels. The reforms:

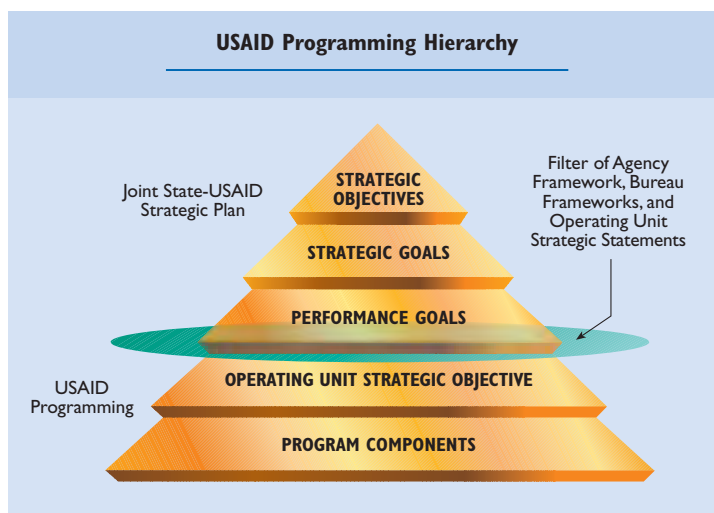
- Introduced two new planning instruments: First, an Agency Policy Framework which will aggregate the major policies and strategies affecting Agency operations, including the Joint State-USAID Strategic Plan, the five new Operational Goals,

and the host of targeted sector and issues-driven guidance. Second, Bureau Strategic Frameworks, which building on the Agency Policy Framework, established bureau program priorities and major objectives and targets for the bureau and the countries. Both levels will provide an improved and transparent structure for planning and reporting on performance at the country mission, bureau, and the Agency levels.

- Further tackled the perennial problem of gathering performance information at the operating level, aggregating it, and reporting for Agency. This has been particularly challenging given the reality of a very diverse program mix in countries of widely varying need, capability, commitment, and foreign policy priority. USAID introduced 40 standard Agency Program Components with common indicators that link its field programs directly to Agency performance goals and objectives in the Joint State-USAID Strategic Plan. The components represent virtually everything USAID does, from “Increased Agricultural Productivity” to “Reducing the Impact of HIV/AIDS” to “Addressing Conflict Transitional Issues.” These components can be visualized as a “bridge” between Mission or operating level performance and Agency performance.

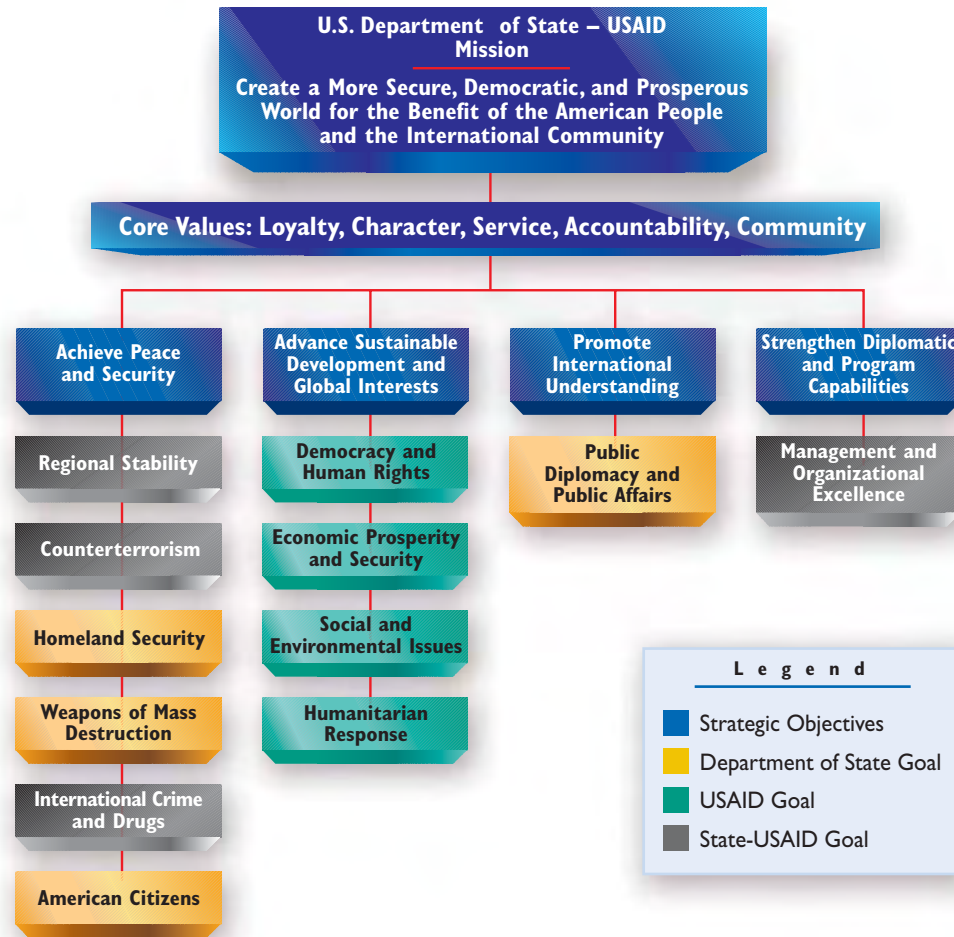
HOW WE ASSESS PERFORMANCE

FIVE-TIERED METHODOLOGY



The Agency is committed to utilizing the funds it receives from taxpayers through Congress to produce successful results. To do this, USAID employs the programming structure depicted in the pyramid to the left. Each layer represents a more detailed breakout of the programs USAID implements. USAID employs performance indicators in several layers. At levels covered by the Joint State-USAID Strategic Plan, outcome level indicators are used to measure progress towards joint goals. At the USAID operating unit level, individual indicators tailored to the mission specific development context are used to monitor progress. At the program component level, common indicators across operating units are used to measure Agency performance.

JOINT STATE-USAID STRATEGIC PLAN



As a result of the Joint State-USAID Strategic Plan, USAID now focuses its work around eight strategic goals that capture the breadth of its bureau, mission, and specific responsibilities. The adoption of these new strategic goals has helped to streamline the Agency's reporting structure and is being integrated into strategic management reforms discussed previously. The eight strategic goals are centered on three core strategic objectives from the Joint State-USAID Strategic Plan:

- Achieve Peace and Security
- Advance Sustainable Development and Global Interests
- Strengthen Diplomatic and Program Capabilities

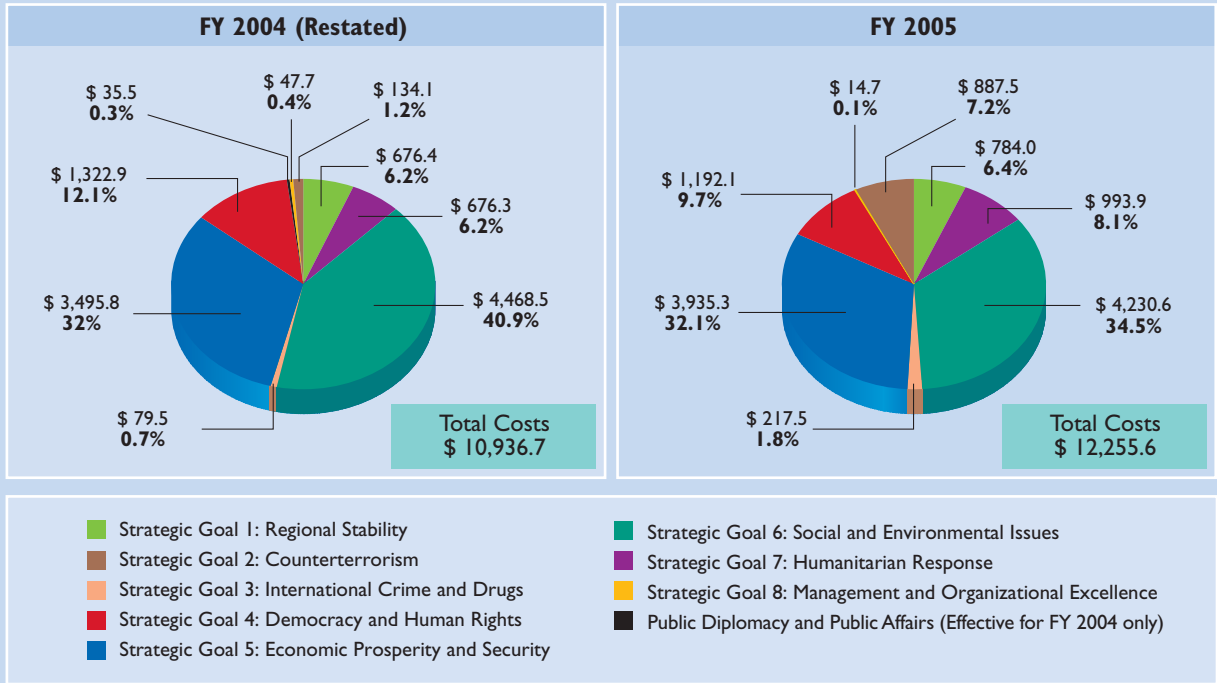
STRATEGIC PLANNING FRAMEWORK

Of the four strategic objectives and 12 strategic goals contained in the Joint State-USAID Strategic Plan, USAID reports against the following three strategic objectives and eight strategic goals. USAID does not have programs in the remaining four strategic goal areas, or does not have meaningful indicators or targets which require reporting of performance results in the Performance and Accountability Report (PAR) (for example in the area of Public Affairs).

AGENCY STRATEGIC OBJECTIVES AND STRATEGIC GOALS

STRATEGIC OBJECTIVE #1 - Achieve Peace and Security -	
Strategic Goal Title	Strategic Goal Description
Regional Stability	Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States.
Counterterrorism	Prevent attacks against the United States, its allies and its friends, and strengthen alliances and international arrangements to defeat global terrorism.
International Crime and Drugs	Minimize the impact of international crime and illegal drugs on the United States and its citizens.
STRATEGIC OBJECTIVE #2 - Advance Sustainable Development and Global Interests -	
Strategic Goal Title	Strategic Goal Description
Democracy and Human Rights	Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom.
Economic Prosperity and Security	Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation.
Social and Environmental Issues	Improve health, education, environment, and other conditions for the global population.
Humanitarian Response	Minimize the human costs of displacement, conflicts, and natural disasters.
STRATEGIC OBJECTIVE #3 - Strengthen Diplomatic and Program Capabilities -	
Strategic Goal Title	Strategic Goal Description
Management and Organizational Excellence	Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.

USAID NET PROGRAM COSTS DEDICATED TO STRATEGIC GOALS (Dollars in Millions)



USAID Administrator Natsios, accompanied by the U.S. Ambassador to Ethiopia, Aurelia Brazeal, donates school kits to students at Medicho Elementary School located in the drought affected area of Ethiopia.

PHOTO: USAID

PERFORMANCE SUMMARY AND HIGHLIGHTS



“Your [USAID] efforts and the efforts of others, especially to create jobs, promote markets, improve health, fight HIV/AIDS, and help democracy take root are instrumental to making the world a better place and to protecting the American people.”

— President George W. Bush

USAID finds itself at a most critical time in the history of international development and foreign assistance. September 11, 2001, served to accelerate the nation's awareness of how development is an essential element of national security, along with diplomacy and defense. In September 2002, President Bush unveiled his National Security Strategy to address the unprecedented challenges that are facing the nation. It outlined the new direction in foreign policy that was required to respond effectively to what occurred the previous September. Among the tools that would be engaged in the new strategy is an emphasis on development. Indeed, development was elevated as a third pillar of U.S. foreign policy, along with defense and diplomacy. This new role requires USAID to acknowledge that its mission is now broader than the traditional humanitarian and development response. The Agency is increasingly challenged to address the crisis of failed states, transnational problems, and geo-strategic issues. USAID addresses many development issues that may threaten national security, such as widespread and persistent world poverty; the growing menace of global terrorism and transnational crime; the integration of global communications and markets; and the surge of HIV/AIDS and other infectious diseases, weak and failed states, and complex emergencies. The programs of USAID in economic growth, democracy, agriculture, health, and education tackle these development challenges. USAID programs present a win-win situation for the United States, providing strong examples of the use of “soft power” while assisting many nations to meet their own development needs and priorities.

Conflict and failed states provide opportunistic environments in which terrorists can operate. Regimes that are closed—politically and economically—foment a sense of hopelessness and multiply the numbers of aggrieved, who become easy recruits to the terrorist cause. USAID's mission is to shore up the democratic

forces of society and to foster the economic reforms that are the most effective antidote to the terrorist threat and appeal. The President, the Department of State, and others understand that this is not going to happen overnight and that USAID's contributions are necessary but not sufficient alone: a fact clearly pointed out in the President's National Strategy for Combating Terrorism. The war on terror will be a long one, as the President reminds us, and it will take both resolve and long-term commitment.

During the Tsunami and the reconstruction efforts in Iraq and Afghanistan, USAID was there and stood as a pillar in the development aid and assistance community. USAID's responsiveness to the devastation, both physical and psychological, caused by the Tsunami, and USAID's dedication to democracy in Iraq and Afghanistan is a testament of USAID's commitment to assist people in reclaiming their hopes and foster stable societies.

The reconstruction efforts in Iraq are critical, and remain a central priority of the Agency. The achievements are significant, especially in light of the security situation and the desperate and ongoing efforts of some to disrupt the progress. To check the forces of terror and bring peace and stability to this dangerous region of the world, USAID is committed to the President's goal of seeing democratic governments come to Afghanistan and Iraq. It is a historic commitment that is rivaled only by the Marshall Plan, to which the Agency traces its origins.

USAID's rising profile in U.S. foreign policy initiatives can be measured in budgetary terms. The commitment to the Agency has been substantial and growing as it administers funds from a number of Foreign Affairs accounts. In FY 2005, for example, the Agency administered nearly \$11.32 billion portfolio (including supplemental funds for Iraq), which is up from \$7.93 billion in FY 2001. The Agency is proud of this vote of confidence and anxious to make good on its daunting responsibilities.

TOP ACHIEVEMENTS FOR FY 2005

IRAQ TOP TEN ACHIEVEMENTS

1. **For the first democratic elections in more than 50 years**, USAID trained election monitors, provided logistical assistance to the Independent Election Commission of Iraq, and trained political parties.
2. **Assisted Iraq in meeting requirements for more than \$27 billion in debt forgiveness** and \$480 million in new credit from the International Monetary Fund (IMF).
3. **Assistance to the constitutional drafting process:** USAID assisted the Constitutional Drafting Committee regarding systems of representation, constitutional referenda, and electoral law. USAID is also conducting public awareness and participation campaigns to encourage civic engagement in the constitutional process.
4. **Provided between 30,000 and 50,000 short-term jobs weekly and created tens of thousands of long-term jobs:** The Community Action Program and Office of Transition Initiatives have employed between 30,000 and 50,000 Iraqis in reconstruction efforts every month and these programs, along with USAID's Economic Growth initiatives, have created tens of thousands of new long-term jobs.
5. **Started the process for Iraq's accession into the World Trade Organization (WTO):** Assisted the government of Iraq in submitting its formal request to enter into the WTO and provided policy support for Iraq to meet WTO requirements. Trade liberalization fosters economic growth while WTO ascension will open up new markets for Iraq.
6. **Investing in Iraqi schools:** Since starting work in Iraq, USAID has provided 8.7 million math and science text books, rehabilitated 2,529 schools, and trained more than 36,000 teachers. These programs are ongoing. UNESCO subsequently provided more than 20 million text books.
7. **Rebuilding Iraq's electrical sector:** As of September 1, 2005, USAID added 855 megawatts of new capacity to the electrical grid. By the end of 2005, the total capacity contributed to the grid through USAID projects is expected to be more than 1,600 megawatts.
8. **Supporting women's engagement in political and economic life of Iraq:** USAID is working with female politicians in the Iraqi National Assembly, female journalists, NGOs, and community organizations that advocate for women's interests, and providing them with training in constitutional drafting skills, advocacy efforts, and developing legislative platforms. Also, nearly 60 percent of the small business development grants administered by USAID have been awarded to women.
9. **Community development:** USAID facilitated the creation of more than 670 Community Action Groups in 17 governorates. More than 1,966 projects worth \$92 million have been completed or are in development. The Iraqi communities have committed approximately \$23 million in resources for projects in their communities.
10. **Developing the private sector:** USAID brought more than 28,000 businesses into the formal sector. Trained lending officers in microfinance best practice.



Iraqi workers carry out renovation of the Al-Doura power plant in Baghdad, Iraq. USAID is funding the repair of Iraq's nationwide electrical system.

PHOTO: THOMAS HARTWELL

TSUNAMI TOP TEN ACHIEVEMENTS:

1. **Within hours of the tsunami**, U.S. and other aid groups began sending food, water, plastic sheeting, and medicine.
2. **Aid agencies and militaries** worked together to deliver aid and evacuate the injured.
3. **Fast aid prevents epidemics** by monitoring, preventing, and treating communicable diseases.
4. **One million people sheltered** in schools, mosques, and temples. Built temporary shelters for tens of thousands of people.
5. **Stricken nations coordinated** foreign aid, local medical teams, Red Cross societies, NGOs, and military forces.
6. **Cash-for-Work programs** cleaned up wreckage, employed tens of thousands of displaced people, and jumpstarted recovery.
7. **Clean water produced** on U.S. military ships, delivered by helicopters; purification kits given to thousands.
8. **Trained trauma counselors.** Psychiatrists trained teachers, community leaders, and clerics to help counsel thousands of grieving children.
9. **Registered, protected children.** U.S. aid assured safety of orphans, reopened schools.
10. **Planning major reconstruction** has begun. Some \$6 billion pledged for roads, ports, electricity, schools, and housing.



Three tsunami affected siblings happily peek through a discarded window frame outside their new transitional home in Sri Lanka.

PHOTO: USAID/GEMUNU AMARASINGHE

AFGHANISTAN TOP TEN ACHIEVEMENTS

1. **Two peaceful, democratic elections held.** In October 2004, 7.3 million Afghans (40 percent female) voted in Presidential elections and more recently, 6.8 million voters (43 percent female) elected Parliament and Provincial Councils.
2. **Roads link the country.** The highway from Kandahar to Herat nears completion, and construction is underway or complete on more than 1,200 km of secondary roads.
3. **Critical infrastructure developed.** 17 women's centers have been developed, 29 courts have been rehabilitated or constructed, and three industrial parks are under construction.
4. **Agricultural output rises.** Cereal output increased 24 percent and livestock and poultry production increased by \$200 million.
5. **Responding to the poppy problem.** The three provinces where the largest alternative livelihood programs were implemented had significant declines in poppy cultivation from 2004 to 2005: Nangarhar – a 96 percent decrease, Badakshan – a 53 percent decrease, Helmand – a 10 percent decrease.
6. **Combatants choose peace.** More than 60,000 former combatants have given up their weapons and are reintegrating into the civilian labor force.
7. **Domestic revenue increases.** \$260 million in Total Domestic Revenue was collected in this past Afghan fiscal year; an increase of 20 percent from the previous year.
8. **Media outlets grow.** Created 32 community-based, independent FM radio stations across the country.
9. **Access to healthcare expanded.** 7.1 million Afghans in 14 provinces now have better access to quality health services, approximately 70 percent of patients served are women and children.
10. **Older students catch up.** 170,000 students (58 percent girls) in 17 provinces make up for lost years of schooling through an accelerated learning program.

OUR PERFORMANCE RATING SYSTEM

To assess performance results against established targets, the Agency applies a results rating methodology, which has been applied consistently to its results for FY 2004 and FY 2005. Program managers use this methodology to assign one of three performance ratings for a given result. Based on a combination of the established parameters shown below, managers assign a performance rating that reflects the extent to which a given target was achieved.

Performance Rating	Below Target	On Target	Exceeds Target
Criteria	Parameters		
Target Status	Missed FY 2005 target by a significant margin	Met FY 2005 target	Significantly exceeded FY 2005 target
Budget Status	Spent significantly over budget	Spent on budget	Spent significantly under budget
Timeliness	Missed most critical deadlines	Met all critical deadlines	Met most critical deadlines early
Impact on Future Operations	Significantly impairs program's ability to achieve future years' performance targets, requiring major downward revisions to future targets	No change in program's ability to achieve future years' performance targets	Significantly improves program's ability to achieve future years' performance targets, requiring major upward increases to future targets

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

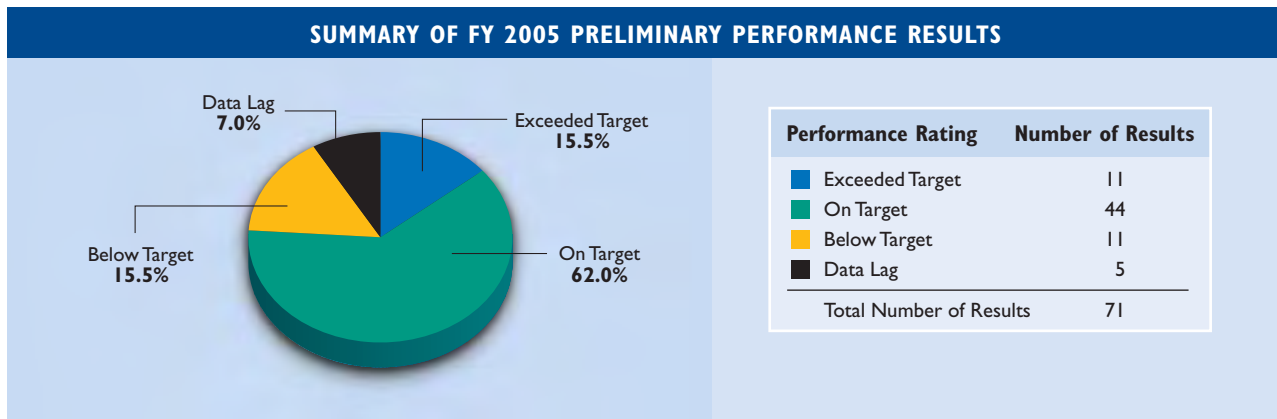
- **Target Weights:** Beginning in FY 2005 USAID placed weights on targets for each annual goal to provide USAID with analytical information regarding the proportionality of targets to the overall goal achievement
- **No Data Available:** The Agency could not report on a large percentage of its FY 2005 performance results. In the majority of cases this was due to lagging, calendar year (CY)-based data, collected through USAID's Annual Report Database (ARD)

process (which is not available until after mid-December each calendar year), and is therefore reported as a data lag. In cases where data estimation techniques could be applied to certain indicators and targets, those performance results are included, but are identified as preliminary. The Agency plans to publish as Addendum to the FY 2005, in April 2006, which will provide final, validated performance results information that will be generated on the basis of the ARD, the Agency's traditional data collection and analysis tool that generates performance data in the December timeframe each year. Each strategic goal chapter in the Performance Results section includes a table that identifies the number of Preliminary Results and data lags associated with that particular strategic goal.

SUMMARY OF FY 2005 PERFORMANCE RESULTS

The following chart provides preliminary USAID performance results for FY 2005, arrayed by strategic and performance goal from the Joint State-USAID Strategic Plan. These results are preliminary because at this stage they were collected from USAID's operating bureaus and field missions prior to completion of the standard Annual Report (AR) data collection and validation process. In the traditional USAID data collection/validation process for performance results, which is contained in the Agency's ARD, annual performance results are typically not available until the mid to late-December timeframe. This makes it necessary to estimate performance results data; however, data estimation is an accepted practice when reporting

data to the Office of Management and Budget (OMB) in the PAR. The estimated data must be verifiable, complete, reliable, comparable, and consistent, and the methodology used to estimate the data must be well documented. Acceptable methods for data estimation include: (1) expert opinion, (2) historical trends, (3) extrapolation, and (4) sampling and statistics. The preliminary performance results specified below are the result of expert opinion and an analysis of historical trends, based on many years of experience monitoring the results of the particular indicator and target in question. For more information on acceptable USAID data estimation methods, please refer to Appendix C at the end of this report.



The Summary of Performance Results table starting on the following page is a summarization of the indicators and performance information that will be presented in the Performance Section of this report. This table groups indicators by their strategic goal, then by performance goal, and then by program goal. Furthermore, the table presents the rating of the indicator and states whether the indicator met its target, exceeded its target, or if the target was not met. For greater details about performance please refer to the Performance Section of this report.

SUMMARY OF PERFORMANCE RESULTS

Strategic Goal	Performance Goal	Program Goal	Indicators	Target Rating
#1 Regional Stability	Existing and Emergent Regional Conflicts are Contained or Resolved	Conflict Management and Mitigation	Progress Made in Advancement of a Peace Process (Worldwide)	On Target
			Number of Local Organizations Promoting Peace for 6 + Months	Data Lag
			Number of Functioning Civil Society-Civil Authority Local Governance Partnerships in Stable Areas	Data Lag
#2 Counterterrorism	Improve Political and Economic Conditions to Reduce Terrorism	Diminish Potential Underlying Conditions of Terrorism in Iraq	Level of Economic Aid to Iraq	On Target
			Support Education Reform and Development in Iraq	On Target
			Provide Assistance to Transform Iraq to a Free Market-based Economy	On Target
			Support Iraqis in Their Efforts to Define and Develop Democratic Local Governance Policies and Systems	On Target
			Create Jobs and Provide Essential Services in Iraq	On Target
			Promote Citizenry Confidence in Government's Ability to Effectively and Efficiently Function	On Target
			Increase Delivery of Essential Services in Iraq	Below Target
		Diminish Potential Underlying Conditions of Terrorism in Afghanistan	Rehabilitation Status of Afghan Educational Infrastructure	On Target
	Stable Political and Economic Conditions that Prevent Terrorism from Flourishing in Fragile or Failing States	Diminish Conditions That Allow Terrorist Recruitment in Fragile or Failing States	Number of Students Graduating from Vocational Training Programs with High Youth Unemployment/Underemployment	On Target
			Number of Students Enrolled in Basic Education Programs (by Madrassa, Other) Receiving a Secular Curriculum Supported Through USAID	Exceeded Target
Number of Jobs Created Through USAID-funded Work Projects			On Target	
Number of Community-identified Activities Completed Through Community Participation (e.g., Rehabilitate Roads, Build Markets, Build Playgrounds, etc.)			Exceeded Target	
Number of Communities Assisted Through USAID			On Target	
#3 International Crime and Drugs	International Trafficking in Drugs, Persons, and Other Illicit Goods Disrupted and Criminal Organizations Dismantled	Global Poppy Cultivation	Number of Hectares in Licit Production Formerly in Illicit Poppy Production (Alt: Alternative Development Supported)	Below Target
		Improve Anti-Trafficking Prosecutorial and Protection Capacities	Number of People Reached Through USAID-supported Anti-trafficking in Persons Programs	On Target
#4 Democracy and Human Rights	Measures Adopted to Develop Transparent and Accountable Democratic Institutions, Laws, and Political Processes and Practices	Engagement to Advance Democracy	Strengthened Local Governance	On Target
			Civil Society Functioning	Data Lag
			Citizens Access to Justice Sector Expanded for All	Exceeded Target
			Corruption Mitigated in Priority USAID Countries	Below Target
			Constituencies Political Parties Represent	On Target
			Status of Independent/Alternative Media	On Target

(continued)

SUMMARY OF PERFORMANCE RESULTS *Continued*

Strategic Goal	Performance Goal	Program Goal	Indicators	Target Rating
#5 Economic Prosperity and Security	Institutions, Laws, and Policies Foster Private Sector Growth, Macroeconomic Stability, and Poverty Reduction	Science-Based Decision-Making and Standards Development	Effectiveness of Contacts Between Science & Technology (S&T) Communities and Policymakers	On Target
		Private Sector Capacity	Enterprise Level Competitiveness	On Target
	Increased Trade and Investment Achieved through Market-Opening International Agreements and Further Integration of Developing Countries into the Trading System	Create Open and Dynamic World, Regional and National Markets	Level of Trade Capacity of USAID-Assisted Countries	On Target
			Number of USAID-Assisted Countries in Some Stage of World Trade Organization (WTO) Accession and Compliance	On Target
	Secure and Stable Financial and Energy Markets	Secure Energy Supplies	Level of Energy Efficiency	Exceeded Target
	Enhanced Food Security and Agricultural Development	Agriculture-led Income Opportunities Expanded	Level of Agricultural Sector Growth	Exceeded Target
		Food Security	Number of People Receiving Title II Food Assistance	On Target
#6 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	Infectious Diseases	Tuberculosis Treatment Success Rate (%) (37 Countries)	On Target
			Case Detection Rate for Tuberculosis	On Target
			Percentage of Households in Malaria Endemic Areas with at Least One Insecticide-Treated Net (ITN)	Below Target
			Number of People Receiving HIV/AIDS Treatment in the 15 Emergency Plan Focus Countries	Below Target
			Estimated Number of HIV Infections Prevented in the 15 Emergency Plan Focus Countries	Data Lag
			Number of People Receiving HIV/AIDS Care in the 15 Focus Countries	On Target
			Number of Clients Provided Services at STI Clinics	Exceeded Target
			Number of Orphans and Other Vulnerable Children Receiving Care/support Services Through USAID-Assisted Programs	On Target
			Number of HIV-infected Pregnant Women Receiving a Complete Course of Anti-Retroviral (ARV) Prophylaxis to Reduce the Risk of Mother-to-Child Transmission (MTCT) in USAID-Assisted Sites	On Target
			Maternal and Reproductive Health	Total Fertility Rate (TFR)
		Percent of Live Births Attended by Skilled Birth Attendants		On Target
		Modern Contraceptive Prevalence Rate (Global)		Below Target
		Percent of Births Spaced More Than Three Years Apart		Exceeded Target
		Percent of First Births to Mothers Under 18		Below Target
		Percent Need Satisfied with Modern Contraceptive Methods		Below Target
		Percent of Births Parity 5 or Higher		On Target
		Child Health	Under-Five Mortality Rate	On Target
			Neonatal Mortality Rate	Exceeded Target
			Underweight for Age Among Children Under Five	On Target
			Percentage of Children with DPT3 Coverage	On Target
Percent of Children Aged 0-4 with Diarrhea Who Received Oral Rehydration Therapy (ORT)	Below Target			

(continued)

SUMMARY OF PERFORMANCE RESULTS *Continued*

Strategic Goal	Performance Goal	Program Goal	Indicators	Target Rating
#6 Social and Environmental Issues <i>Continued</i>	Partnerships, Initiatives, and Implemented International Treaties and Agreements that Protect the Environment and Promote Efficient Energy Use and Resource Management	Institutionalizing Sustainable Development	Number of People in Target Areas With Access to Adequate Safe Water Supply and/or Sanitation That Meets Sustainability Standards	Below Target
			Number of People with Adequate Access to Modern Energy Services	Exceeded Target
		Coastal and Marine Resources	Hectares of Coastal and Marine Ecosystems Under Management	On Target
			Number of Coastal and Marine Policies, Laws, or Regulations Developed, Adopted, and Implemented	On Target
		Conservation of Biological Diversity, Protected Areas, Forests, and Other Natural Resources	Biodiversity Conservation and Natural Resource Management	Below Target
		Global Climate Change	Status of Bilateral Regional and Global Climate Change Partnerships and Initiatives	On Target
	Broader Access to Quality Education with Emphasis on Primary School Completion	Improved Access to Quality Education	Number of Learners Completing Basic Education in Programs Sponsored by USAID	On Target
			Capabilities in Higher Education and Workforce Development Programs Sponsored by USAID	On Target
#7 Humanitarian Response	Effective Protection, Assistance, and Durable Solutions for Refugees, Internally Displaced Persons, Conflict Victims, and Victims of Natural Disasters	Humanitarian Assistance	Crude Death Rates (CDR)	On Target
			Nutritional Status of Children Under Five Years of Age	On Target
			Number of Beneficiaries Assisted by USAID (in millions)	On Target
	Improve Disaster Prevention and Response Through Capacity Building in Crisis-Prone Countries	Partner Accountability	Number of People and Number/Percent of Partner Institutions That Received Training and Technical Support	On Target
			Number/Percent of Crisis-Prone Countries That Have Systems to Warn about Shocks and Their Effects on Food Availability/Access by Vulnerable People	On Target
			Number of Institutions Reconstructed and Rehabilitated (Homes, Water/Sanitation Facilities, Schools, Markets, etc.)	On Target
#8 Management and Organizational Excellence	Modernized, Secure, and High Quality Information Technology (IT) Management and Infrastructure that Meet Critical Business Requirements	Secure Global Network and Infrastructure	Percentage of IT Systems Certified and Accredited	On Target
			Number of Information Security Vulnerabilities Per IT Hardware Item	On Target
	Secure, Safe, and Functional Facilities Serving Domestic and Overseas Staff	Compound Security Program	Percent of Missions Not Co-Located With the Department of State Receiving Targeted Physical Security Enhancements Within a Given Year	Exceeded Target
	Integrated Budgeting, Planning, and Performance Management; Effective Financial Management; and Demonstrated Financial Accountability	Improved Financial Performance	Total Number of Federal Managers' Financial Integrity Act (FMFIA) and Auditor Identified Material Weaknesses Identified	Exceeded Target
	Customer-Oriented, Innovative Delivery of Administrative and Information Services, and Assistance	Customer-Oriented Management Services	Average "Margin of Victory" on Customer Service Survey for Management Offices (PART) – Two Year Average of Per Capita Central Management Costs	Data Lag

ILLUSTRATIVE EXAMPLES

STRATEGIC GOAL #1: REGIONAL STABILITY



Demobilized ex-combatants in Butembo.

PHOTO: LESLIE ROSE, USAID/REDSO/ESA

DEMOCRATIC REPUBLIC OF CONGO

In the Democratic Republic of the Congo (DRC), USAID is implementing several programs in areas heavily affected by conflict. The programs strengthen local communities' access to justice, reconciliation efforts, and the reintegration of ex-combatants. In eastern DRC, USAID supports a community-based reintegration program for Ituri forces and other groups that have recently disarmed. Partners trained 1,000 ex-combatants and 1,200 local community members in conflict resolution, project management, and income management, and created conflict resolution committees and project management committees in 30 local communities. This community-based approach resulted in 90 community rehabilitation projects (55 local infrastructures, such as routes, bridges, schools, markets, health centers, and

electrification systems; and 35 fishponds) reaching 60,000 indirect beneficiaries. USAID continues to identify ways to engage the private sector in advancing peace, security, and sustainable development. USAID envisions leveraging resources through private-public partnerships to foster economic and democratic growth objectives. In addition, at the national level USAID has assisted the DRC National Demobilization, Disarmament, and Reintegration (DDR) process by (1) providing technical assistance to the National Commission for DDR, including the provision of a full-time international expert who has been instrumental in finalizing the plan and now helping to implement it; and (2) providing logistical and material assistance such as reintegration kits to facilitate the national DDR process launched in March 2005.

STRATEGIC GOAL #2: COUNTERTERRORISM

PHILIPPINE INTERNS STUDY THE LEGISLATIVE PROCESS

Most of the Philippines' Muslim minority population live on the island of Mindanao. This region has been economically and politically disadvantaged for decades as a result of violent conflict between Muslim separatist groups and the Philippine government. Disenfranchised due to the island's politics and economy, many Muslims believe the Philippine government ignores Muslim concerns and interests. The region's continuing depressed conditions are conducive to recruitment efforts of terrorist groups.

The Philippine government and USAID are placing special focus on the conflict areas of Mindanao in an attempt to accelerate economic growth and promote peace. USAID, in partnership with the Speaker of the Philippines House of Representatives, recently launched a congressional internship program bringing recent graduates from universities in the conflict-affected areas of Mindanao to Manila for the opportunity to acquire hands-on experience in the legislative process.

The participants, mostly from remote provinces, are identified as future leaders by university chancellors, thesis advisors, and political and civic leaders. Many of those eligible for the program have completed graduate degrees in mass communications and public administration, and have volunteer experience with local governments and non-governmental organizations (NGO). During the four-month internship, each is assigned to a specific House committee, subcommittee, or office, and is introduced to a broad range of national issues.



Administrator Natsios and USAID official Martin check the Web sites being browsed by students. PHOTO: USAID/ANE

The interns are excited about their unique opportunity to learn how government works from the inside, and to share their view with Philippine policymakers. Program graduates believe that their improved understanding of government will allow them to contribute more effectively to the development of their home provinces. While expanding their knowledge of how decisions are made in the Congress, they have shared Muslim concerns with key lawmakers and thereby increased understanding of Muslim culture. The initial success of the program has prompted USAID and the Philippines House of Representatives to extend it. Current plans are to offer internships to at least 30 young Muslim scholars each year.

STRATEGIC GOAL #3: INTERNATIONAL CRIME AND DRUGS

LAC (LATIN AMERICA AND THE CARIBBEAN): LICIT INCOME ALTERNATIVES

Despite bold efforts by Colombia, Bolivia, and Peru to combat narcotrafficking, the lack of state presence in some areas has allowed illegal narcotics production and armed terrorist organizations to continue to flourish. The spillover of drug related criminal activity brings the threat of violence and instability to communities along Ecuador's northern border with Colombia. USAID is working with the governments of Bolivia, Colombia, and Peru to eradicate coca and opium poppy by providing licit income alternatives and strengthening communities. As a result USAID has been able to: develop sustainable farm-level production and market linkages to increase licit employment opportunities and incomes in coca growing regions; expand the presence of the state by improving participation in and access to local government institutions; and improve general social conditions, such as health and education; and finance productive infrastructure and investments, such as roads and bridges, identified by participating communities.



USAID supports alternative livelihood programs and licit income generation in Peru.

PHOTO: ADELE LISKOV, USAID/PERU

STRATEGIC GOAL #4: DEMOCRACY AND HUMAN RIGHTS



A woman votes for the first time in Kirkuk, Iraq.

PHOTO: USAID/SCOTT JEFFCOAT

IRAQ: DEMOCRATIZATION

USAID played a key role in delivering support to the Iraqi people in their efforts to make Iraq's historic elections on January 30, 2005 a resounding success. At the request of the Independent Election Commission of Iraq (IECI), USAID and its partners fielded domestic election observers, delivered voter education, and implemented conflict mitigation programs. In time for the elections, USAID trained 12,000 of the domestic elections monitors and nearly half of the 30,000 political party monitors, a major step in helping to ensure free and fair elections.

To build the foundations of democracy, USAID has also trained 10,000 council members in democratic principles and procedures, budgeting,

and citizen input. USAID has also worked with more than 5,000 officials at the provincial levels in water treatment, waste management, and financial management systems.

Thousands of Iraqi women participated in the January 2005 electoral process by receiving training and serving as election monitors. They also ran as candidates and won 87 seats in the Iraqi National Assembly (INA) constituting 31 percent of all Assembly members. The new cabinet includes six women ministers (out of a total of 33 individuals) in the following Ministries:

Communications, Displacement and Migration, Environment, Science and Technology, Public Works, and Women's Affairs. Women occupy approximately 25 percent of the seats of the elected Provincial Councils as well. An INA Women's Caucus that cuts across party lines has been established and has identified areas of common interest with regard to incorporating women's rights in the Constitution. Iraqi women serve as entrepreneurs, employees, business leaders, and professionals and have access to business development technical assistance, grants, and loans through outreach programs targeting women.

STRATEGIC GOAL #5: ECONOMIC PROSPERITY AND SECURITY



A nursery worker cross-pollinates flowers for export.

PHOTO: USAID/UGANDA

ETHIOPIA: LOAN GUARANTEE PROJECT STIMULATES BUSINESS GROWTH

Addis Ababa, Ethiopia—Until two years ago, groups of coffee and grain farmers in this populous country could not access credit, which meant that they often lacked working capital and could rarely invest in new machinery or other improvements. That has changed since a Development Credit Authority (DCA) project began working with Abyssinia Bank and Awash International Bank. From September 2004 to March 2005, Abyssinia Bank lent more than \$2.2 million to 12 cooperative unions. During the same period, Awash lent \$520,000 to one cooperative union and an agroprocessor.

USAID is currently developing a DCA program with a third bank to give loans to small and medium-sized businesses working in areas other than the four agricultural subsectors (textiles and garments, leather and leather products, tourism, and rural service providers). USAID works with agroprocessors and cooperatives in business management, and helps them draw up business plans that show the viability of their enterprises. At the same time, the Agency works with banks so that they consider the viability of a business rather than basing lending decisions on the amount of collateral. Giving loans to cooperatives ensures that at harvest time they can purchase lots of grain from individual farmers. Cooperatives can sell some of the product right away and store the rest for later, when they can fetch higher prices for the grain. Members of some 332 cooperatives—or about 390,335 households—benefited from the DCA program last year.

STRATEGIC GOAL #6: SOCIAL AND ENVIRONMENTAL ISSUES

LATIN AMERICAN AND THE CARIBBEAN (LAC): EDUCATION

The Centers of Excellence for Teacher Training (CETT) program is making excellent progress toward the goal of improving the quality of classroom reading instruction in grades one to three. CETT has successfully introduced a more child-centered, interactive approach to the teaching of literacy in LAC. To date, 12,500 teachers have received CETT training, surpassing targets. The three Centers of Excellence expanded their activities this past year and are now reaching teachers in 15 countries. Additionally, through an important alliance with Scholastic Books, CETT has made libraries of children's books available in classrooms, many of which had minimal reading materials in the past. The availability of books has given children an opportunity to apply their reading skills, and more important, has made reading more fun. The Scholastic book distribution began in the Caribbean during FY 2004. They are currently being distributed in Central America and the Dominican Republic, and distribution will begin shortly in the Andes.



Children enjoy splashing each other in a USAID school water project. PHOTO: USAID/ECUADOR

STRATEGIC GOAL #7: HUMANITARIAN RESPONSE



USAID delivers tsunami relief goods in Indonesia.
PHOTO: USAID/INDONESIA

TSUNAMI RELIEF REGIONAL

In an effort to mitigate the effects of further disasters, USAID is coordinating the U.S. government's Indian Ocean Tsunami Warning System (IOTWS) program. This \$25.5 million, multi-agency effort to develop early warning capabilities for tsunamis and other hazards will monitor changes in the ocean floor and also connect local communities to a warning system. USAID is working together with U.S. technical agencies such as the National Oceanic and Atmospheric Association, the U.S. Geological Survey, the U.S. Forest Service, and the U.S. Trade and Development Agency to bring targeted expertise to both national and regional efforts. U.S. government funding will also support the International Oceanographic Commission as it takes the lead role in developing an international warning system with data sharing for more than 26 countries.

The USAID Global Development Alliance (GDA) works to enhance development impact by mobilizing the ideas, efforts, and resources of the public sector with those of the private sector and NGOs. USAID, through the GDA, has formed 18 partnerships with the private sector in tsunami-affected countries and leveraged more than \$17.2 million in private sector funds for the Tsunami. USAID current and prospective partners in post-tsunami reconstruction include Mars, Chevron, Microsoft, Coca-Cola, Prudential, Deutsche Bank, IBM, Hilton, 3M, Conoco-Phillips, and the Mellon Foundation.

STRATEGIC GOAL #8: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

TARGETED SECURITY ENHANCEMENTS

One of the Office of Security's (SEC) highest priorities was to improve perimeter security at USAID's most threatened posts to protect its employees and facilities against bomb-laden vehicles. To mitigate this threat, SEC employed a variety of countermeasures, including construction of perimeter walls and the installation of state-of-the-art, anti-ram barriers. Other perimeter enhancements included increasing setback distances for USAID facilities by placing active and passive anti-ram barriers on adjacent streets or acquiring additional property. SEC also improved perimeter surveillance by modernizing and expanding closed-circuit television (CCTV) systems and installing explosive trace detection devices. A total of 33 projects were completed in FY 2005.



Perimeter gate with anti-ram bollards and vehicle barrier.
PHOTO: USAID OFFICE OF SECURITY (SEC)

MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

PERFORMANCE CHALLENGES

During FY 2005 USAID faced many challenges. These challenges varied and included such things as U.S. government restrictions as to who can receive aid and limited Mission resources. Some of these challenges can be rectified through sound management practices and oversight. Some challenges, however, are out of USAID control, such as fluctuations in exchange rates which reduce USAID's purchasing power or changes in the country tax legislation that affect USAID funded programs. Highlights of some of the challenges that USAID faces are shown below and arrayed by USAID's strategic goals:

CONTINUING CHALLENGES
REGIONAL STABILITY
<ul style="list-style-type: none"> ◆ Strengthening the management skills and capacity of local administrations, local interim representative bodies, and civic institutions to improve the delivery of essential municipal services, such as water, health, public sanitation, and economic development in Iraq. ◆ Factionalism, ongoing violence, and lingering pockets of terrorism continue to threaten the viability and stability of Afghanistan's central government and make it difficult to cement democratic institutions. ◆ In many countries where USAID works, violence and instability continue to hamper USAID's efforts to catalyze democratic transformations and remove sources of conflict.
COUNTERTERRORISM
<ul style="list-style-type: none"> ◆ The two goals of countering terrorism and expanding Muslim outreach to support moderates create a real dilemma for the U.S. government. Security requirements restrict exchanges and limit the non-governmental organizations (NGO) with whom USAID can work, in effect, limiting its outreach. Survey data show that negative views of the United States pervasive throughout the Muslim world are due to U.S. policies as well as perceived maltreatment of Muslims in the United States. ◆ The ability of USAID and USAID front-line staff to effectively develop, oversee, and monitor projects is severely hampered by the security situation in the crisis areas where it operates. ◆ Regional pockets continue to harbor terrorists and radicals who pose a significant risk to those countries, as well as to the United States.
INTERNATIONAL CRIME AND DRUGS
<ul style="list-style-type: none"> ◆ Despite bold efforts by Colombia, Bolivia, and Peru to combat narcotrafficking, the lack of state presence in some areas has allowed illegal narcotics production and armed terrorist organizations to continue to flourish. ◆ Drug related spillover criminal activity brings threats of violence and instability to communities along Ecuador's northern border with Colombia. ◆ Afghanistan is the source of three-quarters of the world's opium. Persistent poverty, high opium prices, and loans from traffickers were all reasons for high opium production in 2005. Farmers are aware of the government ban on opium production, but the short-term benefits of the activity outweigh the potential risks from law enforcement measures.
DEMOCRACY AND HUMAN RIGHTS
<ul style="list-style-type: none"> ◆ Eastern European countries need continued assistance to make their democratic institutions more stable, robust, and mature in preparation for broader political and economic integration with Europe. In both Europe and Eurasia (E&E), continued efforts are needed to promote a culture of democratic values, while working against ethnic and religious extremism, separatism, and intolerance. ◆ Since the fall of Paraguay's dictatorship 15 years ago, challenges to the country's democracy include several coup attempts, the assassination of a vice president, and the resignation of a president. In El Salvador, the declining share of national income for the poor undercuts the significant progress the country has made over the past decade and poses a serious threat to an emerging democracy.

(continued)

CONTINUING CHALLENGES *(continued)*

DEMOCRACY AND HUMAN RIGHTS *(continued)*

- ◆ In Sudan, intermittent conflict and related human rights abuses (especially in the western Sudan region of Darfur) and deep ethnic and religious rifts will make reconciliation and a transition to peace difficult. Uganda's progress toward a vigorous and representative multi-party democracy requires permitting political parties to operate freely and constructively, as well as building institutions and systems which can check and correct abuse of authority and corruption.
- ◆ One major challenge faced by USAID has been how to provide guidance to missions seeking to do anti-corruption activities in assisted countries. Based on state-of-the-art research, USAID has developed a new "Anti-Corruption Strategy." This has led to a very large number of requests for program design (including Millennium Challenge Account (MCA) threshold country programs) and mission- and region-level training. If USAID adequately responds to these requests, it should position itself for a more active, explicit focus on fighting the corruption that has undermined its social and economic development effort.

ECONOMIC PROSPERITY AND SECURITY

- ◆ A large number of Iraqis are still unemployed, and many of those with jobs are underemployed, working part-time or for small income. This is a particularly alarming figure, given that some 70 percent of the Iraqi population is under 25—a large labor pool with need for economic opportunity.
- ◆ High unemployment rates, a ballooning youth population, and graduates without employable skills contribute to growing dissatisfaction and potential instability in many countries.
- ◆ The shifting of food markets from "markets with public faces" of the parastatal 1960s and 1970s, to "faceless markets" of the liberalized 1980s and 1990s, to "markets with private sector faces" of today have forced producers to develop complex relationships with the private sector or face exclusion from the markets.

SOCIAL AND ENVIRONMENTAL ISSUES

- ◆ The adult HIV/AIDS prevalence rate in the Caribbean is surpassed only by Sub-Saharan Africa. Social patterns of early sexual initiation and multiple partners increase the risk. In Asia and the Near East (ANE) eight million people are HIV positive, and each year hundreds of thousands die from HIV/AIDS-related illnesses. This could increase exponentially if the epidemic is allowed to spread from high-risk groups to the general population in countries like India, China, Indonesia, and Thailand.
- ◆ Recent detailed analyses of Demographic and Health Survey (DHS) data indicate that in some countries the use of Oral Rehydration Therapy (ORT) – one of the oldest and most basic child survival interventions – may be starting to decline. This may be the result of countries having integrated diarrheal disease control programs into larger, less focused, and underfunded health systems in poor countries. In response, USAID is working with the World Health Organization (WHO), UNICEF, and other partners to revitalize ORT, using the new improved formulation of oral rehydration solution and newly available zinc treatment as entry points.
- ◆ Spurred by growing global demand for timber and paper; illegal and destructive logging remains one of the key threats to the world's oldest forests in Bolivia. Only a small portion of all forests are under ecologically-sound management as certified by independent international certification bodies. Land degradation also is a serious impediment to maintaining the quantity and quality of water. With 60 percent of the world's population depending upon only one-third of the world's land area, Asia will need to confront and reverse the land degradation trends to meet the needs of its population.
- ◆ Rural and poor populations, often the majority in many countries in Latin America and the Caribbean (LAC), face many obstacles to quality education. Language barriers, long distances to schools, and poorly trained teachers contribute to very high drop-out rates. In some countries, fewer than 60 percent of the children who start school reach the fifth grade. Access to education, low enrollment, and high illiteracy are continuing concerns for the ANE region. Over half the world's illiterate population lives in this region, and 69 percent of the world's illiterate females. Enrollment for girls is a large problem.

HUMANITARIAN RESPONSE

- ◆ Food is often identified as the most immediate and critical need of people living with HIV/AIDS and households affected by HIV/AIDS in the countries where PL480 Title II programs are implemented. In addition, households affected by HIV/AIDS are more vulnerable to food insecurity. Clearly, interventions focusing on food insecurity and nutritional status should take into account the impact of HIV/AIDS, and HIV/AIDS strategies and interventions should consider the nutrition and food security problems facing individuals infected by HIV and communities and families affected by HIV/AIDS. Title II resources however, have not increased in response to this heightened awareness. Although the attempt is made to seize opportunities to link HIV/AIDS and food assisted programs, it is clear that current Title II levels may preclude any increases in resources provided in support of HIV/AIDS programming objectives.

MANAGEMENT CHALLENGES

This section identifies those major management challenges and high risk areas cited by USAID's Office of Inspector General (OIG) and the continuing efforts by USAID to address them.

FINANCIAL MANAGEMENT	
Challenge	Estimating Accrued Expenditures
Findings	USAID's FY 2004 accrued expenditures and accounts payable recorded in the core accounting system contained inaccuracies because of the large number of Cognizant Technical Officers (CTO) responsible for estimating accrued expenditures – an effort for which many had not been adequately trained. Consequently, the OIG proposed, and USAID made, \$254 million of adjustments to more accurately present accrued expenditures and accounts payable reported on USAID's financial statements.
Actions Taken	Accruals training has been updated in both classroom and computer-based venues. In addition, an accruals calculator tool has been developed to assist CTOs in calculating accruals.
Challenge	Managing for Results
Findings	<p>Federal laws, such as the Government Performance and Results Act (GPRA) of 1993, require that agencies develop performance measurement and reporting systems that establish strategic and annual plans, set annual targets, track progress, and measure results. In addition, government-wide initiatives, such as the President's Management Agenda (PMA), require that agencies link their performance results to budget and human capital requirements.</p> <p>A significant element of USAID's performance management system is the Annual Report (AR) prepared by each of its operating units. These reports provide information on the results attained with USAID resources, request additional resources, and explain the use of, and results expected from, these additional resources. Information in these unit-level ARs is consolidated to present a USAID-wide picture of achievements in USAID's Performance and Accountability Report (PAR).</p> <p>OIG continues to monitor USAID's progress in improving its performance management system. While USAID has made notable improvements, more remains to be done. For example, last year OIG reported that certain information included in USAID's FY 2004 PAR did not contain a clear picture of USAID's planned and actual performance for that year. Moreover, the primary performance information included was based on results achieved in FY 2003 rather than FY 2004.</p>
Actions Taken	USAID continues to refine its process for collecting timely and accurate performance information. The most significant improvement is in the area of the performance information collected at the Mission level through the AR application, which will be collected on a semi-annual (as opposed to annual) basis. Twice-yearly reporting will permit operating units to project data for the full current year based on actual data halfway through the current year. These projections, based on first half actual data, will be included in the draft PAR, which is submitted to OIG in October each year. This data, along with the inclusion of the Congressionally-mandated Online Presidential Initiatives Network (OPIN) data provides real-time performance data. Performance information will then be updated when final AR data are available, and will be included in the PAR Addendum published each Spring.

(continued)

FINANCIAL MANAGEMENT (continued)	
Challenge	Acquisition and Assistance Management
Findings	Because of the innate complexities associated with acquisition and assistance—numerous laws, regulations, policies, procedures, definitions, etc.—USAID faces challenges in its acquisition of supplies and services. Compounding this situation is the fact that many of USAID's development results are achieved through intermediaries such as contractors, grantees, and recipients of cooperative agreements. In such an environment, promoting operational efficiency and effectiveness is critical in ensuring that intended results are achieved.
Actions Taken	USAID is collaborating with the Department of State and other federal agencies, the Small Business Administration, and the Office of Management and Budget (OMB) on how best to support small business programs in contracts involving overseas performance. The Agency has also issued a policy directive to reinforce adherence to existing policies on U.S. Personal Service Contracts (PSC) related to contract extensions and renewals.
Challenge	Human Capital Management
Findings	The PMA identifies the strategic management of human capital as one of five government-wide areas that needs improvement. In response to the PMA, and to address its own human capital challenges, USAID has undertaken a major effort to improve and restructure its human capital management. For example, in August 2004, USAID issued its first comprehensive Human Capital Strategic Plan, which covered FY 2004 to FY 2008. As of June 30, 2005, OMB gave USAID a "yellow" rating for its overall status in the area of human capital management, an upgrade from an unsatisfactory rating of "red." USAID needs to continue efforts to implement its workforce planning to close skill gaps through recruitment, retention, training, succession planning, and other strategies.
Actions Taken	The Agency has created a permanent workforce planning process, demonstrated a workforce analysis model, and obtained management approval of the workforce analysis and planning process. This process identifies skill and competency gaps and presents strategies to close gaps. USAID has also completed a diversity study and established an Executive Diversity Council. It continues to close mission-critical gaps, meeting all of its hiring targets for FY 2005. The Agency also continued to adjust headquarters and field organizational structures using redeployment and de-layering. As a result of a number of initiatives, USAID has moved up in the rankings of the best places to work and has experienced a decline in civil service attrition.

SUMMARY AND RAMIFICATIONS OF FY 2004 RESULTS RATED “BELOW TARGET”

In FY 2004, USAID achieved all of its strategic goals for that year. Of these strategic goals, five did contain operating units that did not meet some of their operating unit objectives, but overall strategic goal performance was assessed as meeting intended objectives. To determine whether a strategic goal was achieved overall, the Agency uses a methodology that assesses the overall proportion of targets met and exceeded to targets that were not met. The following text describes specific objectives that were assessed as “Below Target,” as well as an assessment of these failures in the context of overall strategic goal achievement.

STRATEGIC GOAL 1: REGIONAL STABILITY

One operating unit—the Democratic Republic of Congo (DRC)—failed to achieve its targets in the regional stability objective. In the DRC, conflicts related to country control are still present, which contributed to the failure of this country to meet its target. The failure of this operating unit to meet its country specific targets did not, however, impede the Agency from achieving its regional stability goal. Corrective actions are being taken to resolve outstanding stability concerns in the DRC. For more information please refer to http://www.usaid.gov/locations/sub-saharan_africa/countries/drcongo/.

STRATEGIC GOAL 3: INTERNATIONAL CRIME AND DRUGS

One operating unit—Ecuador—failed to achieve its target for its objective to reduce the amount of international crime and drugs. Despite efforts to strengthen Ecuador’s northern border communities to contain the spread of the coca/cocaine from Colombia, drugs and international crime are still major problems for Ecuador. The failure of this operating unit to meet its country specific targets did not, however, impede the Agency from achieving its regional stability goal. Corrective actions are being taken to resolve outstanding international and drugs concerns in Ecuador. For more information please refer to http://www.usaid.gov/locations/latin_america_caribbean/country/ecuador/index.html.

STRATEGIC GOAL 4: DEMOCRACY AND HUMAN RIGHTS

Eighteen operating units—Angola, Armenia, Colombia, DRC, Dominican Republic, Ghana, Guinea, Kazakhstan, Kenya, Kyrgyzstan, Macedonia, Mexico, Namibia, Panama, Serbia, South Africa, Tajikistan, and Uzbekistan—failed to achieve targets in their democracy objectives. In all cases, these failures are attributable to the challenge of establishing and working with democratic governments in developing countries. The failure of these operating units to meet their country specific targets did not, however, impede the Agency from achieving its regional stability goal. Corrective actions are being taken to resolve outstanding democracy and human rights concerns in these countries. For more information please see the following links:

Angola	http://www.usaid.gov/locations/sub-saharan_africa/countries/angola/index.html
Armenia	http://www.usaid.gov/locations/europe_eurasia/countries/am/
Colombia	http://www.usaid.gov/locations/latin_america_caribbean/country/colombia/index.html
DRC	http://www.usaid.gov/locations/sub-saharan_africa/countries/drcongo/
Dominican Republic	http://www.usaid.gov/locations/latin_america_caribbean/country/dominican_republic/index.html
Ghana	http://www.usaid.gov/locations/sub-saharan_africa/countries/ghana/index.html

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Guinea	http://www.usaid.gov/locations/sub-saharan_africa/countries/guinea/index.html
Kazakhstan	http://www.usaid.gov/locations/europe_eurasia/car/kzpage.html
Kenya	http://www.usaid.gov/locations/sub-saharan_africa/countries/kenya/index.html
Kyrgyzstan	http://www.usaid.gov/locations/europe_eurasia/car/kgpage.html
Macedonia	http://www.usaid.gov/locations/europe_eurasia/countries/mk/
Mexico	http://www.usaid.gov/locations/latin_america_caribbean/country/mexico/index.html
Namibia	http://www.usaid.gov/locations/sub-saharan_africa/countries/namibia/index.html
Panama	http://www.usaid.gov/locations/latin_america_caribbean/country/panama/index.html
Serbia	http://www.usaid.gov/locations/europe_eurasia/countries/ylg/
South Africa	http://www.usaid.gov/locations/sub-saharan_africa/countries/southafrica/index.html
Tajikistan	http://www.usaid.gov/locations/europe_eurasia/car/tjpage.html
Uzbekistan	http://www.usaid.gov/locations/europe_eurasia/car/uzpage.html

STRATEGIC GOAL 5: ECONOMIC PROSPERITY AND SECURITY

Eight operating units—West African Regional Program (WARP), Caribbean Regional Program, Regional Center for Southern Africa, Croatia, India, Turkmenistan, Georgia, Indonesia—failed to achieve targets in their economic growth objectives. In all cases, these failures are attributable to the challenge of expanding economic opportunities in developing countries. Circumstances ranged from very poor crop production to low productivity and job placement. The failure of these operating units to meet their country specific targets did not, however, impede the Agency from achieving its regional stability goal. Corrective actions are being taken to resolve outstanding economic prosperity and security concerns in these countries. For more information please see the following links:

West African Regional Program (WARP)	http://www.usaid.gov/locations/sub-saharan_africa/countries/warp/index.html
Caribbean Regional Program	http://www.usaid.gov/locations/latin_america_caribbean/country/program_profiles/caribbeanprofile.html
Regional Center for Southern Africa	http://www.usaid.gov/locations/sub-saharan_africa/countries/rcsa/index.html
Croatia	http://www.usaid.gov/locations/europe_eurasia/countries/hrl
India	http://www.usaid.gov/locations/asia_near_east/countries/india/
Turkmenistan	http://www.usaid.gov/locations/europe_eurasia/car/txpage.html
Georgia	http://www.usaid.gov/locations/europe_eurasia/countries/ge/
Indonesia	http://www.usaid.gov/locations/asia_near_east/countries/indonesia/

STRATEGIC GOAL 6: SOCIAL AND ENVIRONMENTAL ISSUES

Sixteen operating units—Jamaica, Somalia, South Africa, Benin, Brazil, Burundi, El Salvador, Kosovo, Liberia, Uzbekistan, Zambia, Central America Regional Program, Mexico, Peru, Regional Center for Southern Africa, Turkmenistan—failed to achieve targets in their social and environmental objectives. This strategic goal contains the greatest diversity of sectors—including health, education, and environment—and thus is hardest to summarize. In all cases, these failures are attributable to the challenge of expanding social services in developing countries. For instance, people with HIV/AIDS and other debilitating diseases, find it difficult to travel to the locations where various USAID-assisted clinics are present. The failure of these 15 operating units to meet their country specific targets, did not, however, impede the Agency from achieving its Social and Environmental Issues goal. Corrective actions are being taken to resolve outstanding economic prosperity and security concerns in these countries. For more information please see the following links:

Jamaica	http://www.usaid.gov/locations/latin_america_caribbean/country/jamaica/index.html
Somalia	http://www.usaid.gov/locations/sub-saharan_africa/countries/somalia/index.html
South Africa	http://www.usaid.gov/locations/sub-saharan_africa/countries/southafrica/index.html
Benin	http://www.usaid.gov/locations/sub-saharan_africa/countries/benin/index.html
Brazil	http://www.usaid.gov/locations/latin_america_caribbean/country/brazil/index.html
Burundi	http://www.usaid.gov/locations/sub-saharan_africa/countries/burundi/index.html
El Salvador	http://www.usaid.gov/locations/latin_america_caribbean/country/el_salvador/index.html
Kosovo	http://www.usaid.gov/locations/europe_eurasia/countries/ko/
Liberia	http://www.usaid.gov/locations/sub-saharan_africa/countries/liberia/index.html
Uzbekistan	http://www.usaid.gov/locations/europe_eurasia/car/uzpage.html
Zambia	http://www.usaid.gov/locations/sub-saharan_africa/countries/zambia/index.html
Central America Regional Program	http://www.usaid.gov/locations/latin_america_caribbean/country/program_profiles/caregionprofile.html
Mexico	http://www.usaid.gov/locations/latin_america_caribbean/country/mexico/index.html
Peru	http://www.usaid.gov/locations/latin_america_caribbean/country/peru/index.html
Regional Center for Southern Africa	http://www.usaid.gov/locations/sub-saharan_africa/countries/rcsa/index.html
Turkmenistan	http://www.usaid.gov/locations/europe_eurasia/car/txpage.html

MANAGEMENT CONTROLS, SYSTEMS, AND COMPLIANCE WITH LAWS AND REGULATIONS

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

FMFIA requires agencies to establish management controls and financial systems which 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.

An unqualified Statement of Assurance for FY 2005 is included in the Administrator's letter at the beginning of this report. The Agency evaluated its management control and financial management systems for the fiscal year ending September 30, 2005. This evaluation provided reasonable assurance that the objectives of the FMFIA were achieved, and forms the basis for the Administrator's Statement of Assurance.

MANAGEMENT CONTROL PROGRAM

The Management Control Review Committee (MCRC) oversees the Agency's Management Control Program. The MCRC is chaired by the Deputy Administrator; and is composed of senior-level managers, including the ten bureau Assistant Administrators (AA), the Chief Financial Officer (CFO), the Chief Information Officer (CIO), General Counsel, IG (non-voting), Executive Secretariat, Procurement Executive, Independent Office Directors, and Management Bureau Office Directors. Individual annual certification statements from Mission Directors located overseas and AAs in Washington, D.C. serve as the primary basis for the Agency's certification that management controls are adequate or that control deficiencies exist. The certification statements are based on information gathered from various sources, including the managers' personal knowledge of day-to-day operations and existing controls, program reviews, and other management-initiated evaluations. In addition, OIG and the Government Accountability Office (GAO) conduct reviews, audits, inspections, and investigations.

A control deficiency occurs when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect vulnerabilities on a timely basis. Specifically, a design deficiency exists when a control necessary to meet the control objective is missing or an existing control is not properly designed, so that even if the control operates as designed, the control objective is not always met. An operation deficiency exists when a properly designed control does not operate as designed or when the person performing the control is not qualified or properly skilled to perform the control effectively. A reportable condition exists when there is a control deficiency or combination of deficiencies that management determines should be communicated because they represent significant weaknesses in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objectives. Reportable conditions that the USAID Administrator determines are significant enough to report outside of the Agency are categorized as material weaknesses. The chart below describes the criteria that the Agency uses for FMFIA reviews.

FMFIA REVIEW CRITERIA

- Significantly impairs the organization's ability to achieve its objectives.
- Results in the use of resources in a way that is inconsistent with Agency mission.
- Violates statutory or regulatory requirements.
- Results in a significant lack of safeguards against waste; loss; unauthorized use; or misappropriation of funds, property, or other assets.
- Impairs the ability to obtain, maintain, report, and use reliable and timely information for decision-making.
- Permits improper ethical conduct or a conflict of interest.

STATUS OF MANAGEMENT CONTROLS

FMFIA REPORTABLE CONDITIONS

As an Agency-wide accomplishment in FY 2005, USAID managers successfully completed management control reviews of the Agency's financial, program, and administrative policies, procedures, and operations. After the results from operating units were consolidated, one new reportable condition was disclosed. USAID is voluntarily reporting the following issues:

Title	Fiscal Year First Identified
Inadequate Physical Security in USAID's Overseas Buildings & Operations	2001
Implementation & Activity Monitoring of Programs in ANE Region	2004
Lack of Effective Systems to Manage Field Support	2004
Information Technology (IT) Governance Issues	2005

Inadequate physical security in USAID's overseas buildings and operations. USAID cannot implement appropriate actions alone to comply with federal physical security standards for all employees serving overseas. Although USAID complies with the Secure Embassy Construction and Counterterrorism Act of 1999 (SECCA) and the provisions of the implementing security standards, more needs to be done to safeguard USAID employees overseas. A GAO report on embassy construction indicates that following the 1998 bombings of two U.S. embassies in Africa, the Department of State launched a multibillion-dollar, multi-year program to build new, secure facilities on compounds at posts around the world. The SECCA of 1999 requires that U.S. agencies, including USAID, co-locate offices within the newly constructed compounds. This report discusses how the Department of State is incorporating office space for USAID into the construction of new embassy compounds and the cost and security implications of its approach. GAO recommended that the Secretary of State: (1) achieve concurrent construction of USAID facilities to the maximum extent possible, and (2) consider, in coordination with the USAID Administrator, incorporating USAID space into single office buildings in future compounds, where appropriate. GAO also suggested that if the new cost-sharing proposal was not implemented in FY 2005, the Congress may wish to consider exploring other means by which to support concurrent construction. Another recent GAO report indicates that the Department of State has proposed a \$17.5 billion program to build secure new embassies and consulates around the world. The administration has proposed the Capital Security Cost-Sharing Program, under which all agencies with staff assigned to overseas diplomatic missions would share in construction costs. GAO has found that the proposed cost-sharing formula (based on a headcount) could result in funds to accelerate embassy construction and encourage

Agency rightsizing of overseas staff levels. Under the currently proposed program, the Department of State would build 150 new embassies by 2018, or 12 years sooner than the earlier projected completion date of 2030. The Department of State would pay nearly two-thirds of the annual amount needed, and non- Department of State agencies would pay a one-third share. At the same time, USAID believes that co-location is not always practical. If USAID is required to move onto embassy compounds without adequate resources for separate non-classified facilities, this would result in the inability to co-locate with the Agency's foreign national and contractor staffs. USAID must weigh these issues carefully and determine how to proceed. In the meantime, actions continue to re-locate USAID staff to more secure facilities. Since 1998, there have been 32 USAID mission relocations to interim office buildings and eight mission relocations to new secure office buildings overseas.

Implementation and activity monitoring of programs in ANE region (most notably, Afghanistan, Iraq, West Bank/Gaza, and Yemen). Security restrictions inhibit travel to project sites and it is difficult to attract and retain highly qualified staff for missions in these countries. This restricts the missions' ability to effectively implement and monitor programs, and in some cases, inhibits the start up of new programs. The missions continually strive to make prudent management decisions through approval of travel to project sites when advisable, expanded use of contractors, and making recruitment to fill vacancies a top priority. Improved stability and security that are beyond the manageable interests of the missions are viewed as the only long-term solutions available. As this occurs, missions will take advantage of the new conditions and normalize operations. Over the last year, through aggressive and diligent efforts of the missions, there have been some improvements noted.

Lack of effective systems to manage field support. The intent of the field support system is to provide missions easy and flexible access to a wide variety of technical services provided by centrally-managed contract and grant agreements, in a manner that meets the changing needs, priorities, and approaches of missions' development portfolios, with minimal mission management burden. The current operating procedures and processes in place are excessively labor-intensive, and therefore it is increasingly difficult to meet missions' needs. USAID recognizes field support as a viable component of the Agency architecture and as a component of the required Agency Executive Information System (EIS). Efforts are underway to develop both an improved field support system, and a viable EIS.

Information Technology (IT) governance issues. Based on discussions with OIG staff and other stakeholders several deficiencies have been noted that pertain to lowering risk and increasing efficiency in the following key IT practice areas: IT Strategic Planning, Enterprise Architecture (EA), IT Policy and Practice Standardization, and the full establishment of the Program Management Office (PMO). A common thread among these four issues is a lack of recognized funding for their proper implementation at USAID.

There is general agreement between the CIO and OIG that funding these areas so that they are corrected and maintained as a process of continuous improvement is in the best interest of the Agency. Each of these areas is required to be performed to meet government standards for best practice IT governance. OIG will be addressing these and other issues with an audit report of their findings. OIG discussions and other internal assessments have pointed out that: (1) the CIO needs sufficient resources to provide effective IT governance, and (2) that these identified weaknesses are primarily attributed to the CIO's lack of adequate resources to support these priorities. This lack of adequate budget for contractor staffing for the CIO's organization is the major factor why these issues continue to exist.

The following synthesizes the issues that have been raised by the most recent OIG initiated discussions:

- **IT Strategic Planning:** USAID needs to update and maintain its IT Strategic Plan concurrent with the Agency's Strategic Plan.
- **EA:** USAID needs to staff, document, and maintain an EA functional capability and EA documentation that reflect the Agency's "As Is" and "To Be" IT EA states. The EA function

needs to maintain data reference models, business reference models, technical reference models, service component reference models, and performance reference models for these "As Is" and "To Be" states.

- **IT Policy and Practice Standards:** USAID needs to develop and maintain a formal set of policies, processes, methods, tools, and procedures to guide its IT portfolio management, development projects, and operations in a manner that is repeatable, and meets industry and government best practices. All IT projects undertaken at USAID must follow these policies and practices.
- **PMO Full Establishment:** The PMO needs to be fully established and matured. The role of the PMO needs to be solidified within the USAID organization, and appropriate portfolio management and project oversight practices need to be established and followed. The PMO has no identified long-term funding within the USAID organization budget structure. Improvement in this area needs to focus on mission-critical systems first and then extend to other priority activities of the PMO.

In order to resolve these deficiencies, the CIO will prepare documentation to request increased funding and staffing of these important IT functional areas, as well as assess how current projects are governed to achieve optimal efficiency and effectiveness. Upon budgeting and proper staffing, a plan will be put into place to expeditiously resolve these issues.

Until such time as increased funding is provided, the CIO will try to resolve these issues given other operational and project priorities. To complicate this matter, USAID (and the CIO organization) is under tremendous pressure to reduce its budget, which will not only exacerbate these OIG concerns but also jeopardize the CIO's ability to provide basic IT operations and customer support services.

FMFIA MATERIAL WEAKNESSES

NUMBER OF FMFIA MATERIAL WEAKNESSES BY FISCAL YEAR				
Fiscal Year	Number at Beginning of Fiscal Year	Number Corrected	Number Added	Number Remaining at End of Fiscal Year
2002	4	1	–	3
2003	3	–	–	3
2004	3	1	–	2
2005	2	2	–	0

FMFIA Material Weaknesses		
Title	Fiscal Year First Identified	Corrective Action Date
USAID's Primary Accounting System	1988	2005
Information Resources Management (IRM) Processes	1997	2005

In September 2005, the MCRC agreed to close the two remaining material weaknesses, based on the following:

USAID's Primary Accounting System – Since 1988, it has been reported that the Agency's primary accounting system does not: (1) substantially comply with federal core financial systems requirements, (2) produce accurate and timely reports, and (3) contain adequate controls.

USAID made significant progress addressing, and ultimately closing, the material weakness in the primary accounting system by implementing a single Agency-wide financial system, known as Phoenix. The Phoenix System is based on Momentum® Financials, a commercial core financial system software product. The Joint Financial Management Improvement Program (JFMIP) has certified the software product to be compliant with federal core financial system requirements. USAID has configured this software product without any alterations to the baseline software and further validated through testing that the software complies with federal and Agency core financial system requirements.

USAID has implemented Phoenix at its headquarters, five pilot missions (Colombia, Egypt, Ghana, Nigeria, and Peru), and in February 2005, at missions in the Latin America and the Caribbean (LAC) region, including El Salvador, Honduras, Dominican Republic, Haiti, Jamaica, Nicaragua, Bolivia, and Guatemala. In June 2005, the upgrade to a Web-based version was completed. Europe and Eurasia (E&E) missions (Armenia, Bosnia & Herzegovina, Georgia, Hungary, Kazakhstan, Kosovo, Russia, Serbia & Montenegro, and Ukraine), then successfully converted to Phoenix in July 2005. As a result, 54 percent of the total number of transactions (count) and 48 percent of the total dollar value (amount) are accounted for in the Phoenix financial

system. With the upcoming Asia and the Near East (ANE) deployment in December 2005, 74 percent of the total number of transactions (count) and 90 percent of the total dollar value (amount) are expected to be accounted for in Phoenix. Phoenix deployment will conclude with the missions in Africa in April 2006.

USAID and the Department of State recently upgraded their respective versions of the software, and are currently on the same version. Both Agencies plan to run from a common infrastructure from the Department of State's facility in Charleston, SC, by November 2005.



The Budapest staff enter their first transactions into Phoenix.

PHOTO: USAID/LISA FIELY

Information Resources Management (IRM) Processes – The Clinger-Cohen Act of 1996 requires the heads of executive agencies to implement a process that maximizes the value of and assesses and manages the risks involved in IT investments. The process is to include: (1) procedures to select, manage, and evaluate investments; and (2) a means for senior managers to monitor progress in terms of costs, system capabilities, timeliness, and quality. The key material weakness that was identified in 1997 was that the Agency's IT programs lacked sufficient safeguards against waste and mismanagement, as demonstrated by the (then) over-budget and failed rollout of new management information systems to USAID missions. Specifically, the Agency lacked: (1) a strategic-oriented IT capital investment planning, budgeting, and acquisition process; and (2) a tactical-oriented IT investment program management control capacity. Key milestones and progress in these areas are described briefly below.

As previous reports have shown, over the last several years the Agency has taken major strides in correcting the issues identified in this eight-year-old weakness. Concerning the strategic issues, the Agency has implemented an effective strategically-oriented capital investment process by making the Business Transformation Executive Committee (BTEC), which provides Agency-wide leadership for initiatives and investments to transform USAID business systems and organizational performance, responsible for selecting, managing, and evaluating specific IT investments. The BTEC chartered the Capital Planning and Investment Control (CPIC) Subcommittee to advise on investment selection, considering potential risk, cost, and benefit, as well as priority in relation to other USAID investments. The CPIC Subcommittee recommended policies and procedures for IT CPIC, which were approved by the BTEC and published in the Agency's Automated Directives System. The CPIC Subcommittee was operational for the FY 2005 budget formulation cycle and used the published CPIC procedures for investment selection.

The Agency has implemented tactically-oriented program management and oversight practices with the formation of a PMO and the reorganization of the Management Bureau. The PMO is responsible for monitoring the progress of IT projects and developing standards, processes, and tools for improving project management practices. PMO staff work with the functional and IT leadership team assigned to projects to provide guidance on the use of these standards, processes, and tools. The office published a risk management plan, quality control plan, project management change control guidance, and a standard set

of governance tools for project management and project status reporting. Although still maturing its processes, the PMO is a functioning organizational entity that has responsibility for critical Agency projects. Based on the improvements that have been achieved since this weakness was originally documented, discussions among multiple stakeholders, and a forthcoming audit of Agency IT practices, it has been determined that this weakness can be closed.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)

FISMA, part of the Electronic Government Act of 2002, provides the framework for securing the federal government's information systems. Agencies covered by FISMA are required to report annually to OMB and Congress on the effectiveness of their information security programs. Specifically, FISMA requires agencies to have: (1) periodic risk assessments; (2) information security policies, procedures, standards, and guidelines; (3) delegations of authority to the CIO to ensure compliance with policy; (4) security awareness training programs; (5) procedures for detecting, reporting, and responding to security incidents; and (6) plans to ensure continuity of operations. FISMA also requires an annual independent evaluation of the Agency's information security program by the Agency IG. This report is separate from the PAR. Weaknesses found under FISMA are to be identified as a significant deficiency, reportable condition, or other weakness, and FISMA weaknesses that fall into the category of significant deficiency are required to be reported as a material weakness under the FMFIA. This year's evaluation concluded that USAID generally met the requirements of FISMA, and that the Agency has made many positive strides in addressing information security weaknesses. However, USAID still faces several important challenges in the areas of tested disaster recovery plans and security requirements. Based on last year's report, Congress awarded an A+ to USAID in recognition of the exceptional status of the information security program. USAID is the first and only federal agency to receive this distinction. USAID has developed an excellent risk-based information security program that includes processes, training, and security technologies, and the Agency expects to continue to receive high marks for its work in this area.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

FFMIA is designed to improve federal financial management by requiring that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles (GAAP) and standards. FFMIA requires USAID to implement and maintain a financial management system that complies substantially with:

- Federal requirements for an integrated financial management system
- Applicable federal accounting standards
- U.S. Standard General Ledger at the transaction level.

OIG is required to report on compliance with these requirements as part of the annual audit of USAID's financial statements. In successive audits, OIG has determined that USAID's financial management systems do not substantially comply with FFMIA accounting and system requirements. The USAID Administrator has also reported this instance of noncompliance.

The current target date for substantial compliance with FFMIA is the third quarter of FY 2006, which coincides with the completion of USAID's worldwide deployment of the financial management system. A detailed discussion of the financial systems framework, structure, and strategy is included in the Financial Section of this report.

FINANCIAL SYSTEMS REMEDIATION PLAN

The Financial Systems Remediation plan is a required part of USAID's financial management plans. It sets forth a strategy for modernizing USAID's financial management systems and details specific plans and targets for achieving substantial compliance with federal financial management requirements and standards.

The Agency relies extensively on OIG audit work to determine compliance with FFMIA. The results of the FY 2005 audit indicate that USAID has made substantial progress in becoming compliant and has two remaining items to address. The remaining deficiencies in the Agency's financial management systems and associated remedies are detailed on the following table:

USAID FFMIA REMEDIATION PLAN FY 2005 – FY 2006			
Deficiencies & Remedies	Current Schedule Targets	Responsible Official	Status
<p>Deficiency: MACS is not substantially compliant with JFMIP requirements for a core financial system. The MACS Auxiliary Ledger and interface to Phoenix do not sufficiently address compliance deficiencies. MACS does not support new E-Gov initiatives. The Agency's overseas operations do not have access to the Agency's integrated financial management system that is compliant with federal requirements, standards, and government-wide initiatives.</p> <p>Remedy: Implement Phoenix worldwide as the Agency's core financial system.</p>	Third Quarter FY 2006	CFO	On target. Headquarters, five pilot missions, and the LAC and E&E regions are using Phoenix. The worldwide deployment schedule continues.
<p>Deficiency: IG audit findings indicate that the Agency is not able to attribute costs to organizations, locations, programs, and activities.</p> <p>Remedy: Fully implement cost allocation model to allocate the costs of Agency programs to the operating unit and strategic objective level.</p>	Third Quarter FY 2006	CFO	The cost allocation module incorporates the missions' indirect costs as they convert from MACS to Phoenix, and will be complete when Phoenix is fully implemented.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Today, USAID is witnessing the most significant shift in awareness and understanding of international development since the end of World War II. The demise of the Soviet Union, the integration of global communications and markets, the growing menace of global terrorism, weapons of mass destruction and transnational crime, the surge of HIV/AIDS and other infectious diseases—all these are hallmarks of an altered 21st century landscape for development. Failed states and complex emergencies now occupy center screen among the nation's foreign policy and national security officials. Americans now understand that security in their homeland greatly depends on security, freedom, and opportunity beyond the country's borders. USAID's development mission is now as essential to U.S. national security as are diplomacy and defense.

To prepare the Agency for these new challenges and opportunities, USAID is addressing them head-on:

TECHNICAL LEADERSHIP

USAID is revitalizing its cutting-edge technical leadership and reforming critical business operations.

OPERATIONAL INTEGRATION

USAID has integrated its emergency, transition, and food operations into a single capacity to respond to failing states, complex crises, and post-conflict reconstruction, and augmented it with a new conflict mitigation and management focus.

ALIGNMENT OF FOREIGN ASSISTANCE AND FOREIGN POLICY OBJECTIVES

USAID is carefully aligning its foreign assistance and foreign policy objectives and resources with the Department of State to assure maximum impact of foreign aid targeted on the right objectives.

THE EVOLVING ROLE OF FOREIGN ASSISTANCE

Thus, U.S. foreign assistance now must be understood as addressing five core operational goals:

- Promoting transformational development
- Strengthening fragile states

- Providing humanitarian relief
- Supporting U.S. geostrategic interests
- Mitigating global and transnational ills to advance development. In fact, assistance actually may mask underlying instability or contribute to state fragility. Hence, it is critical to invest resources in these countries very carefully, with clear expectations as to what is possible in the short term, and with flexibility tailored to changing circumstances.

External factors that will challenge USAID's ability to achieve its desired outcomes include:

Global/Transnational Issues and Other Special Foreign Policy Concerns: primarily HIV/AIDS but also other infectious diseases, climate change, narcotics, and other issues that need to be addressed in various countries that might belong to either group. These concerns affect to varying degrees development prospects and progress in fragile states—the two core concerns identified above. However, they are typically addressed as self-standing concerns that call for their own distinct strategic approaches and guiding principles.

Humanitarian Response: relief from both manmade and natural disasters. Again, this is a concern for various (but not all) countries in each group. Humanitarian aid has been required at different times for relatively stable countries in Central America, Africa, and Asia, and also more typically for weak or failing states. Apart from disasters, there is also ongoing humanitarian aid in countries such as India and Bangladesh, which are stable and making progress. Again, these humanitarian concerns are arguably separate and distinct from the challenges of development and fragile states.

Specific Strategic Foreign Policy Priorities Pertaining to Countries: (e.g., key partners in the war on terrorism, Middle East Peace, and the Stability Pact) that call for funding such as Economic Support Funds (ESF—formerly known, quite aptly, as Security Supporting Assistance). These priorities are not necessarily separate and distinct concerns. Instead, for some of these countries the two core concerns—development progress (e.g., at times in Egypt, Jordan, Pakistan, Indonesia, Philippines, Costa Rica) and strengthening fragile states (in Iraq, Afghanistan, Haiti,

Kosovo) have been especially important from a foreign policy standpoint. In others (Israel, Turkey) neither development nor fragility are central programmatic concerns.

Private resources play a large and increasing role in addressing many of the challenges discussed above. USAID will continue to emphasize the Global Development Alliance (GDA) as a vehicle for leveraging private resources through partnerships. The GDA and other alliance-building mechanisms can also help foster a more vibrant and effective civil society as a force for public sector accountability and responsiveness.

Financial Implications: USAID's costs of doing business are funded through a separate account, Operating Expenses (OE). Because OE is set at a fixed level that does not vary with the total program the Agency manages, the Agency faces the risk that large scale program growth will swamp its ability to provide quality administration of its program portfolio. Over the first half of this decade, program levels rose by as much as 90 percent from the FY 2000 base, while total growth in the OE account was only 23 percent.

USAID is addressing this challenge by establishing a marginal administrative cost rate for program surges. The marginal cost of managing additional program dollars is about seven percent. The Agency has successfully negotiated with the Millennium Challenge Corporation and the Department of State to provide administrative funding at this rate for select program increments that USAID will manage.

International challenges present unexpected exigencies that require increased flexibility to meet changing priorities. Flexibility could be enhanced by continuously identifying excess and unneeded funds; maintaining a comprehensive, Agency-wide database, including improved linkages between budget and financial databases; obtaining authorization to pre-program recoveries irrespective of previous earmarks; better management of future funding expectations; updating budget projections throughout the budget formulation process; and withholding a percentage of New Obligation Authority (NOA) annually in a contingency fund.

GLOBAL DEVELOPMENT ALLIANCE

Private resources play a large and increasing role in addressing many of the challenges discussed above. USAID will continue to emphasize the GDA as a vehicle for leveraging private resources through partnerships. The GDA and other alliance-building mechanisms can also help foster a more vibrant and effective civil society as a force for public sector accountability and responsiveness.

USAID's GDA Secretariat has taken the lead in promoting alliance building through organizational and business process change since FY 2002. The primary goal of the GDA Secretariat is to increase the capacity of Agency staff and enhance the Agency business operations to develop and manage public-private alliances. This commitment has fostered increased cooperation between USAID and nontraditional partners, and has allowed USAID and its partners to achieve greater programmatic impact than any one organization could achieve on its own.

Since its inception, USAID has worked with the private sector and other partners to carry out development and relief programs. But today more than ever before, the reality of private resource flows from the United States to developing countries dictates a changed approach. In the 1970s, 70 percent of resource flows from the United States to developing countries consisted of Official Development Assistance. Thirty years later, 80 percent of the total resource flows come from U.S. corporations, foundations, private giving, and personal remittances among other sources, while Official Development Assistance accounts for only approximately 14 percent.

Secretary of State Powell launched the GDA Initiative in May 2001 to engage new stakeholders and harness the power of public-private alliances to address challenges in the developing world. While USAID has long engaged in successful partnerships, the GDA represents a more strategic approach to alliance building in order to bring significant new resources, ideas, technologies, and partners together to address development problems wherever USAID works. The GDA model is particularly tailored to allow the Agency to expand joint efforts with nontraditional partners.

In FY 2005, USAID operating units worldwide continued to mainstream public-private alliance building as a principal business model for the Agency. In the course of this mainstreaming process, USAID achieved impressive results in new or strengthened alliances with businesses, trade groups, foundations, universities, multilateral donors, faith-based organizations, indigenous groups, immigrant communities, and government agencies. The resources united were as diverse as the alliances themselves, including technology and intellectual property rights, market creation, policy influence, in-country networks, and expertise in development programs that ranged from international trade to biodiversity protection.

GOVERNMENT MANAGEMENT REFORM ACT—AUDITED FINANCIAL STATEMENTS

The Government Management Reform Act (GMRA) of 1994 amended the requirements of the CFO Act of 1990 by requiring the annual preparation and audit of agency-wide financial statements from the 24 major executive departments and agencies, including USAID. The statements are audited by the USAID IG. An audit report on the principal financial statements, internal controls, and compliance with laws and regulations is prepared after the audit is completed.

USAID's FY 2005 financial statements received an unqualified opinion – the best possible result of the audit process. This year marks the third consecutive year that USAID's financial statements have achieved such an opinion. USAID also, for the third year in a row, significantly accelerated the preparation and audit of the FY 2005 financial statements and associated reports. This indicates important progress toward the Agency's goal of providing timely, accurate, and useful financial information.

In relation to internal control, the Independent Auditor's Report cites one material weakness related to USAID's Accruals Reporting System. A material weakness is defined as a condition 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 misstatements caused by error or fraud in amounts that

would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing assigned functions. USAID has continuously improved its status in this area, from seven material weaknesses in FY 2002, three in FY 2003, and one in FY 2004.

The audit report also names three reportable conditions, which are detailed in the table below. Reportable conditions are significant deficiencies, though not material, in the design or operation of internal control that could adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. USAID will continue working on these issues and is pleased that the auditors have consistently acknowledged the Agency's efforts to eliminate and reduce weaknesses. The auditors are also required to report on non-compliance with laws and regulations. The current auditor's report states that USAID's financial systems continue to be non-compliant with FFMIA, as discussed earlier in this section.

The following table summarizes the weaknesses cited in the FY 2005 Independent Auditor's Report, as well as planned actions to resolve the problems.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS FY 2005 (Refer to Independent Auditor's Report Section)		
Material Weakness	Planned Corrective Actions	Target Correction Date
Accruals Reporting System Needs Improvement	Appropriate actions have already been taken to correct the interface that created the problem. As part of our first quarter FY 2006 accruals cycle and financial statement preparation process, the Bureau for Management, Office of the Chief Financial Officer (M/CFO) will evaluate accurate production performance of the interface to deliver accurate information to the Phoenix general ledgers.	February 15, 2006
Reportable Condition	Planned Corrective Actions	Target Correction Date
Process for Reconciling Fund Balance with U.S. Treasury Needs Improvement (Repeat Finding)	M/CFO has issued guidance on reconciliation processing and will work to enhance guidance on Phoenix reconciliations. However, improved Phoenix reconciliations will require enhancements to the Phoenix software as related to reconciliations. The Phoenix team is aware of needed improvements on reconciliation processes and will be working the issues in FY 2006.	September 30, 2006
Intragovernmental Transactions Remain Unreconciled (Repeat Finding)	Past practice has been focused on conducting transaction reviews at year-end. We will accelerate our processes to conduct quarterly evaluations of Trading Partner 99 transactions.	February 15, 2006
Process for Recognizing and Reporting Overseas Accounts Receivable (Repeat Finding)	Actions to improve will continue.	September 30, 2006
Noncompliance with Laws and Regulations	Planned Corrective Actions	Target Correction Date
Federal Financial Management Improvement Act of 1996 (FFMIA) (Repeat Finding)	Detailed in FFMIA Remediation Plan table in previous section.	June 30, 2006

PROGRESS MADE ON ISSUES FROM FY 2004 GMRA AUDIT:

USAID has taken extensive and aggressive actions during FY 2005 to address the weaknesses from the FY 2004 audit, as indicated in the table below.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS FY 2004		
Material Weakness	Corrective Actions	Correction Date
Process for Reviewing and Reporting Quarterly Accrued Expenditures and Accounts Payable	Accruals training has been updated in both classroom and computer-based venues. In addition, an accruals calculator tool has been developed to assist CTOs in calculating accruals. Actions to improve training continue.	December 31, 2005
Reportable Condition	Corrective Actions	Correction Date
Certification Process for Mapping Strategic Objectives to Performance Goals	The Agency instituted a new process for certifying strategic objective linkages to the performance goals of the Joint State-USAID Strategic Plan.	October 31, 2005
Process for Reconciling Fund Balance with U.S. Treasury (Repeat Finding)	The CFO continues to improve the process to properly document the rationale for adjusting entries between the Fund Balance with Treasury and the Standard General Ledger. A CFO Policy bulletin was issued to all Accounting Stations reinforcing the requirement to perform full monthly reconciliations of Agency balances, by appropriation, with Treasury.	December 31, 2005
Process for Recognizing and Reporting Accounts Receivable (Repeat Finding)	The CFO continues to implement the policies and procedures, established in FY 2004, for overseas missions and the Office of Acquisition and Assistance to immediately recognize accounts receivable. The CFO has revised and implemented new collection letters and prepared and implemented new desk procedures regarding the transfer, cross-servicing, and tracking of delinquent debt.	September 30, 2005
Intragovernmental Reconciliation Process	The CFO has implemented the process of conducting quarterly reconciliation efforts with federal trading partners with whom USAID has differences greater than \$100 million. This is an ongoing work process/procedure and resolution of these differences depends on the timeliness of trading partners in providing their data, data quality, and data compatibility with USAID's data. USAID also participates in an intragovernmental subcommittee. Since intragovernmental reconciliations are a government-wide issue, a working group has been established to identify underlying issues and ways to improve this process.	September 30, 2005
Process for Analyzing and De-obligating Unliquidated Obligations	Improved policies and procedures have been implemented, including clarification of responsibilities for analyzing and de-obligating funds.	September 30, 2005
System for Preparing Management's Discussion and Analysis (MD&A)	USAID continues to refine its process for collecting timely and accurate performance information for the PAR MD&A. The most significant improvement is in the area of the performance information collected at the Mission level through the Annual Report (AR) application, which will be collected on a semi-annual (as opposed to annual) basis. Twice-yearly reporting will permit operating units to project data for the full year based on actual data halfway through the year. These projections, based on first half actual data, will be included in the draft PAR MD&A, which is submitted to OIG in October. This data, along with the inclusion of the congressionally-mandated OPIN data, provides real-time performance information for the PAR. Performance information will then be updated when final AR data is available, and will be included in the PAR Addendum published each Spring.	September 30, 2005

IMPROPER AND ERRONEOUS PAYMENTS

In an ongoing effort to reduce the occurrence of improper payments, with the goal of eliminating all erroneous payments, USAID continues to monitor all its programs and payment activities.

All USAID grant and contract program payment activities are closely monitored to ensure compliance with the provisions of the Improper Payments Information Act (IPIA).

In FY 2005, OIG audited grants and contracts totaling \$13 billion and sustained questioned costs of \$5.9 million, which is approximately a .045 percent IPIA payment rate. Also, this year the Agency recovered \$4.4 million or 98 percent of its erroneous payments identified under the OIG Audit Follow-Up Program.

USAID has recognized the need to strengthen internal controls and to better monitor its high volume and high profile procurement and payment activities. The Iraq Reconstruction, the Afghanistan Assistance, and the Tsunami Relief and Reconstruction Programs are three examples of high-profile Agency activities. The CFO has developed reports for each of these programs and collects and records all pertinent data, obligation, and payment activity. This information is compiled monthly and is disseminated to stakeholders and internal and external users as a tool to monitor program activities and increase transparency.

IPIA ANALYSIS FOR GRANT/CONTRACT PROGRAMS				
Period	Audited Amount	Sustained Amount	IPIA Error Rate	Recovered %
FY 2002	\$2,000,000,000	\$4,000,000	0.200%	99.0%
FY 2003	\$1,400,000,000	\$5,400,000	0.400%	100.0%
FY 2004	\$13,000,000,000	\$7,200,000	0.055%	100.0%
FY 2005	\$13,000,000,000	\$5,900,000	0.045%	98.0%

PURCHASE AND TRAVEL CARD USAGE

PURCHASE CARDS

On average, 246 employees, or three percent, had active purchase card accounts in FY 2005. Approximately 37 purchase card accounts were canceled in FY 2005. Approximately 46 new purchase card accounts were activated.

On average, the ratio of approving officials to cardholders is 1:2. The total dollars spent in FY 2005 using purchase cards was \$6.3 million. USAID earned approximately \$39,478 in total rebates in FY 2005.

There were no disciplinary actions taken or cases reported to the Agency IG for fraudulent, improper, or unauthorized use of the purchase card. The purchase card dispute process between USAID and Citibank that is outlined in the Worldwide Purchase Card Manual minimizes losses from possible erroneous payments.

TRAVEL CARDS

There are 2,113 active Individual Billed Account (IBA) travel cards. The USAID policy is to issue travel cards to travelers who travel two or more times per year. There are 72 Centrally Billed Account (CBA) travel cards used to purchase airline tickets only.

USAID spent more than \$15.1 million in FY 2005 using travel cards. The rebates earned on travel cards exceeded \$44,000 in FY 2005. Monthly delinquency rates for travel cards ranged from a low of one percent to a high of 4.65 percent for the IBA, and from 0.11 percent to 0.8 percent for the CBA. There were no disciplinary actions taken during FY 2005 related to the travel card.

FINANCIAL HIGHLIGHTS

USAID's financial statements, which appear in the Financial Section of this report, received for the third consecutive year an unqualified audit opinion issued by the USAID Office of the Inspector General (OIG). Preparing these statements is part of the Agency's goal to improve financial management and provide accurate and reliable information useful for assessing performance and allocating resources. Agency management is responsible for the integrity and objectivity of the financial information presented in these financial statements.

USAID prepares consolidated financial statements that include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, a Statement of Budgetary Resources, and a Statement of Financing. These statements summarize the financial activity and position of the Agency. Highlights of the financial information presented on the principal statements are provided below.

OVERVIEW OF FINANCIAL POSITION

ASSETS. The Consolidated Balance Sheet shows the Agency had Total Assets of \$24.7 billion at the end of 2005. This represents an 10 percent increase over previous year's Total Assets of \$24 billion. This is primarily the result of an increase in appropriations received during FY 2005.

Table 1: The Agency's assets reflected in the Consolidated Balance Sheet are summarized in the following table (dollars in thousands):

	2005	2004	2003
Fund Balance with Treasury	\$17,503,843	\$15,854,926	\$14,215,414
Loans Receivables, Net	5,100,249	6,108,252	5,696,597
Accounts Receivables, Net	902,863	1,100,968	1,200,387
Cash, Advances, and Other Assets	1,063,570	847,807	623,477
Property, Plant and Equipment, Net & Inventory	140,294	117,718	88,360
Total	\$24,710,819	\$24,029,671	\$21,824,235

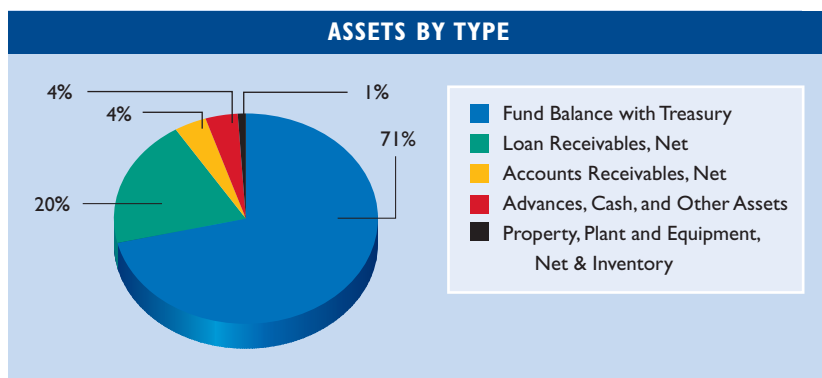
Fund Balances with Treasury and Loans Receivable, Net comprise the majority of USAID's assets. Together they account for over 90 percent of total assets for 2005, 2004, and 2003. USAID maintains funds with Treasury to pay its operating and program expenses. These funds increased by \$1.6 billion (10 percent).

Loans Receivables, Net of estimated write-offs due to loan defaults, result from the disbursement of funds under the Direct Loan Programs. Loan Receivables experienced a 17 percent decrease from FY 2004.

The largest percentage change in assets line items on the Balance Sheet occurred in Advances and Prepayments, an increase of 34 percent (from \$559 million in FY 2004 to \$750 million in FY 2005). Nearly all of USAID advances consist of funds disbursed under letter of credit to contractors or grantees, administered by the U.S. Department of Agriculture (USDA).

The pie chart below presents USAID's asset type by percentage for FY 2005.

Chart 1: Percentage of Assets by Type, FY 2005



LIABILITIES. As presented on the Consolidated Balance Sheet, the Agency had almost \$11 billion in Total Liabilities at the end of 2005. This amount represents a \$589 million, or six percent increase in Total Liabilities from the prior year. Liabilities are summarized in the following table (*dollars in thousands*):

Table 2:

	2005	2004	2003
Debt & Due to U.S.Treasury	\$ 5,734,263	\$ 6,145,006	\$ 5,748,890
Accounts Payable	3,204,824	2,373,146	1,870,077
Loan Guaranty Liability	1,562,485	1,039,937	1,159,415
Other Liabilities	444,571	798,847	553,500
Total Liabilities	\$10,946,143	\$10,356,936	\$ 9,331,882

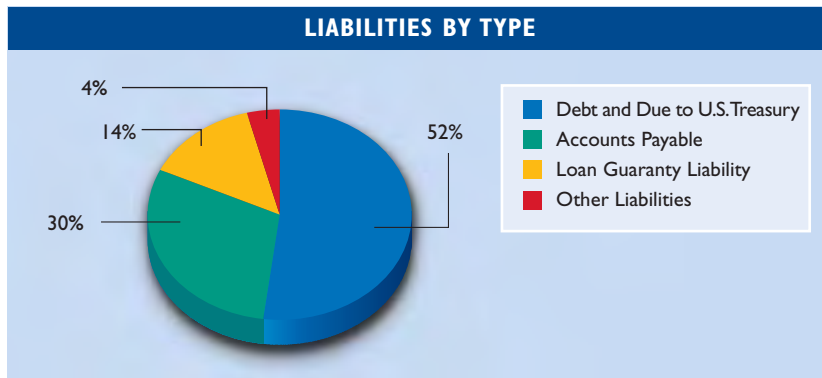
As reflected in Table 2, Credit Program Liabilities, consisting mainly of Credit Program Debt, due to U.S.Treasury and Loan Guaranty Liability account for most of USAID's Total Liabilities for 2005, 2004 and 2003. Debt and Due to Treasury combined represented 52 percent of Total Liabilities for FY 2005. The Loan Guaranty Liability comprised 14 percent of Total Liabilities for FY 2005.

Debt and Due to Treasury combined decreased by seven percent, or \$411 million, from FY 2004. Loan Guaranty Liability, which is associated with USAID's guarantees of loans made by private lending institutions, increased by 50 percent or by \$522 million from FY 2004.

Accounts Payable increased by 35%, or \$831 million from FY 2004. The primary reason is the increase in accrual estimations at the end of 2005.

The pie chart below presents USAID's percentage of liabilities by type for FY 2005 (*dollars in thousands*):

Chart 2: Percentage of Liabilities by Type, FY 2005



ENDING NET POSITION. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations. USAID's Net Position at the end of 2005 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$13.7 billion, a \$91.9 million increase from the previous fiscal year. Unexpended Appropriations of \$13 billion or 97 percent represent funds appropriated by the Congress for use over multiple years that were not expended by the end of FY 2005.

RESULTS OF OPERATIONS

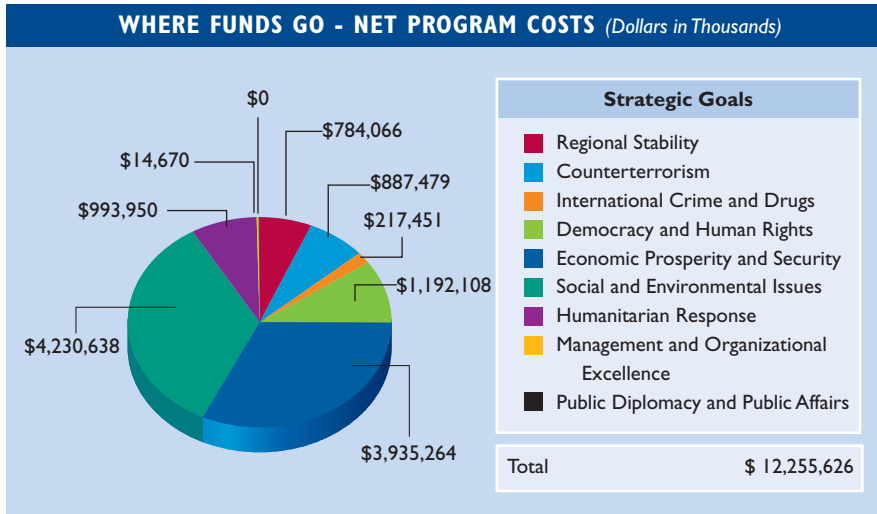
The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position.

The Consolidated Statement of Net Cost presents the Agency's gross and net cost for its strategic goals. The net cost of operations is the gross (i.e., total) cost incurred by the Agency, less any exchange (i.e., earned) revenue. The accompanying notes to the Statement of Net Cost disclose costs by strategic goals and responsibility segments, and by intragovernmental costs and exchange revenues separately from those with the public for each 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 Agency, the technical and geographical bureaus (e.g., Global Health or Latin America/Caribbean (LAC)) are considered a responsibility segment. Information on the bureaus can be found in Note 18.

The presentation of program results by strategic goals is based on the Agency's current Joint State-USAID Strategic Plan established pursuant to the Government Performance and Results Act (GPRA) of 1993.

The Agency's total net cost of operations for 2005, after intra-agency eliminations, was \$12.3 billion. The strategic goal, Social and Environmental Issues, represents the largest investment for the Agency at 34.5 percent of the Agency's net cost of operations. The net cost of operations for the remaining goals ranges from 0.1 percent to 32.1 percent. The chart on the adjoining page displays a breakout of net cost by strategic goal.

Chart 3: Net Program Costs by Strategic Goal, FY 2005

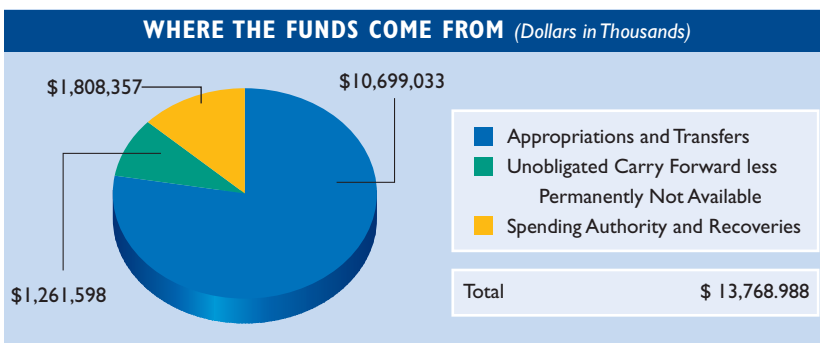


The Consolidated Statement of Changes in Net Position presents the accounting items that caused the net position section of the balance sheet to change since the beginning of the fiscal year. The statement comprises two major components: Unexpended Appropriations and Cumulative Results of Operations.

Cumulative Results of Operations amount to \$760 million as of September 30, 2005, an increase of 15 percent from the \$660 million balance a year earlier. This balance is the cumulative difference, for all previous fiscal years through 2005, between funds available to USAID from all financing sources and the net cost of USAID.

The Combined Statement of Budgetary Resources provides information on how budgetary resources were made available to the Agency for the year and their status at fiscal year-end. For the year, USAID had total budgetary resources of \$14.8 billion, an increase of 21 percent from the 2004 level. Budget authority of \$11 billion, consisted of \$10.1 billion for appropriations and \$90 million in net appropriation transfers. USAID incurred obligations of \$10.5 billion for the year, a 14 percent increase from the \$9.2 billion of obligations incurred during 2004.

Chart 4 below, reflects Agency budgetary resources for 2005.



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

LIMITATIONS TO THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position and results of operations of USAID, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of USAID, in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that USAID is a component of the U.S. , a sovereign entity.



USAID is providing support to improve the health of mother and children in mountainous districts of Quang Tri Province, Vietnam. PHOTO: MICHAEL BISCEGLIE

Community-based integration for children with disabilities in Kon Tum province, Central Highland of Vietnam.

PHOTO: BRETT JONES, USAID/VIETNAM



PERFORMANCE SECTION



MITIGATING INSTABILITY THROUGH CONFLICT MANAGEMENT

SILENT TSUNAMI INSTABILITY

WIDESPREAD,
DEADLY VIOLENCE
NOW AFFECTS
NEARLY 60% OF THE
COUNTRIES IN
WHICH USAID
OPERATES.



USAID programs support: Strengthening conflict early warning and response mechanisms; contributing to reconciliation; mobilizing constituencies for peace; peace implementation planning; training negotiating teams; civil society training for peace advocacy; enhancing restorative justice; supporting peace and reconciliation commissions and community dialogue programs.

INTRODUCTION TO THE FY 2005 PERFORMANCE SECTION

The Performance Section of this report is composed of chapters for each of USAID's eight strategic goals organized by the following six sub-sections:

SUB-SECTIONS USED FOR STRATEGIC GOAL PERFORMANCE ANALYSIS	
Sub-Section	Purpose and Explanation
I. Public Benefit	A concise narrative describing how pursuit of the goal provides intended benefits (or harm avoided) for America and the world.
II. Resources Invested	A summary of resources (net costs) devoted to pursuit of the goal for both the current reporting period (FY 2005) and the previous reporting periods (FY 2004 and FY 2003). The number of direct funded positions (USAID employees) associated with the strategic goal is also provided.
III. Selected Performance Trends	Graphs that show key performance trends specific to each goal.
IV. Illustrative Examples	An example of key achievements that is typical of the Agency's work in support of the goal.
V. Performance Results	Results history/trend, together with, if available, preliminary FY 2005 performance results, the current rating, and a short impact statement pertaining to each of the available FY 2005 results achieved. For any FY 2005 performance result listed as preliminary, the final validated/verified performance data for that target/indicator set will be provided in the FY 2005 Performance and Accountability Report (PAR) Addendum, to be published by USAID in April 2006.
VI. Program Evaluations and Performance Assessment Rating Tool (PART) Reviews	Summaries of evaluations and reviews conducted on the programs critical to activities related to a given strategic goal.

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

PERCENTAGE OF RESULTS EQUAL TO OR ABOVE THE "ON TARGET" RATING			
Strategic Goal (Number of FY 2005 Reported Results)	FY 2003	FY 2004	FY 2005 ¹
1. Regional Stability	91%	88%	TBD
2. Counterterrorism	N/A	100%	TBD
3. International Crime and Drugs	100%	66%	TBD
4. Democracy and Human Rights	93%	73%	TBD
5. Economic Prosperity and Security	80.5%	89%	TBD
6. Social and Environmental Issues	84.8%	78%	TBD
7. Humanitarian Response	90%	100%	TBD
8. Management and Organizational Excellence	N/A	N/A	TBD

¹ All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

DATA RELIABILITY, COMPLETENESS, AND VALIDITY

Performance measurement is dependent on the availability and integrity of useful data that will indicate the reliability, completeness, and validity of performance. Because all data are imperfect in some fashion, pursuing “perfect” data may consume public resources without creating appreciable value. For this reason, there must be an approach that provides sufficient accuracy and timeliness, but at a reasonable cost. This section of the FY 2005 Performance and Accountability Report (PAR) provides information on how USAID uses performance data, assesses limitation of the data, and plans to improve USAID’s data verification and validity reporting processes.

To ensure that a level of data quality is being maintained, USAID’s operating units (OU) are requested to ensure that the data reported met the Office of Management and Budget (OMB) standards for data completeness and reliability that is presented in OMB Circular A-11, Section 230.2(f). The OMB standards are as follows:

The performance data in a performance and accountability report are considered complete if:

- Actual performance is reported for every performance goal and indicator in the performance budget (performance plan), including preliminary data if that is the only data available when the PAR is sent to the President and the Congress; and
- The Agency identifies in the PAR any performance goals and indicators for which actual performance data are not available or only preliminary data or estimates are available at the time the report is transmitted, and notes that the performance data will be included in a subsequent annual report. (Agencies are encouraged to pre-announce expected lags in the reporting of performance data in their performance budgets.)

Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained. Agencies must discuss in their assessments of the completeness and reliability of the performance data any limitations on the reliability of the data. Additionally, agencies should discuss in their PARs efforts underway to improve the completeness and reliability of future performance information as well as any audits, studies, or evaluations that attest to the quality of current data or data collection efforts.

The Agency’s data meet these tests for completeness and reliability.

Verification and validation of the Agency’s performance results are accomplished by periodic reviews, certifications, and audits, including Data Quality Assessments (DQA) of OU performance, and annual certification of OU strategic objectives and their relationship to the Agency’s strategic goals. Because of the size and diversity of the Agency’s portfolio, validation and verification is supported by extensive automated systems, external expert analyses, and management reviews.

STRATEGIC OBJECTIVE #1:

ACHIEVE PEACE AND SECURITY

The following are the strategic goals that comprise this strategic objective:

- Strategic Goal 1: Regional Stability
- Strategic Goal 2: Counterterrorism
- Strategic Goal 3: International Crime and Drugs

Each of these USAID Strategic Goals that support the “Achieve Peace and Security” Strategic Objective from the Joint State-USAID Strategic Plan will be discussed separately below, in the context of the strategic goal, performance goals, indicators, and targets which support overall accomplishment of the strategic objective.

STRATEGIC GOAL 1: REGIONAL STABILITY

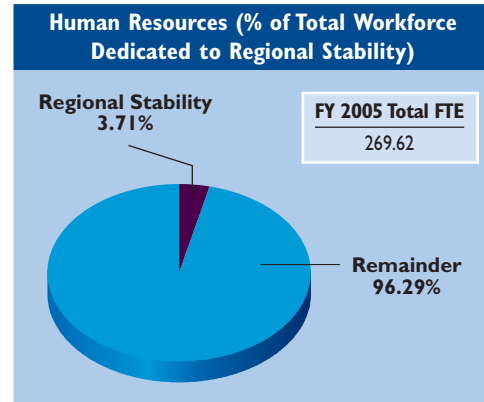
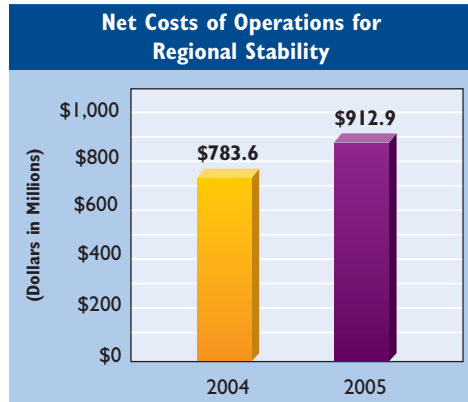
Avert and Resolve Local and Regional Conflicts to Preserve Peace and Minimize Harm to the National Interests of the United States

I. PUBLIC BENEFIT

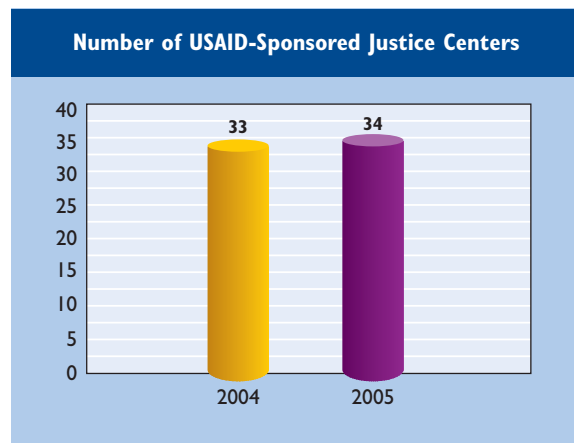
The United States must provide for the safety of Americans at home and abroad, protect against threats to its interests worldwide, and honor commitments to its allies and friends. The activities of USAID are cost-effective means for enhancing and ensuring stability in all regions of the world through understanding, addressing, and responding early to the causes and consequences of violent conflict, instability, and extremism. Through development assistance, USAID builds and strengthens relations with neighbors and allies worldwide by promoting peaceful regional environments and by educating foreign audiences in ways that can prevent, manage, and mitigate conflicts and instability and foster cooperative efforts. The benefits to the United States are greatest when the world is safer and more stable. Early action to address failing, failed, and recovering states, or “fragile states,” is central to promoting regional stability and addressing the source of the nation’s most pressing security threats. Factors that contribute to fragility and regional instability include, but are not limited to: weak or poor governance; economic and political instability; health crises; the illegal trade in toxic chemicals and dumping of hazardous wastes; corruption; violent ethnic conflict; influence of neighboring country interests; population movements; landmine contamination; exploitation of natural resources; proliferation of small arms and light weapons; trafficking in persons; the trade of illegal conflict diamonds; natural disasters; and systemic, state-sponsored denial of political and legal rights. USAID advances U.S. national security interests through the resolution of regional instability, so that Americans, at home and abroad, are safe from violence.

All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

II. RESOURCES INVESTED



III. SELECTED PERFORMANCE TRENDS



IV. ILLUSTRATIVE EXAMPLE OF SIGNIFICANT ACHIEVEMENT

WAR-TO-PEACE TRANSITION IN LIBERIA

In Liberia, sustained donor involvement has supported crucial transitional programs and preparations for elections late in 2005 that will lead to a new government. A significant aspect of USAID intervention in Liberia involves increasing the capacity of civil society to fill the void left by the failed state and the inability of government to provide fundamental services. Against this background in 2004, USAID support helped rebuild the capacity of 27 local non-governmental organizations (NGO) and develop five new community radio stations. This assistance focused on key areas, including human resource and financial management, outreach, strategic leadership, and technical management. Utilizing a specialized index of organizational capacity, management practices and policies were developed to address specific weaknesses. As a result, service delivery and management capacities of the local NGOs were substantially improved; overall index scores increased from 52 percent in 2003 to 74 percent in 2004.



A Turkana warrior and Pokot warrior pledge reconciliation at the Women's Peace Crusade. PHOTO: USAID/RICHARD GRAHN, AU/IBAR

USAID support during 2004 also helped organize 97 community development committees. The community development committees are charged with managing the communities' socio-economic development initiatives, and they interface with local leadership for decision-making on community driven development and peace building initiatives. Employing the Regenerated Friarian Literacy through Empowering Community Techniques (REFLECT) methodology for economically disadvantaged areas with high illiteracy, community residents participate in community development committees, water and sanitation committees, and parent-teacher associations. Community residents involved in REFLECT activities focus on project development, resource mobilization, and advocacy toward the overall

community development. Through USAID assistance, local communities have improved attitudes toward development and increased the number of community development projects.

ENSURE THAT TSUNAMI RELIEF FUNDS ARE NOT FUELING NEW CONFLICTS

USAID has provided almost \$1 million in program support to Sri Lanka's peace process. The Sri Lanka Peace Support Project encourages dialogue between political parties and fosters public support for the peace process from civic groups, businesses, and media outlets. Project activities include peace advocacy training for civil society groups, a pro-peace teledrama, and a national peace survey. Through another grant, USAID is building the capacity of citizens at all levels to engage in conflict mitigation activities.

USAID is helping Sri Lanka ensure that tsunami relief funds are not fueling new conflicts and that the funds are being fairly distributed among all recipients.



Delivering USAID tsunami relief. PHOTO: USAID/SRI LANKA

V. PERFORMANCE RESULTS

SUMMARY OF PROVISIONAL OR PRELIMINARY RESULTS — STRATEGIC GOAL I			
Total Goals and Indicators		Performance Summary	
Number of Performance Goals	1	Number of Targets Met	1
Number of Program Goals	1	Number of Targets Not Met	–
Number of Indicators	3	Number with Data Lags	2

PERFORMANCE GOAL #1

Existing and Emergent Regional Conflicts are Contained or Resolved

PROGRAM GOAL: CONFLICT MANAGEMENT AND MITIGATION

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

Performance Indicator #1: Progress Made in Advancement of a Peace Process (Worldwide)

FY RESULTS HISTORY	2002	N/A (new indicator for FY 2004)
	2003	N/A (new indicator for FY 2004)
	2004	<ul style="list-style-type: none"> ■ Number and types of events in support of peace processes: 1,126 (peace conferences, dialogues, training course, workshops, seminars). ■ Number of officials and key decisionmakers trained in peace-building/conflict resolution/mitigation skills: 3,301. ■ Number of people trained in conflict mitigation/resolution (disaggregated by country): 17,581. ■ Number of USAID-sponsored justice centers: 33.

(continued)



This organization is helping its community recover from war.


PHOTO: LAURA LARTIGUE, USAID/SIERRA LEONE

PROGRAM GOAL: CONFLICT MANAGEMENT AND MITIGATION (continued)

Performance Indicator #1: Progress Made in Advancement of a Peace Process (Worldwide) (continued)

<p>FY 2005 Data</p>	<p>2005 Preliminary or Provisional Results</p>	<ul style="list-style-type: none"> ■ 1,182 events in support of peace processes (i.e., peace conferences, dialogues, training course, workshops, and seminars). ■ 3,466 officials and key decision-makers trained in peace-building/conflict resolution/mitigation skills. ■ 18,460 people trained in conflict mitigation/resolution. ■ 34 USAID-sponsored justice centers. ■ 7,587,694 people reached by conflict prevention/mitigation media campaigns (disaggregated by country). ■ Nepal—capacity of civil society networks to play a meaningful role in policy formulation and peace-building efforts were enhanced. ■ Sri Lanka—A forum for multi-partisan dialogue between Sinhalese, Tamil, and Muslim political stakeholders was established under the Sri Lanka Peace Support project. The initiative brought together all the major political parties in the country. ■ Kenyan and Somali Border—Local partners work with elders of the Murule and Gharri communities, religious leaders, Provincial and District Commissioners, and key members of civil society to lay the groundwork for the Mendera Peace Agreement. Both USAID Missions remain engaged in monitoring and assisting in the implementation of the agreement. ■ USAID sponsored the first International Symposium on Restorative Justice and Peace in Colombia where consensus was reached on key issues related to the peace process. ■ USAID funded a report that analyzed livelihoods in Darfur and identified sources of instability in the north and east of Sudan, and a report that addressed issues in southern Sudan ranging from the implementation of the Comprehensive Peace Agreement to the development of programmatic responses to internally displaced persons (IDP). ■ Talking Drum Studio produced a series of radio dramas that explained the contents of the peace accord and role and responsibilities of various stakeholders. The series aired on seven radio stations in Monrovia and 10 community radio stations across the country, and it reached Liberian refugee camps in neighboring countries. ■ A study of USAID support to peace processes examined six cases of Agency involvement, and identified the ways USAID can bolster peace negotiations and its comparative advantage in doing so. Recommendations focused on how the Agency might play a more valuable, engaged role in support of peace processes. ■ USAID facilitated a discussion on the recovery process after state failure, based on the experience in Cambodia. It also co-hosted an Agency-wide workshop on community infrastructure in conflict-affected societies. ■ USAID/Russia was provided with \$1 million to support the development of pilot programs to demonstrate how assistance can inhibit the spread of conflict in the region and mitigate violence in Chechnya. ■ Trained USAID/Central Asian Republic (CAR) staff in support of the Mission's strategic planning process. The training included sessions on mainstreaming conflict programming and the connections between conflict and different sectors of development assistance such as land, security, and religion. ■ USAID published conflict "toolkits" on the connections between livelihood activities and conflict, and between forests and conflict. ■ The USAID Fragile States Strategy was published in 2005 and outlines how USAID can better respond to fragile and failed states.
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(continued)

PROGRAM GOAL: CONFLICT MANAGEMENT AND MITIGATION (continued)		
Performance Indicator #1: Progress Made in Advancement of a Peace Process (Worldwide) (continued)		
FY 2005 Data <i>(continued)</i>	Target	<ul style="list-style-type: none"> ■ 5 percent increase over FY 2004 in number and types of events in support of peace processes (i.e., peace conferences, dialogues, training course, workshops, and seminars). ■ 5 percent increase over FY 2004 in number of officials and key decisionmakers trained in peace-building/conflict resolution/mitigation skills. ■ 5 percent increase over FY 2004 in number of people trained in conflict mitigation/resolution (disaggregated by country). ■ 4 percent increase over FY 2004 in number of USAID-sponsored justice centers. ■ 4 percent increase in number of people reached by conflict prevention/mitigation media campaigns (disaggregated by country).
	Rating	 On Target
	Impact	Working toward its mandate of mainstreaming conflict sensitivity within USAID's traditional disaster, transitional, and development assistance portfolios, conflict management and mitigation (CMM) 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 Indicator #2: Number of Local Organizations Promoting Peace for 6 + Months		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	16 Local organizations promoting peace for 6+ months.
	2004	<ul style="list-style-type: none"> ■ 16 Local organizations promoting peace for 6+ months. ■ USAID's work with both the government of Senegal and the Movement of Democratic Forces of Casamance (MFDC) facilitated two major events in 2004: the historic May 4th meeting between the leader of the rebellion, Abbé Diamacoune, and President Wade on Senegalese soil; and an internal conference held by the MFDC to design a coherent negotiation platform for peace talks. ■ USAID-funded village level conflict resolution meetings, primarily with displaced people, reached more than 2,940 participants. These meetings addressed problems of community reconciliation, both ethnic and political. An education for peace curriculum, which promotes peace building among youth, was implemented. ■ In Somalia—Center for Research and Dialogue (CRD) peace forums in Somalia, Academy for Peace and Development (APD) forum for civic dialogue in Somaliland—grassroots peace-building training for 800 women. ■ REDSO in East Africa cross border peace dialogues in Karamoja have helped break cycles of conflict between the Pokot, Karamojong, Turkana, and Sabiny ethnic groups. ■ REDSO in East Africa partners conducted 16 conflict training courses. ■ West African Regional Program (WARP) partners trained 150 in conflict reduction and peace building and 108 in conflict early warning (38 female, 69 male). Over the past year, WANEP (a grant to a consortium composed of Catholic Relief Services (CRS) and the West African Network for Peacebuilding) successfully set up national-level, peace-building networks in 11 countries involving 298 civil society organizations. ■ Burundi—radio Isanganiro broadcasts 105 hours per week in three languages and has increased its coverage to 90 percent of the population in addition to reaching into neighboring countries. Studio Ijambo produces 17 hours of peace and reconciliation programs per week that are broadcast on seven radio stations. ■ In Burundi, civil society groups help 138 peace and reconciliation meetings.

(continued)

PROGRAM GOAL: CONFLICT MANAGEMENT AND MITIGATION (continued)

Performance Indicator #2: Number of Local Organizations Promoting Peace for 6 + Months (continued)

FY RESULTS HISTORY (continued)	2004	<ul style="list-style-type: none"> ■ Sudan—seven major new reconciliations were concluded: the Ngok of Abyei People’s Conference, Greater Aweil Dialogue for Peace, Upper Nile Peace Conference, Nuba Mountains, Kidepo Valley Agreement, Tore Conference, and Panakar Peace Conference. ■ Increased participation in reconciliation efforts reduced local resource-driven endemic conflicts by improving the capacity of stakeholders to share natural resources. About 700 to 1,000 people attended each meeting, including representatives of armed militias, but the benefits reached many others in the communities.
	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Burundi—local churches and community organizations are promoting a culture of peace and tolerance. With USAID funding, partners developed peace education materials, and are promoting youth activities as a means to build solidarity. ■ Colombia—the Restorative Justice, Coexistence and Peace Project in Colombia helps establish networks of public and private organizations that work together to address the underlying causes of conflict, rebuild social ties, and restore public safety in areas affected by violence. ■ Kenya—USAID supports civil society organizations implementing conflict programs at local and national levels. Program activities include facilitation of community-level dialogue, assistance in the formation of peace-building structures, organizing peace rallies, and highlighting problems facing conflict-prone communities. These partners are also actively involved in the ongoing dialogue on the formulation of a national policy on conflict management.
FY 2005 Data	Target	FY 2004 serves as the baseline for this indicator.
	Rating	■ Final results will be presented in the FY 2005 PAR Addendum available April 2006.
	Impact	To achieve peace USAID puts forth extensive efforts to reach parties through the broadest means possible (i.e. through events, etc.).



Camp for internally displaced persons. PHOTO: KIM BURNS, USAID/UGANDA

PROGRAM GOAL: CONFLICT MANAGEMENT AND MITIGATION <i>(continued)</i>		
Performance Indicator #3: Number of Functioning Civil Society-Civil Authority Local Governance Partnerships in Stable Areas		
FY RESULTS HISTORY	2002	13 partnerships
	2003	17 partnerships
	2004	<ul style="list-style-type: none"> ■ 35 partnerships ■ USAID/Uganda funded several organizations to implement 35 peace dialogue action items, including the facilitation of peace-building activities, such as public works, traditional ceremonies, peace fairs, and theater; through peace committees, village leaders, and women's groups. Thirty-five additional peace dialogue meetings were held at national and local levels; 20 peace clubs established in schools. ■ Two large-scale traditional ceremonies involving a total of 199 individuals and five smaller ceremonies were carried out to facilitate the community re-integration of the ex-combatants registering for amnesty ("reporters"). ■ In Northern Uganda key stakeholders in Gulu were consulted regarding reconciliation priorities, including religious, district, and traditional leaders; women's groups; non-governmental organizations (NGO); and civil society.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Uganda—grassroots civil society groups enabled to build consensus on issues related to the Ugandan peace process. A total of 500 people participated in four different conferences. ■ Kosovo—USAID supported a two-year initiative to promote peace and stability in Kosovo. The program develops negotiation and dialogue forums that allow local parties and civil society groups to participate fully in discussions with the government and other stakeholders over the future status of Kosovo. These bodies will build on the success of USAID's locally-established dialogue projects in Kosovo, such as the "Municipal Infrastructure Support Initiative," and will facilitate the establishment of locally-driven partnerships and grassroots "ownership" of the process.
	Target	FY 2004 serves as the baseline for this indicator.
	Rating	■ Final results will be presented in the FY 2005 PAR Addendum available April 2006.
	Impact	Key stakeholders are consulted regarding reconciliation priorities, including religious, district, and traditional leaders; women's groups; NGOs; and civil society.

VI. PROGRAM EVALUATIONS AND PART REVIEWS

- 1) United States Agency for International Development.
Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity. Chapter 4, Mitigating and Managing Conflict. 2002 http://www.usaid.gov/fani/Chapter_4--Foreign_Aid_in_the_National_Interest.pdf
- 2) United States Agency for International Development, Office of Conflict Management and Mitigation.
Conducting a Conflict Assessment: A Framework for Strategy and Program Development.
- 3) United States Agency for International Development, Office of Conflict Management and Mitigation.
Youth & Conflict: A Toolkit for Intervention
- 4) United States Agency for International Development, Office of Conflict Management and Mitigation.
Valuable Minerals & Conflict: A Toolkit for Intervention
- 5) United States Agency for International Development, Office of Conflict Management and Mitigation.
Land & Conflict: A Toolkit for Intervention
- 6) United States Agency for International Development, Office of Conflict Management and Mitigation.
Fragile States Strategy
- 7) United States Agency for International Development, Office of Conflict Management and Mitigation.
An Overview of USAID Work in Policing



A policy diagnostic workshop with local government. Vietnam Competitiveness Initiative (VNCI) project. PHOTO: HUONG HUYNH-VNQ STAFF

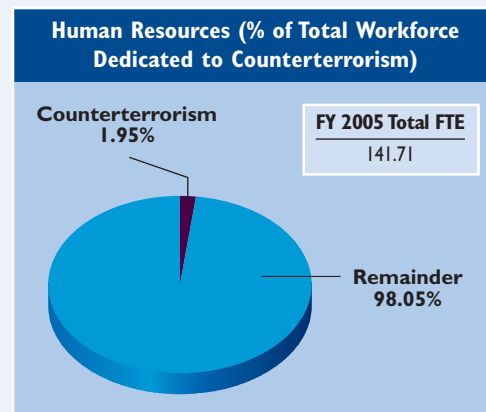
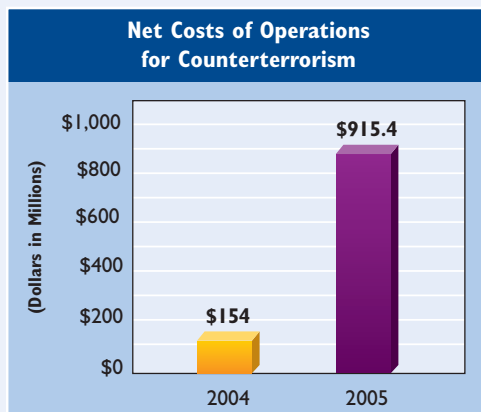
STRATEGIC GOAL 2: COUNTERTERRORISM

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

I. PUBLIC BENEFIT

It has been four years since the tragic events of 9/11. During that time the United States has led the establishment of a 60-nation coalition to fight terrorism in all parts of the globe. While al-Qaeda has been severely damaged with the loss of Afghanistan as a base of international operations, they continue to be the dominant threat to the United States and its allies. More than 3,400 terrorist suspects have been arrested or detained worldwide. More than \$100 million in terrorist assets have been blocked worldwide with 173 nations issuing orders to freeze terrorist assets. In the United States alone more than \$36 million in assets of al-Qaeda have been blocked, and \$26 million has been returned to the government of Afghanistan. In every corner of the globe, the Secretary, the Administrator, Ambassadors, and Mission Directors have pressed their counterparts for expanded cooperation and intensified efforts against terrorists. Through such effective diplomacy, the United States has developed and leads a worldwide coalition that acts to suppress terrorism on all fronts: military, intelligence, law enforcement, public diplomacy, and financial. Key to the ability to mobilize effective action by U.S. foreign partners is the provision of training to those who want to help but lack the means. In FY 2004 USAID committed more than \$6.081 billion to programs that fought terrorism at its roots. These programs (including programs on anti-terrorist assistance) establishing stable and modern government, job creation, and education reforms have significantly improved the abilities of many countries to be effective partners.

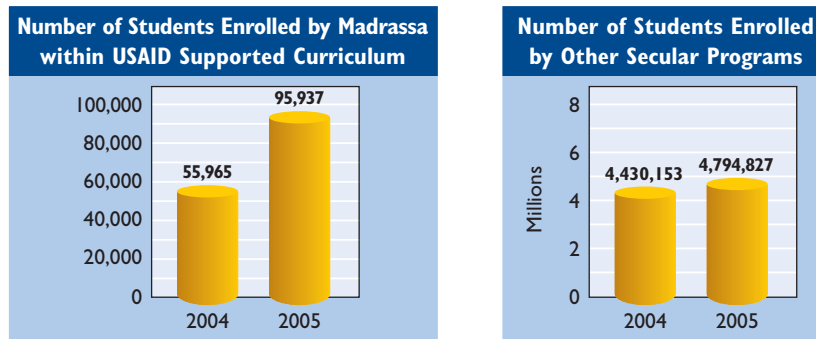
II. RESOURCES INVESTED



All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

III. SELECTED PERFORMANCE TRENDS

Number of Students Enrolled in Basic Education Programs (by Madrasa, Other) in Frontline States Receiving a Secular Curriculum Supported through USAID.



IV. ILLUSTRATIVE EXAMPLE OF SIGNIFICANT ACHIEVEMENT

JOBS KEY IN IRAQ

At least 50,000 Iraqis per month are finding work—whether temporary or permanent—through USAID-supported programs.

"We are the engine, in terms of creating employment," said Iraq Mission Director Spike Stevenson during a recent visit to Washington, D.C.

USAID employs an average of 40,000 Iraqis per month on short-term, labor-intensive jobs cleaning up communities and rehabilitating schools and other buildings. These activities focus on poor and conflict-prone areas.

Meanwhile, some 8,000 Iraqis have found long-term employment with contractors and subcontractors funded by the Agency. Thousands are also participating in trainings that teach job skills. Some \$21 million in microcredit loans to small and medium-sized businesses are also creating jobs as Iraq's economy tries to get back on its feet. USAID is funding the loans through non-governmental organizations (NGO). Some 52 percent of Iraqis are unemployed, and many of those with jobs are underemployed, working part-time or for small income. This is a particularly alarming figure, given that some 70 percent of the Iraqi population is under 25—a large labor pool with need for economic opportunity.

"Our programs focus on creating long-term, meaningful employment," said Nadia Dawood of the Iraq desk.



Under a new program, USAID will also work with vocational and educational centers throughout Iraq to provide job skills training and help people find work.

USAID-assisted private sector housing and commercial construction are also creating jobs, especially in urban areas. Iraq is estimated to have a housing shortage of one million units.

The Agency is rehabilitating agricultural infrastructure, maintaining irrigation networks, and improving crop and livestock production technologies, focusing on the private sector. “These activities will provide employment and higher incomes for the rural population and lead to sector-wide economic growth,” said Doug Pool of the Iraq team.

V. PERFORMANCE RESULTS

SUMMARY OF PROVISIONAL OR PRELIMINARY RESULTS — STRATEGIC GOAL 2			
Total Goals and Indicators		Performance Summary	
Number of Performance Goals	2	Number of Targets Met	12
Number of Program Goals	3	Number with Targets Not Met	1
Number of Indicators	13	Number with Data Lags	–



PERFORMANCE GOAL #1



Improve Political and Economic Conditions to Reduce Terrorism

PROGRAM GOAL: DIMINISH POTENTIAL UNDERLYING CONDITIONS OF TERRORISM IN IRAQ		
Ensure that both public and private institutions are developed and strengthened to prevent the reoccurrence of terrorist infiltration.		
Performance Indicator #1: Level of Economic Aid to Iraq		
FY RESULTS HISTORY	2002	N/A (new indicator for FY 2004)
	2003	N/A (new indicator for FY 2004)
	2004	<ul style="list-style-type: none"> ■ Thirty-eight individual countries pledged in Madrid, plus the European Commission (EC), World Bank, and International Monetary Fund (IMF) for a total of 41 countries/organizations. ■ Total pledged for 2004-2007 from non-U.S. donors at Madrid totaled more than \$8 billion from donor governments including loan assistance (e.g., Japan pledged \$5 billion of which \$3.5 billion was in the form of concessional lending), and another \$5.5 billion in potential lending from the World Bank and the IMF.
FY 2005 Data	2005 Preliminary or Provisional Results	Allocations against pledges by major donors through FY 2005 totaled more than \$3 billion.
	Target	Maximize international participation in the level of economic aid to Iraq.
	Rating	■ On Target
	Impact	This aid has been vital to rebuilding Iraq's economy.

PROGRAM GOAL: DIMINISH POTENTIAL UNDERLYING CONDITIONS OF TERRORISM IN IRAQ (continued)



Performance Indicator #2: Support Education Reform and Development in Iraq

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	Data first collected in FY 2003: <ul style="list-style-type: none"> ■ 2,358 schools rehabilitated or built. ■ More than 32,000 secondary school teachers and administration staff trained. ■ More than 8 million textbooks printed and distributed.
	2004	<ul style="list-style-type: none"> ■ 2,405 schools rehabilitated or built. ■ More than 33,000 secondary school teachers and administration staff trained. ■ More than 8.7 million textbooks printed and distributed.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 2,861 schools rehabilitated (cumulative 2004 and 2005). ■ 45,440 secondary teachers and administration staff trained. ■ No textbooks printed and distributed in 2005.
	Target	<ul style="list-style-type: none"> ■ More than 2,000 schools to be rehabilitated or built. ■ More than 30,000 secondary school teachers and administration staff to be trained. ■ More than eight million textbooks to be printed and distributed.
	Rating	 On Target
	Impact	Rebuilding Iraq's education system is vital to long-term economic and social development and growth.
Performance Indicator #3: Provide Assistance to Transform Iraq to a Free Market-based Economy		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	With the Ministry of Finance, the new national currency, the Iraqi dinar, was introduced.
	2004	<ul style="list-style-type: none"> ■ Developed 10 laws and/or regulations processes relating to private sector development. ■ Implemented Financial Management Information System (FMIS) at Ministry of Finance; implementation in progress at six key Ministries.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ USAID assistance and coordination with other U.S. government agencies and donors resulted in the government of Iraq fulfilling Emergency Post Conflict Assistance (EPCA) conditions and entering into Stand-by Arrangement (SBA) negotiations. ■ Installed 54 sites (Phase I) of the FMIS, which will account for 83 percent of Iraq's central government budget.
	Target	<ul style="list-style-type: none"> ■ USAID assistance results in government of Iraq meeting IMF's EPCA requirements and entering into negotiations for a SBA. ■ Install Phase I of FMIS to account for significant portion of Iraq's budget.
	Rating	 On Target
	Impact	USAID's efforts to create jobs and strengthen overall trade, investment, and enterprise growth programs throughout the country will help promote and support stability and security.

PROGRAM GOAL: DIMINISH POTENTIAL UNDERLYING CONDITIONS OF TERRORISM IN IRAQ (continued)		
Performance Indicator #4: Support Iraqis in Their Efforts to Define and Develop Democratic Local Governance Policies and Systems		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	Baseline: 90 percent of districts with local governance established.
	2004	95 percent of districts with local governance established.
FY 2005 Data	2005 Preliminary or Provisional Results	USAID fully supported establishing local government in 16 of the 18 governorates. (Two governorates were not the responsibility of USAID).
	Target	At least 95 percent of districts with local governance established.
	Rating	 On Target
	Impact	In order for local governance to be established, community members must be engaged and active participants, and national government structures must support local decision-making.
Performance Indicator #5: Create Jobs and Provide Essential Services in Iraq		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	■ 48,000 jobs created through USAID-funded works projects.
		■ An average of 30,000 Iraqis employed per month on short-term basis (future numbers dependent upon security situation).
FY 2005 Data	2005 Preliminary or Provisional Results	Average number of short and long-term jobs created is 58,500 per month in 2005
	Target	Create 50,000 short and long-term jobs.
	Rating	 On Target
	Impact	USAID's efforts to create jobs will help promote and support stability and security.

PROGRAM GOAL: DIMINISH POTENTIAL UNDERLYING CONDITIONS OF TERRORISM IN IRAQ (continued)

Performance Indicator #6: Promote Citizenry Confidence in Government's Ability to Effectively and Efficiently Function

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<ul style="list-style-type: none"> ■ USAID awarded more than 1,888 small grants for quick impact activities that support: good governance, civil society, conflict management and mitigation (CMM), human rights, and transitional justice. ■ The 1,888 small grants totaled more than \$142 million.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ January 2005 election: 19 women from nine political parties were assisted. ■ 50 women in the National Assembly were trained on the constitution.
	Target	Maximize the number of small grants provided.
	Rating	 On Target
	Impact	Confidence in government functions will foster democracy and stability and reduce the threat of terrorism.
Performance Indicator #7: Increase Delivery of Essential Services in Iraq		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<ul style="list-style-type: none"> ■ Increased availability of potable water to 27 percent of target population. ■ Increased volume of treated sewerage to seven percent of target population. ■ Supported delivery of water for irrigation meeting 13 percent of target. ■ Increased availability of electricity meeting 22 percent of target population.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Potable water reached a population of 3.8 million. ■ 7.4 million Iraqis benefited from treated sewage systems. ■ 1,056 megawatts of electricity added to the national grid.
	Target	<ul style="list-style-type: none"> ■ Increase availability of potable water—target population 6.5 million Iraqis. ■ Increase volume of treated sewerage—target population 6.1 million Iraqis. ■ Increase availability of electricity by adding 2,036 megawatts.
	Rating	 Below Target
	Impact	Essential service delivery will both improve severe impoverished conditions in the country and promote stability and security.

PROGRAM GOAL: DIMINISH POTENTIAL UNDERLYING CONDITIONS OF TERRORISM IN AFGHANISTAN		
Ensure that both public and private institutions are developed and strengthened to be able to prevent the reoccurrence of terrorist infiltration.		
Performance Indicator #1: Rehabilitation Status of Afghan Educational Infrastructure		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	<ul style="list-style-type: none"> ■ 188 schools rehabilitated/built through USAID assistance. ■ 15,282 students enrolled/trained (in three provinces) through USAID assistance. ■ 7,900 teachers trained through USAID assistance. ■ 10.3 million textbooks printed/distributed through USAID assistance.
	2004	<ul style="list-style-type: none"> ■ 81 schools built or rehabilitated in 2004 through USAID assistance. ■ 169,716 students enrolled/ trained (in three provinces) through USAID assistance. ■ 35,819 teachers trained in 2004 through USAID assistance.
FY 2005 Data	2005 Preliminary or Provisional Results	4.8 million students enrolled in basic education programs receiving a secular curriculum supported through USAID.
	Target	4.8 million students enrolled in basic education programs receiving a secular curriculum supported through USAID.
	Rating	■ On Target
	Impact	This indicator will measure the efforts to build or rehabilitate Afghanistan's education system, with a focus on providing support to secular schools and education; as well as promote democratic values through education.







USAID/Afghanistan's Schools and Clinics Program: USAID-funded medical clinic in Wardak Province, Afghanistan. Two young Afghan boys overlook a USAID/Afghanistan-funded medical clinic. Project implemented by USAID implementing partner "Shelter for Life."

PHOTO: WILLIAM R. BILLINGSLEY/SHELTER FOR LIFE INTERNATIONAL

PERFORMANCE GOAL #2

Stable Political and Economic Conditions that Prevent Terrorism from Flourishing in Fragile or Failing States

PROGRAM GOAL: DIMINISH CONDITIONS THAT ALLOW TERRORIST RECRUITMENT IN FRAGILE OR FAILING STATES		
Policies, programs, and activities establish attractive alternatives to terrorist indoctrination and recruitment.		
Performance Indicator #1: Number of Students Graduating from Vocational Training Programs with High Youth Unemployment/Underemployment		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<ul style="list-style-type: none"> ■ 120,000 in Afghanistan. ■ 15,191 in other fragile/failing states.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 170,000 in Afghanistan. ■ 13,448 in other fragile/failing states.
	Target	<ul style="list-style-type: none"> ■ 120,000 in Afghanistan. ■ 12,701 other fragile/failing states.
	Rating	 On Target
	Impact	Vocational training of youths may diminish the number of recruits terrorist have.
Performance Indicator #2: Number of Students Enrolled in Basic Education Programs (by Madrassa, Other) Receiving a Secular Curriculum Supported Through USAID		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<ul style="list-style-type: none"> ■ 55,965 students enrolled by Madrassa. ■ 4,430,153 students enrolled by other secular programs.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 95,937 students enrolled by Madrassa. ■ 4,794,827 students enrolled by other secular programs.
	Target	<ul style="list-style-type: none"> ■ 37,437 students enrolled by Madrassa. ■ 4,697,427 students enrolled by other secular programs.
	Rating	 Exceeded Target
	Impact	Secular training provides greater opportunity for youths to gain an understanding of societies outside of the Muslim world. Furthermore, secular training and Madrassa are free of extremist doctrines that spread hate and spawn terrorist.

PROGRAM GOAL: DIMINISH CONDITIONS THAT ALLOW TERRORIST RECRUITMENT IN FRAGILE OR FAILING STATES <i>(continued)</i>		
Performance Indicator #3: Number of Jobs Created Through USAID-funded Work Projects		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<ul style="list-style-type: none"> ■ One month employment or less: 947. ■ 30 to 180 days of employment: 345,055. ■ Greater than 180 days of employment: 677,834.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ One month employment or less: 20,890. ■ 30 to 180 days of employment: 364,503. ■ Greater than 180 days of employment: 742,591.
	Target	<ul style="list-style-type: none"> ■ One month employment or less: 35,350. ■ 30 to 180 days of employment: 353,449. ■ Greater than 180 days of employment: 743,155.
	Rating	 On Target
	Impact	Employing large segments of the population serves two purposes. First, it helps the economy and employment generation that could lead to long-term job placement. Second, people who are employed are less likely to be swayed by hate doctrine and commit terrorist acts.
Performance Indicator #4: Number of Community-identified Activities Completed Through Community Participation (e.g., Rehabilitate Roads, Build Markets, Build Playgrounds, etc.)		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	15,944 community projects completed.
FY 2005 Data	2005 Preliminary or Provisional Results	12,340 community projects completed.
	Target	11,346 community projects completed.
	Rating	 Exceeded Target
	Impact	Infrastructure is vital for sustained development and economic and social change.

PROGRAM GOAL: DIMINISH CONDITIONS THAT ALLOW TERRORIST RECRUITMENT IN FRAGILE OR FAILING STATES (continued)

Performance Indicator #5: Number of Communities Assisted Through USAID

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	18,633 community assisted.
FY 2005 Data	2005 Preliminary or Provisional Results	17,881 community assisted.
	Target	17,405 community assisted.
	Rating	■ On Target
	Impact	Rural and local communities can be the birthplace of terrorism and addressing their development needs may limit the amount of violence that comes out of those communities.

VI. PROGRAM EVALUATIONS AND PART REVIEWS

No program evaluations or PART reviews were conducted in FY 2005 for this strategic goal.



The Fernando Belaunde Terry (FBT) road in the San Martin region before rehabilitation was almost impassable. Under these conditions it used to take 16 hours to get from Juanjui to Tocache, cities separated only 172 km. PHOTO: MABE ARCE, USAID/PERU



The FBT road rehabilitated with an investment of \$25 million, the biggest USAID/Peru grant for one single piece of infrastructure. The “road for development” will facilitate access to markets, new means of passenger transportation, and the integration of this Amazon region with the rest of the country. The immediate impact in people’s life is the reduction in travel time on the Tocache – Juanjui stretch from 16 to four hours. The rehabilitation work emphasized the central stretch of around 90 kms. PHOTO: MABE ARCE, USAID/PERU

STRATEGIC GOAL 3: INTERNATIONAL CRIME AND DRUGS

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

I. PUBLIC BENEFIT

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

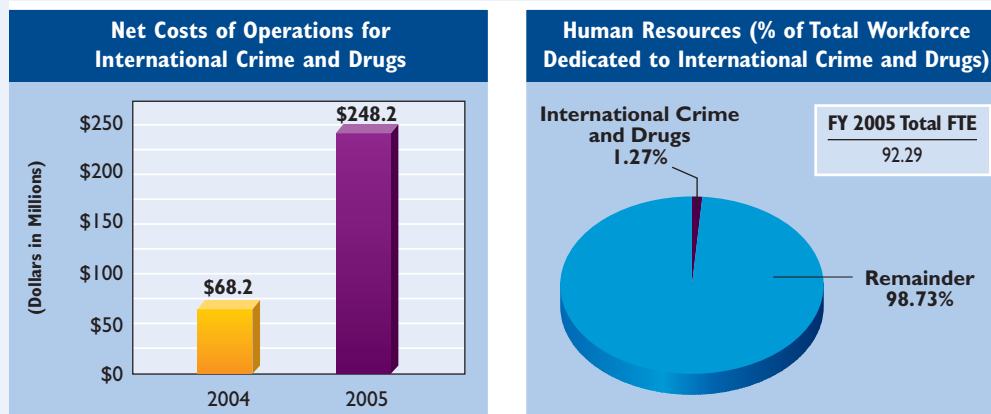
International crime groups also pose critical threats to U.S. interests, undermine the rule of law, and enable transnational threats to grow. International trafficking in persons, smuggling of migrants and contraband, money laundering, cyber crime, theft of intellectual property rights, vehicle theft, public corruption, environmental crimes, and trafficking in small arms cost U.S. taxpayers and businesses billions of dollars each year. Experts estimate that non-drug crime accounts for half of the estimated \$750 billion of money laundered each year globally.

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

To meet these challenges, the Department of State and USAID support a robust and comprehensive range of public-private, bilateral, regional, and global initiatives and assistance programs to build up the law enforcement capabilities of foreign governments to help stop these threats before they reach U.S. soil. This includes working with other U.S. government agencies and foreign governments to break up drug trafficking and other international crime groups, disrupt their operations, arrest and imprison their leaders, and seize their assets. It also includes providing small farmers in drug producing areas in the Andean ridge, Afghanistan, and Southeast Asia the means to abandon illicit crop production permanently by developing viable economic alternatives and improving social conditions of farm families.

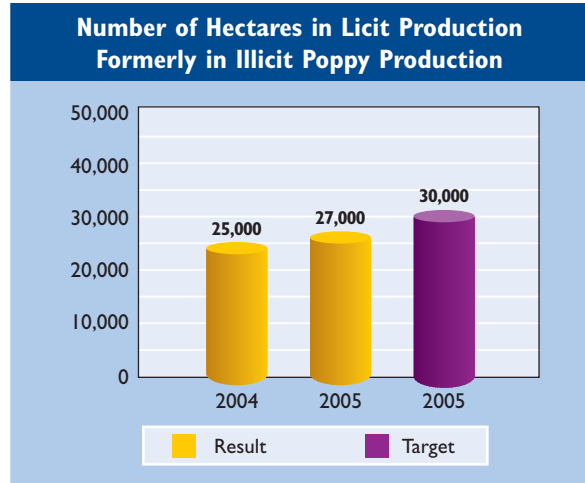
To expand the reach of government and help establish the rule of law, which is critical to political stability in source countries struggling against narco-terrorists, USAID strengthens courts and prosecutorial offices, creates less corrupt and more transparent national and local government structures, and improves civil society advocacy.

II. RESOURCES INVESTED



All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

III. SELECTED PERFORMANCE TRENDS



IV. ILLUSTRATIVE EXAMPLE OF SIGNIFICANT ACHIEVEMENT



Bustling commerce in Kabul has taken root in places that once saw nothing but warlord battles. PHOTO: USAID/BEN BARBER

USAID PLAYS A KEY ROLE TO FIGHT AFGHAN OPIUM

USAID plays a key role in the \$780 million U.S. effort to slow Afghanistan's expanding drug trade through programs that eradicate opium poppies and help farmers to develop alternate crops and livelihoods. The anti-drug plan, five months in the making and coordinated with the Afghans, British, and others, includes highlighting the dangers of drug use to growers and others; building the justice infrastructure to bolster enforcement; providing alternative livelihoods to encourage poppy growers to try new crops; increasing interdiction efforts; and eradicating poppy fields.

USAID's anti-narcotics plan for alternate livelihoods was funded at \$10 million as a pilot program, but was expected to rise to \$130 million.

REDUCING THE DEMAND FOR DRUGS IN TAJIKISTAN

Tajik officials have acknowledged the contribution of USAID's Drug Demand Reduction Program (DDRP) to stem increasing demand for drugs in Tajikistan. The program contributes to improving the regulatory and policy environment related to drug demand reduction. The three-tiered approach to drug demand reduction encapsulates universal prevention, selective prevention, and indicative prevention levels. DDRP is the only program in Tajikistan implementing such a comprehensive approach to reducing demand. USAID's DDRP program targets at-risk youth through a variety of interventions, including youth centers, peer education, activities to provide recreational and skill-building alternatives for youth at high risk of initiating drug use, educational materials on the risks of drug use, and skills development for street kids. USAID's new CAPACITY program will expand DDRP's focus on reducing drug use to address other aspects of HIV/AIDS prevention for youth, building on past activities related to condom social marketing, school-based education, and education and outreach events targeting youth.



Students light candles on the USAID-sponsored HIV/AIDS memorial event "I Remember, But Do You?" in Simferopol, Ukraine.

PHOTO: EVGENIYA ZAVYALOVA, USAID/KYIV

STOPPING TRAFFICKING, SAVING LIVES

The lure is steady employment and a better life, but the result is often months or years of physical and emotional abuse. It's a modern form of slavery called trafficking — the use of fraud or coercion to recruit, transport, buy, and sell human beings — and it entraps as many as four million people each year.



The New Life Center in Thailand has helped more than 1,000 women and children avoid exploitation and make positive changes in their lives. PHOTO: USAID

Fortunately, awareness is growing. In fact, the combined efforts of USAID, local government, and community organizations recently rescued 250 women, many of them minors, from a "shipment" bound for a prostitution den in Manila. Authorities also intervened in an illegal recruitment scam involving 50 people who had paid outrageous placement fees for factory jobs in Belgium that did not exist. And a woman hired as a farm worker in a remote village saved herself from trafficking when she recognized the illegal recruitment practices from an awareness-raising exercise she had attended.

With support from USAID, the Trafficking Watch Group (TWG) was formed, comprising 17 national government agencies and 18 trade unions, civil society organizations, and advocacy groups. Members of the Philippine government's Inter-Agency Council Against Trafficking are represented and assist in TWG's efforts to combat trafficking on multiple levels. It has mounted a public

education campaign, coordinated task forces, planned interventions, and built capacity in national government agencies, organizations, and citizen organizations. The group developed a Web site (<http://www.trafficking.org.ph>) and a database, along with a series of

publications that include primers on the Philippine Anti-Trafficking in Persons Act in English and local dialects. To strengthen legal resources, TWG developed a sample ordinance against trafficking, which local governments have used as a guide to pass ordinances in Bataan, Cavite, Eastern Samar, and Leyte — all provinces identified as source, training, transit, and destination areas for trafficking victims. TWG also trained judges and prosecutors to improve their understanding of the Anti-Trafficking Act and local ordinances.

For trafficking victims and their families, TWG provides counseling, access to temporary shelters, and economic opportunities. The organization is also among the forerunners in drawing attention to the problems that many victims — especially women — face in reintegrating themselves into their communities and is producing a manual to assist them.

V. PERFORMANCE RESULTS

SUMMARY OF PROVISIONAL OR PRELIMINARY RESULTS — STRATEGIC GOAL 3

Total Goals and Indicators		Performance Summary	
Number of Performance Goals	1	Number of Targets Met	1
Number of Program Goals	2	Number of Targets Not Met	1
Number of Indicators	2	Number with Data Lags	—

PERFORMANCE GOAL #1


International Trafficking in Drugs, Persons, and Other Illicit Goods Disrupted and Criminal Organizations Dismantled

PROGRAM GOAL: GLOBAL POPPY CULTIVATION

Strengthen the unified campaign against drug trafficking and the terrorists who benefit from it.

Performance Indicator #1: Number of Hectares in Licit Production Formerly in Illicit Poppy Production (Alt: Alternative Development Supported)

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	25,000 hectares in licit production formerly in illicit poppy production.
FY 2005 Data	2005 Preliminary or Provisional Results	27,000 hectares in licit production formerly in illicit poppy production.
	Target	30,000 hectares in licit production formerly in illicit poppy production.
	Rating	■ Below Target
	Impact	This indicator will measure the impact of USAID programs to educate growers, provide alternative seeds, and agricultural inputs, and promote the production of licit crops in areas where poppy has been grown.

PROGRAM GOAL: IMPROVE ANTI-TRAFFICKING PROSECUTORIAL AND PROTECTION CAPACITIES		
Train law enforcement officials and service providers to work collaboratively to take preventive measures against trafficking in persons, identify trafficking rings and victims, effectively use existing legislation to prosecute traffickers, weed out corruption, and ensure protections for victims.		
Performance Indicator #1: Number of People Reached Through USAID-supported Anti-trafficking in Persons Programs		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	<ul style="list-style-type: none"> ■ 5,060,500 persons reached by public awareness. ■ 3,737 officials educated or trained. ■ 362 survivors of trafficking in persons (TIP) received counseling and other support services.
	2004	<ul style="list-style-type: none"> ■ 48,531,502 persons reached by public awareness. ■ 47,483 officials educated or trained. ■ 434,318 survivors of TIP received counseling and other support services.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 25,637,663 persons reached by public awareness. ■ 10,095 officials educated or trained. ■ 5,913 survivors of TIP received counseling and other support services.
	Target	<ul style="list-style-type: none"> ■ 25,500,000 persons reached by public awareness. ■ 10,000 officials educated or trained. ■ 5,000 survivors of TIP receive counseling and other support services.
	Rating	 On Target
	Impact	By increasing awareness of the dangers of trafficking, training officials on the legal and human rights issues of trafficking, and by providing support services to the survivors of trafficking, USAID's efforts will result in the mitigation of the numbers of people trafficked and in the consequences of trafficking.

VI. PROGRAM EVALUATIONS AND PART REVIEWS

- 1) Results of the CAD (Colombia Alternative Development) Project Appraisal Survey: An Evaluation of the Effect and Impact of the CAD Project in Putumayo Department, Colombia. Link: http://www.dec.org/pdf_docs/PDACA534.pdf

STRATEGIC OBJECTIVE #2:

ADVANCE SUSTAINABLE DEVELOPMENT AND GLOBAL INTERESTS

Protecting the United States and its allies from the dangers of terrorism, weapons of mass destruction, international crime, and regional instability is necessary but not sufficient for achieving national security. A healthier, more educated, democratic, and prosperous world—in short, a better world—is also necessary for achieving national security.

USAID's strategic goals for democracy and human rights, economic prosperity and security, and social and environmental issues are part of a larger whole. It is no coincidence that conflict, chaos, corrupt and oppressive governments, environmental degradation, and humanitarian crisis often reign in the same places.

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

The following are the strategic goals that comprise this strategic objective:

- Strategic Goal 4: Democracy and Human Rights
- Strategic Goal 5: Economic Prosperity and Security
- Strategic Goal 6: Social and Environmental Issues
- Strategic Goal 7: Humanitarian Response

STRATEGIC GOAL 4: DEMOCRACY AND HUMAN RIGHTS

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

I. PUBLIC BENEFIT

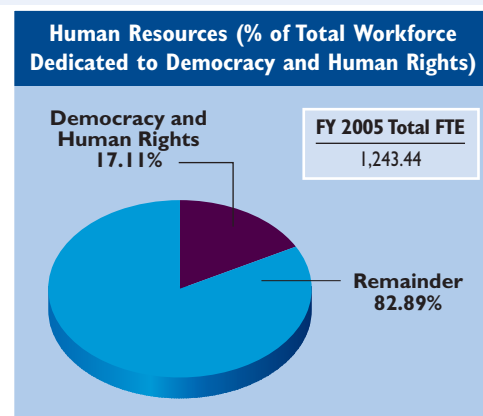
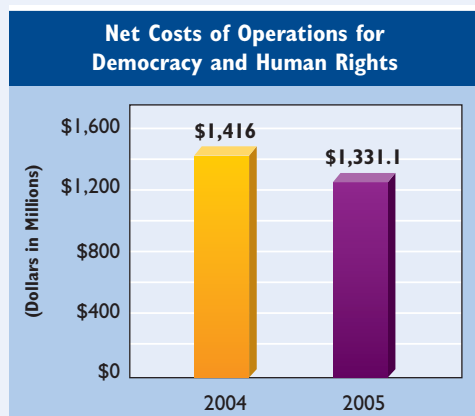
The United States recognizes the vital importance of democracy, human rights, and good governance to global security, prosperity, and freedom. Competitive political institutions, transparent democratic practices, and civic activism are strengthened when the rule of law and protection of universally-accepted standards of human rights are upheld. America's experience as a democracy affirms the Agency's conviction that all people can live and prosper in peace. Even in the worst moments, the United States has been guided by its commitment to freedom and self-government. The conclusion one draws from that commitment is that the survival of liberty at home is dependent on liberty in other lands.

Protecting human rights and promoting democracy is a cornerstone of a U.S. foreign policy that seeks to end oppression, combat terrorism, and advocate democratic ideals and freedoms worldwide. President Bush's vision of a world where freedom reigns has been clearly articulated throughout his tenure, but nowhere more clearly than in his 2005 inaugural address: "It is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world."

Institutionalizing democracy, human rights, and good governance is the focus of USAID programs in approximately 80 priority developing countries. With more than 400 democracy officers worldwide, USAID works on the frontlines of democracy promotion to encourage the transition to, and consolidation of, democracy throughout the world. These on-the-ground efforts emphasize the building of institutions and processes to ensure free, effective participation in national and local political processes. In those countries where USAID and the Department of State work together to implement these programs, the recipient countries have become more successful participants in the international community and better strategic and economic partners for the United States.

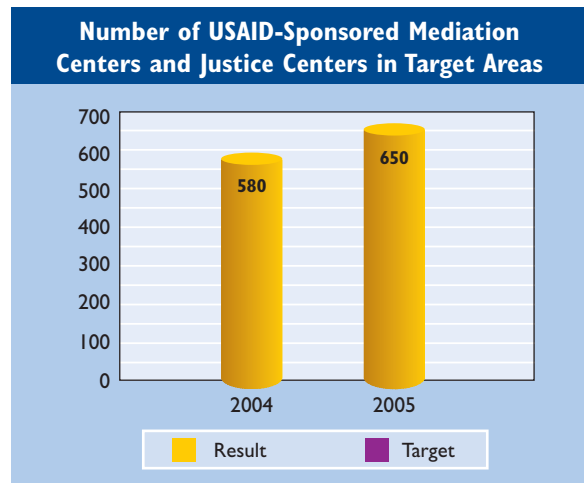
While the United States plays a leading role to promote democracy and human rights, the Department of State and USAID recognize that they are not uniquely American values. Democratization must ultimately be a process driven by a society's citizens. Toward that end, the Department of State and USAID work to ensure that democratic reforms reflect a representative political process.

II. RESOURCES INVESTED



All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

III. SELECTED PERFORMANCE TRENDS



IV. ILLUSTRATIVE EXAMPLE OF SIGNIFICANT ACHIEVEMENT



Democratic decentralization and citizen participation encourages local communities to plan and manage their own access to basic services. PHOTO: USAID/GABRIELLA CHINCHILLA

DEMOCRATIC DECENTRALIZATION AND CITIZEN PARTICIPATION

USAID democracy programs in Bolivia have increased women's participation in municipal and budget meetings, as part of a large effort to improve participation at the local level. Democratic Decentralization and Citizen Participation (DDCP) promotes gender and indigenous equity through an innovative, integrated model of participatory municipal management. The team supports women's participation by working with community leaders, non-governmental organizations (NGO), and women's groups to encourage women not only to attend planning meetings, but also to communicate their demands during these meetings, as citizens with the same rights as men. In addition to integrating gender as a cross-cutting technical area, DDCP has developed a gender strategy that includes three primary areas of activities to increase the quality and equity of women's participation in municipal governance: direct training of women candidates and elected municipal officials to increase their capacity to serve as elected officials; technical assistance to Bolivian NGOs to strengthen the laws against gender-based violence in the political arena; and compliance with the Law of Equitable Inclusion of men and women on municipal electoral lists. More than 1,000 future women leaders received training, and the percentage of women candidates in municipal elections increased from 46 percent in 1999 to 56 percent in 2004.

GOVERNANCE INSTITUTIONS

For more than a quarter-century after Kenya's independence, the National Assembly remained a weak and neglected branch of government. By 1999, political support for an independent Parliament led to the passage of the Parliamentary Service Commission (PSC) Act, a watershed moment in Kenya's political history. With the Act, the legislature took a definitive step away from executive control by establishing its own independent staffing and administrative structures. To encourage further reforms, USAID began providing direct support to the Parliament beginning in 2000. Following an assessment of Parliament and the development of a 12-year plan, USAID has helped Parliament in several ways: organizing bi-annual budget and finance workshops for committees members, hosting study tours, providing Parliament access to expertise from private sector and civil society, creating forums for linking members of Parliament (MP) and the government of Kenya, and conducting training of staff to serve MPs and Committees. USAID has also helped three committees develop work plans, which Parliament is now implementing. Despite working in a highly politicized environment, USAID has gained the trust and confidence of the new Parliament, a development that provides USAID with a firm platform to implement further interventions to strengthen the legislature. An external evaluation of the program conducted in June 2004 concluded that USAID has done a "very good to excellent" job in fulfilling the objectives set forth in the original program. There are now more players engaged in influencing the budget process, bills are routinely subjected to more amendments than at any other time in the history of Parliament, Parliament regularly summons ministers to explain certain actions, and staff and interns have been trained and are now providing MPs with back up support.



Under the USAID/Namibia legislative strengthening program that concluded in late 2004, the Namibian Parliament increased its competency to conduct parliamentary business with confidence. Legislative staff and MPs increased their capacity to: adopt rules and revise procedures to operate a functioning committee system, hold public hearings at the national and regional levels, maintain a well-used parliamentary research center and an interactive Web site, and review the national budget and analyze legislation. As a result, the national budget process has become more transparent with an increased level and rigor of debate in both houses of Parliament as reflected in media reports. MPs are more capable of making procedural and technical challenges to the positions adopted by the Executive and majority party. The National Council is using its constitutional powers to review proposed legislation with greater independence, as seen by some of the bills being sent back to the National Assembly for reconsideration. The Parliament has been making substantive changes to the bills proposed by the executive branch more frequently; and interactions between informed citizens and their representatives are on the rise, contributing to changes in the proposed legislation.



REVISED LAW SPEEDS JUSTICE FOR THOUSANDS

Recently, a 68-year-old retiree residing in Bosnia-Herzegovina's Federation entity (FBiH), saw her application for pension benefits rejected by the Pension Bureau. Normally, her case would proceed to the Supreme Court where it would languish for more than five years before seeing judicial action. However, because of revisions to the Law on Administrative Disputes, her legal challenge to the Bureau's decision was filed in Cantonal Court where it will be heard before the end of the year. Prior to the revisions, it was not

uncommon for cases to outlive the persons who filed them! USAID's innovative Administrative Law and Procedural Systems (ALPS) Project in FBiH has helped to change the laws in the country so administrative disputes can be more efficiently resolved. As in all countries, administrative disputes in the Federation—everything from tax appeals to appeals of decisions on medical benefits—affect huge segments of the population and dwarf in volume both criminal and private civil claims combined. It is in the area of administrative law that ordinary citizens experience the state's commitment (or not) to the rule of law. USAID's ALPS team contributed provisions to the Law on Administrative Disputes that will reduce the time during which parties await resolution of their suits and support reduction in the massive backlog of cases currently on the shelves of its Supreme Court, where such disputes were lodged.

V. PERFORMANCE RESULTS

SUMMARY OF PROVISIONAL OR PRELIMINARY RESULTS — STRATEGIC GOAL 4

Total Goals and Indicators		Performance Summary	
Number of Performance Goals	1	Number of Targets Met	4
Number of Program Goals	1	Number of Targets Not Met	1
Number of Indicators	6	Number with Data Lags	1

PERFORMANCE GOAL #1



Measures Adopted to Develop Transparent and Accountable Democratic Institutions, Laws, and Political Processes and Practices

PROGRAM GOAL: ENGAGEMENT TO ADVANCE DEMOCRACY

Work with countries that are reforming government systems to create more transparent, inclusive, and participatory practices, through bilateral engagement, multilateral mechanisms, and non-governmental organization (NGO) channels.

Performance Indicator #1: Strengthened Local Governance

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	76 percent of USAID-assisted national governments devolving authorities to local governments with the corresponding access to financial resources.
	2004	<ul style="list-style-type: none"> ■ 76 percent of USAID-assisted national governments devolving authorities to local governments with the corresponding access to financial resources. ■ Change in local government resources after USAID assistance: Before: \$28,615,247; After: \$77,603,051.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 67 percent of USAID-assisted national governments devolving authorities to local governments with the corresponding access to financial resources. ■ Change in local government resources after USAID assistance: \$60,555,071.
	Target	67 percent of USAID-assisted national governments devolving authorities to local governments with the corresponding access to financial resources.
	Rating	■ On Target
	Impact	As a result of USAID's municipal governance program which provides technical assistance and training municipalities to improve coverage of basic public services, transparent financial administration, and public participation in decision-making, the number of households receiving municipal services increased.

PROGRAM GOAL: ENGAGEMENT TO ADVANCE DEMOCRACY (continued)		
Performance Indicator #2: Civil Society Functioning		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	90 percent of USAID-assisted countries where citizens' concerns are being effectively represented at the national and local levels.
	2004	90 percent of USAID-assisted countries where citizens' concerns are being effectively represented at the national and local levels.
FY 2005 Data	2005 Preliminary or Provisional Results	Final results will be presented in the FY 2005 PAR Addendum available April 2006.
	Target	91 percent of USAID-assisted countries where citizens' concerns are being effectively represented at the national and local levels.
	Rating	 Final results will be presented in the FY 2005 PAR Addendum available April 2006.
	Impact	This indicator focuses on the role of civil society organizations to represent and advocate on the behalf of citizens. Civil society is a critical component of effective democracies at all times, but particularly between elections as a strong civil society is an instrument of citizen participation in political and economic decision-making.
Performance Indicator #3: Citizens Access to Justice Sector Expanded for All		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<ul style="list-style-type: none"> ■ Average total time it takes to process a legal case (in days) before and after USAID assistance: Before: 868.6; After: 248.5. ■ Number of legal experts trained through USAID assistance: 2,064. ■ Number of USAID-sponsored mediation centers and justice centers in target areas: 580. ■ Number of USAID-presence countries in which pre-trial detention decreases: two.
		<ul style="list-style-type: none"> ■ Average total time it takes to process a legal case (in days) before USAID assistance and after USAID assistance: Before: 248.5; After: 236.5. ■ Number of USAID sponsored mediation centers and justice centers in target areas: 650.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Number of USAID sponsored mediation centers and justice centers in target areas: 157. ■ Number of USAID-presence countries in which pre-trial detention decreases: 128.
	Target	<ul style="list-style-type: none"> ■ Number of USAID sponsored mediation centers and justice centers in target areas: 157. ■ Number of USAID-presence countries in which pre-trial detention decreases: 128.
	Rating	 Exceeded Target
	Impact	With assistance from USAID, many countries now have an oral, adversarial criminal justice system that is significantly more transparent, efficient, and participatory.

PROGRAM GOAL: ENGAGEMENT TO ADVANCE DEMOCRACY (continued)

Performance Indicator #4: Corruption Mitigated in Priority USAID Countries

FY RESULTS HISTORY	2002	Control of corruption percentile rank by region (regional baselines): Sub-Saharan Africa = 32.4; Middle East and North Africa = 54.7; South Asia = 41.5; East Asia = 44.4; Latin America and Caribbean = 54.9; Eastern Europe = 54.7; Former Soviet Union = 16.8.
	2003	N/A (data not collected annually)
	2004	<ul style="list-style-type: none"> ■ Control of corruption ranking for priority USAID countries to be collect centrally. ■ Number of people trained in anti-corruption through USAID assistance: 58,668.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Number of people trained in anti-corruption through USAID assistance: 39,953. ■ Control of corruption ranking for priority USAID countries to be collect centrally.
	Target	Number of people trained in anti-corruption through USAID assistance: 45,345.
	Rating	■ Below Target
	Impact	Corruption is defined as the misuse of public or private position for direct or indirect personal gain. Strengthening existing institutional mechanisms to encourage ethical behavior and prevent corruption and abuse is important, including checks on formal state factors such as civil service reform (i.e., restructuring incentives and punishments), limits on civil servants' discretion, strengthened audits and investigative functions, more effective internal procedures for enhanced oversight, improved operating systems in government institutions, and building a public constituency against corruption.

Performance Indicator #5: Constituencies Political Parties Represent

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<ul style="list-style-type: none"> ■ Number of women and minority candidates on ballots after USAID assistance: 506. ■ Number of women and minority candidates elected after USAID assistance: 377. ■ Number of political party members/officials trained through USAID assistance: 564. ■ Number of elections in USAID presence countries where no political party receives more than 75 percent of the vote: 15.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Number of women and minority candidates on ballots after USAID assistance: 1,430. ■ Number of women and minority candidates elected after USAID assistance: 30. ■ Number of elections in USAID presence countries where no political party receives more than 75 percent of the vote: 15. ■ Number of political party members/officials trained through USAID assistance: 1,511.
	Target	FY 2004 serves as the baseline data for this indicator.
	Rating	■ On Target
	Impact	A representative and competitive multiparty system includes the following: (1) parties (through their statements, structure, and leadership) that demonstrate a commitment to transparent, inclusive, and accountable democratic political processes; (2) parties that adopt institutional structures that enable them to reflect the interests of those they choose to represent in government or in the opposition, and to compete effectively in periodic elections at all levels; and (3) political parties that enjoy the confidence of citizens, encourage citizen participation, and reinforce the legitimacy of democracy as a governing approach. This indicator will measure the strength and capacity of political parties assisted by USAID.

PROGRAM GOAL: ENGAGEMENT TO ADVANCE DEMOCRACY <i>(continued)</i>		
Performance Indicator #6: Status of Independent/Alternative Media		
FY RESULTS HISTORY	2002	Four of 18 USAID assisted countries have a "partly free" or "free" media.
	2003	Three of 18 USAID assisted countries have a "partly free" or "free" media.
	2004	<ul style="list-style-type: none"> ■ Two of 18 countries have a "partly free" of "free" media. ■ USAID: number of journalists trained: 105. ■ Number of non-government radio stations established through USAID assistance: 44.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ USAID: number of journalists trained: 321. ■ Number of non-government radio stations established through USAID assistance: 29. ■ USAID: number of journalists trained: 320.
	Target	Number of non-government radio stations established through USAID assistance: 30.
	Rating	■ On Target
	Impact	A free and independent media is an imperative for democratic, transparent governance. It provides essential information to the people, both informing their political decisions (including voting) and acting as a means for the people to express their views.

VI. PROGRAM EVALUATIONS AND PART REVIEWS

- 1) Foreign Assistance: U.S. Anticorruption Programs in Sub-Saharan Africa Will Require Time and Commitment, GAO-04-506, April 26, 2004.
- 2) United States Agency for International Development, Bureau for Democracy, Conflict and Humanitarian Assistance. *USAID Conflict Mitigation and Management Policy*
- 3) United States Agency for International Development, Bureau for Democracy, Conflict and Humanitarian Assistance. *USAID Anticorruption Strategy*
- 4) United States Agency for International Development, Bureau for Democracy, Conflict and Humanitarian Assistance. *Assistance to Internally Displaced Persons Policy*

A study found that women in Mali do not have access to radio and consequently do not hear important messages or receive notification of vaccination campaigns, for example. USAID/Mali's WING (Women in Governance) program distributed wind-up radios to women's associations to address this issue of information access. This woman was chosen by her peers to care for and listen to the radio outside of group listening times, in order to keep other women in her community informed of important messages and upcoming events.

PHOTO: ABDOURAHMANE DICKO, USAID/MALI



STRATEGIC GOAL 5: ECONOMIC PROSPERITY AND SECURITY

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

I. PUBLIC BENEFIT

National security and global economic prosperity are inextricably linked and must be addressed jointly. Continued economic prosperity for the United States cannot be assured in the absence of prosperity, freedom, and economic opportunity worldwide. USAID's successes in opening markets through ambitious trade and investment agendas, in multiplying development efforts through private sector participation and recipient country accountability, and in supporting U.S. businesses through outreach and advocacy, build prosperity and security at home and abroad. USAID works closely with other agencies, businesses, labor groups, and non-government organizations (NGO) to build a strong and dynamic international economic system that creates new opportunities for U.S. business, workers, and farmers.



Members of the herders' cooperative Bishreht Sumbér selling their dairy products at a local trade fair. PHOTO: G. ODGARAV, PACT/MONGOLIA

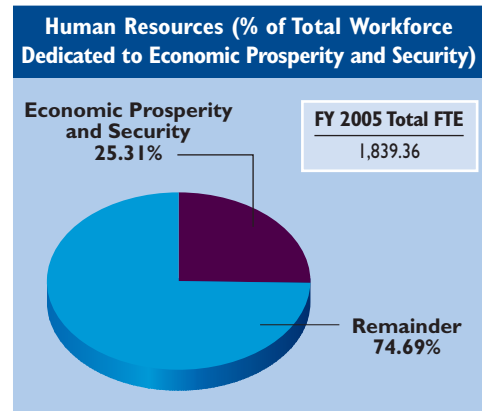
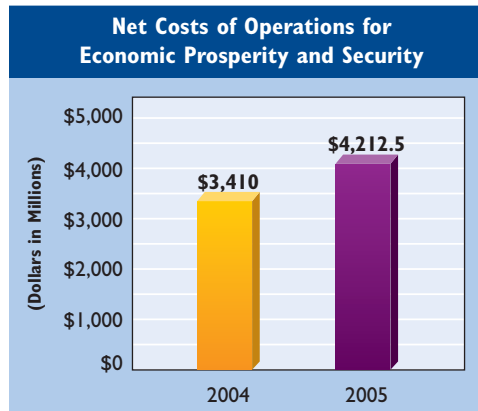
The remarkable growth and prosperity of the developed economies have demonstrated the strength of a dynamic, open international trading system based on free trade and free markets, good governance, and the rule of law, which is a key element of sustainable development. Conversely, the lack of economic opportunity for many around the world is an underlying factor for a number of the grave challenges the United States faces. Regional instability, social and environmental destabilization, food insecurity, unemployment, and humanitarian crises further marginalized vulnerable populations. USAID's efforts to promote trade and sustainable economic development have a direct positive effect on these vulnerable populations while also strengthening the U.S. economy.

As the world's largest importer and exporter, the United States has a significant impact: trade reached \$2.8 trillion in FY 2004. Exports account for roughly 10 percent of gross domestic product (GDP), but contribute much more in terms of GDP growth, as export growth contributed about 15 percent of U.S. economic growth during the past decade. U.S. workers in export sectors have higher than average wages, and one of every five U.S. manufacturing workers depends on exports for a job. The capacity of developing countries to buy U.S. exports depends, in turn, on their ability to expand their exports to the major developed countries.

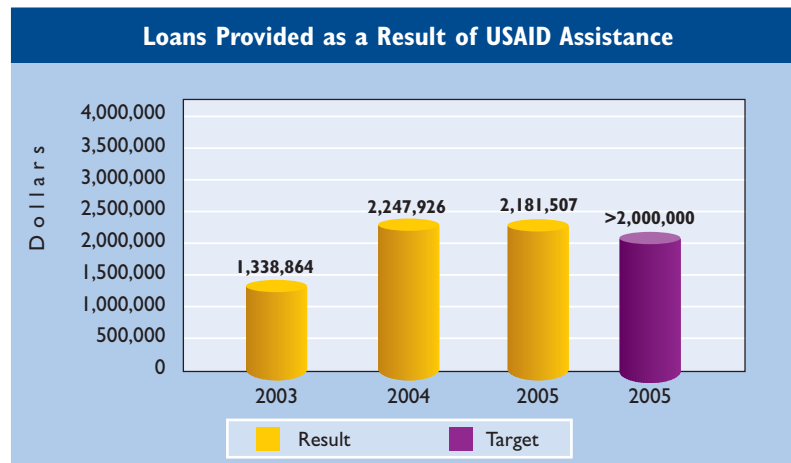
Imports by the United States make competitive, lower cost goods available to U.S. consumers and quality supply components available to U.S. industries. The United States is the largest importer from developing countries, importing goods worth more than \$777 billion in 2004, approximately 10 times the value of the total of all official development assistance to developing countries from all donors. Furthermore, a productive agricultural sector is critical to overall economic growth, trade expansion, and increased income-earning opportunities, not to mention food security. Equally important is increased access to infrastructure—communications, transport, water, energy—and underpins the expansion and improvement of services in all other sectors of development. Continued growth and the economic opportunity gained from open trading systems, good governance and the rule of law, critical infrastructure, foreign investment, U.S. development assistance, and international cooperation on financial issues promotes political liberty abroad and national security at home.

All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

II. RESOURCES INVESTED



III. SELECTED PERFORMANCE TRENDS



IV. ILLUSTRATIVE EXAMPLE OF SIGNIFICANT ACHIEVEMENT



AS WORLD'S MAJORITY SHIFTS TO CITIES, USAID TACKLES URBAN ISSUES

In recent years, hundreds of millions of poor people in developing countries have packed up their belongings, sold their land and farm animals, and moved from their villages into growing cities such as São Paulo, Lagos, Mexico City, Bangkok, and Shanghai.

The increase of 2.5 billion city dwellers in the next two decades is basically unstoppable, as people abandon exhausted and overcrowded farmland in search of the jobs and conveniences of city life: education, electricity, hospitals, and cinemas.

But when millions arrive, will they find decent housing, adequate schools, water and sanitation, jobs, and security? Or will many live in shantytowns, lacking title to their houses, and join the growing ranks of the urban poor?

Lacking the safety net and traditions of their ancestral villages, will these urban poor be ripe for recruitment by criminal gangs or those who preach ethnic, religious, or other forms of hatred and terrorism?

To address the vast demographic change taking place across the planet, development experts at USAID and elsewhere are working to help the urban poor gain title to their houses, get credit to start small businesses, and create municipal associations so cities can share their solutions to common problems.

USAID is also showing mayors and city administrators how to raise funds for roads, hospitals, water systems, and schools by selling municipal bonds.

The move to the cities means that poverty—which used to be mainly rural in developing countries—is becoming mainly urban, requiring foreign aid groups to shift their focus.

Above all, say experts, there is a need to build political will among the leaders of cities to tackle the lack of services.

Although USAID and other donors cannot alone provide the resources for the massive improvements needed to create safe and healthy urban spaces, USAID does have the expertise to assist municipal governments improve things—especially as many national governments decentralize, granting taxation and other authority to cities.

In Johannesburg, South Africa, for example, USAID educated people to accept that by paying taxes they support city planning. Now the capital market in South Africa provides bond revenue for transportation, education, water, sanitation, public places, and job programs.

The Agency and other donors such as the World Bank are working with creative and dedicated political leaders in cities such as Bogota to address major problems created by urban poverty.

The best source of expertise to these cities may well be the example set by U.S. cities and towns. They can show municipal governments how to raise funds and take care of vital services, especially when many developing countries lack resources.

Since the growth of industrial jobs is not keeping up with the influx of people, USAID is supporting regional and international trade as well as micro credit to the informal sector, such as small shops or street vendors.

SERBIAN KNITWEAR MAKER DOUBLES REVENUES, CONTINUES GROWTH

For Serbian knitwear maker Ivkovic Trikotaza, the future is looking as bright as the company's innovative fashion. The company's senior management received support from the USAID Serbia Enterprise Development Project (SEDP) team in streamlining production, standardizing sizing, and promoting Ivkovic designs at prominent international trade shows. To help cover costs of exhibiting, SEDP offered financial assistance



Milos Ivkovic (left) oversees design, quality control, and all aspects of Ivkovic's creations. PHOTO: USAID/SERBIA

through a matching grants program. And to make it easier for buyers to review the designs, SEDP featured Ivkovic prominently on the Web site portal of the Serbian apparel industry.

Results were swift. Ivkovic Trikotaza has sold its entire production for 2005, received financing to help cover the costs of their expansion, and managed to enter new markets. The company is now emerging as a major international brand, available in the world's top metropolitan cities like London, Rome, Tokyo, and New York. General Director Milos Ivkovic is extremely pleased with the company's new image: "The production is at the maximum of our capacities. We're running all the machines in three shifts, 24 hours a day. From here it's all about further expansion."

TECHNOLOGY FOR THE LITTLE ONES IN GUATEMALA

Until recently, access to educational technology was nothing more than a dream for children of rural local communities in Guatemala's highlands. USAID helped fund the installation of 16 mini-technology centers called CETEBITOS which are equipped with eight to 10 multimedia computers, a printer, Microsoft office software, as well as locally-developed multimedia software, to help students develop reading and writing skills in their native languages of K'iche', Sakapulteko, and Ixil.

Rural Guatemalan schools are not numerous. In addition, most teachers speak Spanish while first graders speak in one of 24 Mayan languages. Not sharing a common language halts the learning processes and causes children both frustration and humiliation, as well as possibly damaging their self-esteem. Before the USAID bilingual intercultural education programs, common wisdom was that technology had no place in this context of school.

USAID helped to introduce the technology model in rural primary schools of Guatemala which integrated the active participation of the entire community. Parent groups formed to equip the centers, obtain electricity and adequate security, and establish administrative and use policies. Teachers participated in extensive training to bring their new skills and knowledge to primary school students. Today, hundreds of children in the Quiché department are using computers to learn to read and write their first letters in their native Mayan languages.

V. PERFORMANCE RESULTS

SUMMARY OF PROVISIONAL OR PRELIMINARY RESULTS — STRATEGIC GOAL 5			
Total Goals and Indicators		Performance Summary	
Number of Performance Goals	4	Number of Targets Met	7
Number of Program Goals	6	Number of Targets Not Met	—
Number of Indicators	7	Number with Data Lags	—

PERFORMANCE GOAL #1

Institutions, Laws, and Policies Foster Private Sector Growth, Macroeconomic Stability, and Poverty Reduction

PROGRAM GOAL: SCIENCE-BASED DECISION-MAKING AND STANDARDS DEVELOPMENT	
Strengthen ties with neighbors and key allies, and facilitate access to international markets for new technologies.	
Performance Indicator #1: Effectiveness of Contacts Between Science & Technology (S&T) Communities and Policymakers	
FY RESULTS HISTORY	<p>2002</p> <ul style="list-style-type: none"> ■ USAID organized and sponsored four roundtables on biotechnology and nanotechnology issues. ■ U.S. government (USAID) launched an agriculture-biotechnology (ag-biotech) initiative, Collaborative Agricultural Biotechnology Initiative (CABIO); mobilizing new science and technology (S&T) to reduce poverty and hunger.

(continued)

PROGRAM GOAL: SCIENCE-BASED DECISION-MAKING AND STANDARDS DEVELOPMENT (continued)

Performance Indicator #1: (continued)

FY RESULTS HISTORY (continued)	2003	<ul style="list-style-type: none"> ■ To promote developing country access to and management of new scientific tools such as biotechnology for improving agriculture productivity, environmental sustainability, and nutrition, USAID launched a comprehensive set of activities under CABIO. ■ USAID sponsored a global meeting of researchers to consider the relevance and importance of social sciences to agricultural and natural resources research aimed at alleviating poverty and enhancing environmental sustainability. ■ USAID sponsored an Asia regional ag-biotech priority setting meeting in New Delhi, India to discuss key objectives and steps needed to bring the benefit of new science to increasing productivity among smallholder farmers. ■ USAID joined with the Rockefeller Foundation and the Department for International Development (DFID) (UK) to establish the African Agricultural Technology Foundation to sponsor the sharing of research technologies between the public and private sectors in ways that bring the latest science to bear on solving problems affecting the livelihood of millions of African farmers. ■ USAID joined with the International Rice Research Institute to implement the International Rice Functional Genomics Consortium and the Cereals Comparative Genomics Initiative. ■ USAID worked with the Consultative Group for International Agricultural Research (CGIAR) partners and leading U.S. researchers to establish the Harvest Plus Challenge Program aimed at developing nutritionally enhanced strains of rice, wheat, maize, beans, cassava, and sweet potato.
	2004	<ul style="list-style-type: none"> ■ Six bilateral initiatives to involve developing country partners in climate change S&T cooperation. ■ Through USAID leadership, the United States signed a letter of intent to collaborate in ag-biotech with India. ■ USAID organized a meeting of West African ministers to discuss agricultural S&T, resulting in increased interest in biotechnology and further discussions with the United States on collaboration in this area. ■ USAID and the U.S. Department of Agriculture (USDA) jointly sponsored a meeting to strengthen research cooperation between the U.S. research community and the international agricultural and natural research centers. ■ Long-term agricultural and natural resource management research funded by USAID continues to provide important benefits in developing countries. ■ USAID convened a U.S.-India Joint Working Group on ag-biotech , engaging USDA, Department of State, National Science Foundation (NSF), and leading U.S. scientists with a counterpart team drawn from the government of India leadership and leading Indian biotechnology research organizations.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Number of Science and Technology agreements increased to 38 with increased collaboration of USAID, other U.S. government, non-governmental organizations (NGO), private sector, and academic institutions. ■ Initiated bilateral and regional Science and Technology dialogue with Central Asia, South East Asia, and select African Nations. ■ Two workshops on science trade and development issues will be initiated. ■ Post-World Summit on Sustainable Development (WSSD) activities in water and energy are fully ingrained in the United Nations Educational, Scientific and Cultural Organization (UNESCO) program of work; implement Presidential Bilateral Initiatives in water and energy.
	Target	Above results in FY 2005 are the FY 2005 target.
	Rating	■ On Target
	Impact	This indicator was chosen because the language in UN economic development resolutions reflects prevailing policy norms. UN development organizations are major players in economic development. The types of programs and the nature of recipients' requests for assistance will demonstrate the degree of acceptance of Millennium Challenge Account (MCA) principles.

PROGRAM GOAL: PRIVATE SECTOR CAPACITY		
Improve private sector capacity/growth, including rural competitiveness and micro and small-enterprise development.		
Performance Indicator #1: Enterprise Level Competitiveness		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	<ul style="list-style-type: none"> ■ 1,338,864 loans provided as a result of USAID assistance (disaggregated by type of recipient, including historically disadvantaged groups). ■ \$363,054,541 in loans provided as a result of USAID assistance (disaggregated by type of recipient, including historically disadvantaged groups). ■ 89,913 firms directly participating in USAID sponsored activities to strengthen their competitiveness/productivity.
	2004	<ul style="list-style-type: none"> ■ 2,247,926 loans provided as a result of USAID assistance (disaggregated by type of recipient, including historically disadvantaged groups). ■ \$809,037,380 in loans provided as a result of USAID assistance (disaggregated by type of recipient, including historically disadvantaged groups). ■ 63,715 firms directly participating in USAID sponsored activities to strengthen their competitiveness/productivity.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 2,181,507 loans provided as a result of USAID assistance (disaggregated by type of recipient, including historically disadvantaged groups). ■ \$857,446,583 in loans provided as a result of USAID assistance (disaggregated by type of recipient, including historically disadvantaged groups). ■ 68,868 firms directly participating in USAID sponsored activities to strengthen their competitiveness/productivity.
	Target	<ul style="list-style-type: none"> ■ 2,000,000 loans provided as a result of USAID assistance (disaggregated by type of recipient, including historically disadvantaged groups). ■ \$830,000,000 in loans provided as a result of USAID assistance (disaggregated by type of recipient, including historically disadvantaged groups). ■ 68,868 firms directly participating in USAID sponsored activities to strengthen their competitiveness/productivity.
	Rating	■ On Target
	Impact	Firms in developing countries typically lack access to credit through the formal financial system for expansion. Providing credit directly or mobilizing bank financing for such firms is critical to achieving economic growth and associated job creation.



PERFORMANCE GOAL #2

Increased Trade and Investment Achieved through Market-Opening International Agreements and Further Integration of Developing Countries into the Trading System

PROGRAM GOAL: CREATE OPEN AND DYNAMIC WORLD, REGIONAL AND NATIONAL MARKETS

Increase capacity of countries to participate in global, regional, and national trade, and increase market access for U.S. goods, services, and enhance protection of intellectual property.

Performance Indicator #1: Level of Trade Capacity of USAID-Assisted Countries

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	Baseline: \$161,979,374 increase in exports of countries where USAID provides trade development assistance.
	2004	\$439,467,194 increase in exports of countries where USAID provides trade development assistance.
FY 2005 Data	2005 Preliminary or Provisional Results	\$585,165,379 increase in exports of countries where USAID provides trade development assistance.
	Target	\$500,000,000 increase in exports of countries where USAID provides trade development assistance.
	Rating	 On Target
	Impact	Increased exports spur economic growth, create jobs, increase incomes, raise standards of living, and reduce poverty. The resulting economic growth and poverty reduction improves social and economic stability, creates new markets for U.S. goods and services, and contributes to regional and global security.
Performance Indicator #2: Number of USAID-Assisted Countries in Some Stage of World Trade Organization (WTO) Accession and Compliance		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	First Year Data Reported: 28.
	2004	29 countries
FY 2005 Data	2005 Preliminary or Provisional Results	30 countries
	Target	30 countries
	Rating	 On Target
	Impact	WTO accession means access to markets are more open and predictable, aligns developing country commercial law regimes with international norms, expands the international rule of law, improves transparency and economic governance, and reduces opportunities for corruption.

PERFORMANCE GOAL #3

Secure and Stable Financial and Energy Markets

PROGRAM GOAL: SECURE ENERGY SUPPLIES

Ensure U.S. and global security by encouraging energy-sector investment in key countries, increasing international emergency oil reserves, and promoting development of advanced energy technologies.

Performance Indicator #1: Level of Energy Efficiency

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<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.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Energy institutions with improved capacity to reform and manage their sector: 255. ■ New energy policy interventions accomplished as a result of USAID programs: 152.
	Target	<ul style="list-style-type: none"> ■ Energy institutions with improved capacity to reform and manage their sector: 225. ■ New energy policy interventions accomplished as a result of USAID programs: 6.
	Rating	■ Exceeded Target
	Impact	Secure, stable markets and efficient, capable energy institutions—crucial structural elements for development—must be rooted in strong policies and reforms, and this indicator will examine whether countries are achieving efficiency.



Iraqi power station employees outside of Basra. PHOTO: BECHTEL NATIONAL INC.

PERFORMANCE GOAL #4

Enhanced Food Security and Agricultural Development

PROGRAM GOAL: AGRICULTURE-LED INCOME OPPORTUNITIES EXPANDED

Capacity of organizations and individuals to support the production and distribution of food and marketable agricultural goods.

Performance Indicator #1: Level of Agricultural Sector Growth

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	<ul style="list-style-type: none"> ■ 172 agricultural technologies made available for transfer through USAID programs. ■ Number of developing countries undertaking field trials and/or commercial approval of bioengineered crops: 9. ■ 115,717 producer organization, trade, and business associations assisted by USAID.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 180 agricultural technologies made available for transfer through USAID programs. ■ Number of developing countries undertaking field trials and/or commercial approval of bioengineered crops: 11. ■ 10,759 producer organization, trade, and business associations assisted by USAID.
	Target	<ul style="list-style-type: none"> ■ 176 agricultural technologies made available for transfer through USAID programs. ■ Number of developing countries undertaking field (trials) and/or commercial approval of bioengineered crops: 10. ■ 10,000 producer organization, trade, and business associations assisted by USAID.
	Rating	 Exceeded Target
	Impact	Biotechnology capacity: Expanding the number of countries who are integrating biotechnology into agricultural and food systems will both improve global acceptance of these crops and broaden the economic and environmental benefits of this technology, particularly to developing countries. USAID contributes to this in two ways: in the development of new bioengineered crops aimed at the needs of developing countries, and by support for the development and implementation of sound biotechnology regulatory systems which facilitate field trials, and eventually, commercialization. As a result of this assistance, bioengineered cotton began field trials in Mali in early 2005.

PROGRAM GOAL: FOOD SECURITY		
Ensure that vulnerable populations have access to food.		
Performance Indicator #1: Number of People Receiving Title II Food Assistance		
FY RESULTS HISTORY	2002	86,499,000 people received Title II Food Assistance.
	2003	124,019,000 people received Title II Food Assistance.
	2004	96,387,000 people received Title II Food Assistance.
FY 2005 Data	2005 Preliminary or Provisional Results	100,000,000 people received Title II Food Assistance.
	Target	100,000,000 people receiving Title II Food Assistance.
	Rating	■ On Target
	Impact	Food security is important in maintaining political and economic stability.

VI. PROGRAM EVALUATIONS AND PART REVIEWS

- 1) "USAID Technical Assistance in Fiscal Reform" (Eight Case Studies), August 2004, which can be found at: www.fiscalreform.net/usaid_tal/usaid_ta.htm



Emergency relief supplies being delivered to Indonesia. PHOTO: USAID/ANE

STRATEGIC GOAL 6: SOCIAL AND ENVIRONMENTAL ISSUES

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

I. PUBLIC BENEFIT

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

U.S. health sector investments have improved health and well being for women, men, and children worldwide. Results include the rapid expansion of HIV/AIDS treatment, prevention, and care services in high-priority countries and improved quality of life for persons living with and affected by HIV/AIDS; more couples being able to decide the number and spacing of their children; more women having access to skilled care at childbirth; more children being immunized and surviving common childhood illnesses; expanded access to effective prevention and treatment measures for infectious diseases like malaria and tuberculosis; greater international engagement to address Avian Influenza; better preparedness against the threat of bioterrorism; and significant progress in eradicating polio worldwide.

Investments in basic education have provided millions of people with the literacy and numeracy skills that are needed to live and work productively in today's world. Improvements in higher education help to ensure a stable, highly skilled work force, provide opportunity for economic betterment, and create an informed society that will both demand and participate constructively in democratic institutions.

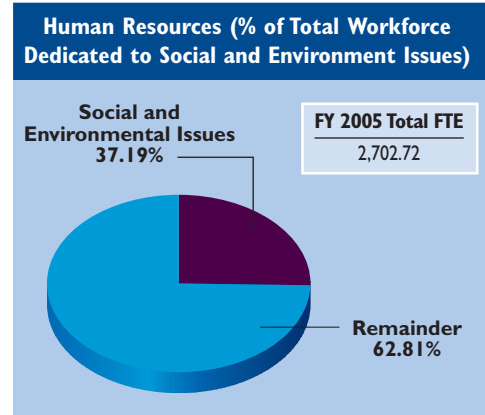
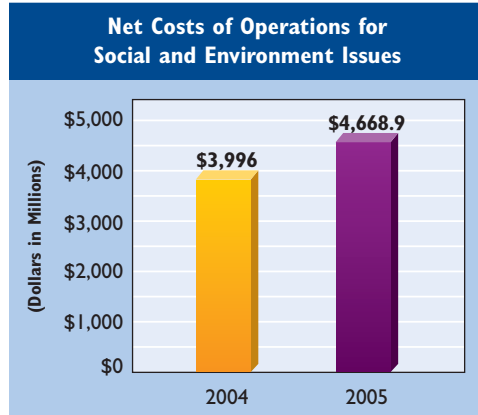
Sound governance of natural resources not only protects the planet, it is a key condition for sustainable growth and a key attribute of democratic governance. By promoting access to clean drinking water and clean, modern energy; by sustainable management of fisheries, forests, and other flora and fauna; 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, USAID is promoting economic prosperity in sustainable harmony with nature. These initiatives reduce the strains on society that lead to conflict and even terrorism, while inculcating democratic values of participatory decision-making, rule of law, and transparency.



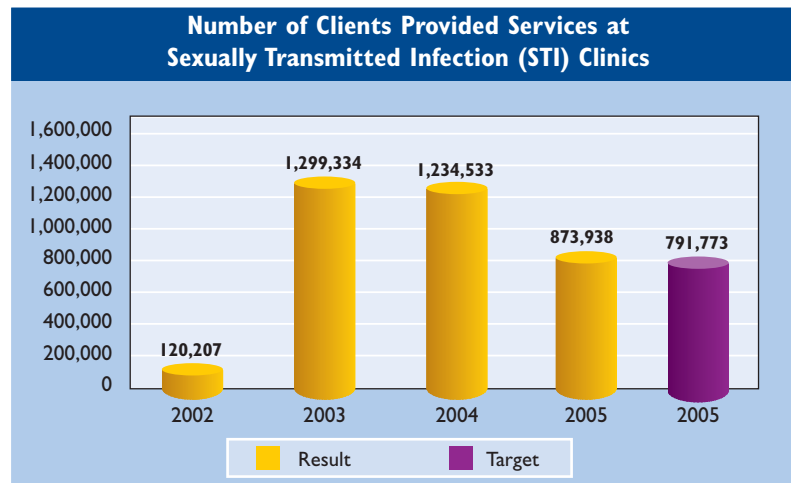
School health education activities have been integrated into primary school training curriculum covering topics from hygiene, water and sanitation, infectious disease prevention, reproductive health, and HIV/AIDS prevention. A teacher discusses malaria prevention lesson with students at Phum Thom Primary School of Sambo District, Kratie Province. PHOTO: USAID/CAMBODIA

All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

II. RESOURCES INVESTED



III. SELECTED PERFORMANCE TRENDS



IV. ILLUSTRATIVE EXAMPLE OF SIGNIFICANT ACHIEVEMENT

ACCESS TO HEALTH IN AFRICA



A driver in Senegal teaches fellow truck drivers about the risks associated with HIV/AIDS. PHOTO: USAID/SENEGAL

One of the challenges of low-income people in Africa is to access and pay for health care. The need for quality care is especially acute in rural areas, where many people have to walk miles to the nearest health center. To help face this challenge, a USAID sponsored project in Uganda has supported the design and implementation of a cooperative health system. Partners built a health care system that is paid for and run by the people it serves through cooperative. Plan members include: schools, tea cooperatives, forestry cooperatives, and self-help groups. Plan members make decisions as a group about what services to buy, thereby determining the price of their periodic dues. The concept of health cooperatives was easily understood by Ugandans because of their familiarity with cooperatives in the agricultural and commercial industries in their country. Thus, the popularity of cooperative health plans is growing. In

2003, insurance plans grew from 10 health plans serving 1,500 members to 48 health plans serving 5,000 members. This year, the Church Mission Society has recruited up to 15,000 new clients—mainly from schools and clergy—to this program. Ugandan health officials recognize that the country does not have enough money to support a central health care system so they are now considering using the cooperatives' plans and successes as a model for replication.

A program in Mali to distribute insecticide-treated nets (ITN) to vulnerable populations appears to have had another unexpected—and very positive—effect on USAID's recently launched integrated family health program. Under USAID's ITN initiative, pregnant women enrolling in antenatal care at government of Mali health clinics in certain program areas also receive a heavily subsidized family-size ITN. Parents of children under five who are on track with their scheduled childhood vaccinations also qualify for a highly-subsidized net. All those receiving nets are urged to have their most vulnerable family members, pregnant women and small children, sleep under the nets to help prevent malaria—the number one killer of young children in Mali. Preliminary tracking of clinic health data already appears to show a decline in incidence of malaria cases among targeted net recipients, which clinic personnel attribute to increased use of ITNs. But more unexpectedly, the net distribution activities themselves seem to have had a dramatic impact on health service use with more women signing up for and regularly attending antenatal care and parents showing renewed efforts to fully vaccinate their children. These indirect trends could mean a far greater impact on overall family health than the nets themselves can yield alone. Drawn by the incentive of the nets, many more people are meeting their health care providers face-to-face.

HIV CAMPAIGN REACHES OUT TO YOUTH

Over the past decade, Russia has experienced one of the fastest growing HIV/AIDS epidemics in the world. UNAIDS estimates that a Russian is infected with HIV/AIDS every 12 minutes. By April 2005, around 313,000 cases were officially registered, though estimates put the number of actual cases between one and 1.5 million — one percent of the total population. The epidemic especially targets Russia's youth. Eighty percent of HIV-positive Russians are between the ages of 15 and 29.

In May 2004, USAID, in coordination with the President's Emergency Plan for AIDS Relief, supported the launch of a new HIV education and prevention campaign targeted at Russian youth. The "Be Faithful to Your Love" Internet campaign was created to raise awareness about the risks of HIV infection and to promote healthy sexual habits, including abstinence, condom use, and monogamy among youth over 15 years of age. Special features on the Web site include an interactive game that determines the user's risk of contracting HIV and a series of questions and answers about how the disease is transmitted. During a special "Be Faithful to Your



Love" promotion, visitors with the best answers to the question, "Why do you think you should be faithful to your loved one?" were awarded prizes such as mountain bikes and rollerblades.

During its two-week promotional period, "Be Faithful to Your Love" attracted more than 116,727 visitors. The game was played 12,138 times, and 7,500 young people answered questions. Users also asked more than 400 questions of Dr. Pertsev—a virtual doctor who gives advice and answers questions about HIV/AIDS and provides referrals for professional help and testing facilities. Administrators continue to monitor the Web site's chat rooms and review e-mail comments, using this information to adapt USAID's other HIV education programs so they effectively appeal to Russian youth.

PROVIDING ECOLOGICAL LIVELIHOODS IN HONDURAS

In the Taulabe, Comayagua region of Honduras, small sugar processors make a product called rapadura, a hard brown sugar that is sold in the local market. Traditionally, sugar cane processors had burned firewood as their primary source of fuel, however, firewood was becoming increasingly scarce. Processors shifted to the burning of old tires for fuel, causing environmental pollution, a low quality product, and serious health hazards to those who tend the fires and nearby communities.

USAID's Farmer to Farmer program, working with Partners of the Americas, linked Vermont maple sugar makers with the Honduran sugar processors to find an appropriate technical solution to a serious local problem. The Honduras Ecological Sugar Project aims to improve sugar processing methods, reduce contaminants, eliminate the need to use tires as fuel, and improve the quality of the final product in an environmentally sustainable way. Moreover, the project transfers marketing concepts and techniques for increasing the return on sugar, while diversifying into value-added sugar products.

Through an innovative adaptation of maple sugar technology, Farmer to Farmer volunteers from Vermont constructed an improved evaporator that replaces the flat bottom pans with a more efficient flue pan. This new technology uses sugar cane fiber as fuel. Since this is the organic waste from the plant itself, it helps improve processing in an environmentally sustainable way. Product quality was also improved by reducing the introduction of contaminants through simple technologies that protected cane juice from press lubricants. Between the flue pan and an improved quality of the cane juice, a high quality sugar cane product was produced without the need to burn tires.

Significant progress has been made for small-scale sugar producers and the community in Taulabe. There is a decreased demand for scarce firewood and a dramatic reduction in the amount of rubber tires being burned for sugar processing. More efficient and cost-effective sugar production methods, and improving business practices have made the small producers more competitive in local markets. Other economic impacts include the identification of niche markets for ecologically-produced sugar and the production of value-added products such as granulated sugar, cane syrup, and hard candy, allowing for diversification and broader market exposure. The community at large has greatly benefited since the municipality of Taulabe approved an ordinance banning tire burning, as evidence of the new system's economic viability continues to grow.

V. PERFORMANCE RESULTS

SUMMARY OF PROVISIONAL OR PRELIMINARY RESULTS — STRATEGIC GOAL 6

Total Goals and Indicators		Performance Summary	
Number of Performance Goals	3	Number of Targets Met	20
Number of Program Goals	8	Number of Targets Not Met	8
Number of Indicators	29	Number with Data Lags	1


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

PROGRAM GOAL: INFECTIOUS DISEASES

Increased use of proven interventions to reduce the threat of infectious diseases of major public health importance.

Performance Indicator #1: Tuberculosis Treatment Success Rate (%) (37 Countries)

FY RESULTS HISTORY		
2002		Tuberculosis (TB) Treatment Success Rate: Less than 50%: 0; 50-84%: 27; 85% or more: 9.
2003		Result data on the 2003 treatment success rate will be reported in the World Health Organization (WHO) Global TB report for 2006. As TB treatment takes six to eight months, there is a longer lag in the reporting of treatment success to WHO than there is in reporting case detection.
2004		Result data on the 2003 treatment success rate will be reported in the WHO Global TB report for 2006. As TB treatment takes six to eight months, there is a longer lag in the reporting of treatment success to WHO than there is in reporting case detection.
FY 2005 Data		
2005 Preliminary or Provisional Results		TB Treatment Success Rate: Less than 50%: 0; 50-84%: 25; 85% or more: 12.
Target		TB Treatment Success Rate: Less than 50%: 0; 50-84%: 25; 85% or more: 12.
Rating		On Target
Impact		USAID assistance has directly contributed to important advances in the control of TB through the directly observed treatment short-course strategy.

PROGRAM GOAL: INFECTIOUS DISEASES (continued)		
Performance Indicator #2: Case Detection Rate for Tuberculosis		
FY RESULTS HISTORY	2002	Case Detection Rate for TB: Less than 40%: 16; 40-69%: 14; 70% or more: 7.
	2003	Case Detection Rate for TB: Less than 40%: 13; 40-69%: 15; 70% or more: 7.
	2004	N/A
FY 2005 Data	2005 Preliminary or Provisional Results	Case Detection Rate for TB: Less than 40%: 15; 40-69%: 15; 70% or more: 7.
	Target	Case Detection Rate for TB: Less than 40%: 11; 40-69%: 18; 70% or more: 8.
	Rating	 On Target
	Impact	Case detection rate: Of the 18 highest priority USAID countries, 14 have increased case detection. The average case detection rate is 45 percent in these USAID-assisted countries, slightly higher than the global average of 43 percent. In two of the most populated high-burden countries, USAID has contributed to significant increases in case detection. In two provinces of Indonesia, where USAID is the primary funder, case detection increased from 17 percent in 2002 to nearly 30 percent in 2003, a nearly 80 percent increase. In 2002 to 2003, in Nigeria, case detection increased from 15 percent to 20 percent, a 53 percent increase.
Performance Indicator #3: Percentage of Households in Malaria Endemic Areas with at Least One Insecticide-Treated Net (ITN Coverage Rate)		
FY RESULTS HISTORY	2002	ITN Coverage Rate: N/A (new indicator in FY 2004)
	2003	ITN Coverage Rate: N/A (new indicator in FY 2004)
	2004	ITN Coverage Rate: 7 percent.
FY 2005 Data	2005 Preliminary or Provisional Results	ITN Coverage Rate: 23.57 percent.
	Target	ITN Coverage Rate: 45 percent.
	Rating	 Below Target
	Impact	ITNs are an important component of an overall strategy to control malaria, especially for children, which results in a 20 percent decrease in deaths.

PROGRAM GOAL: INFECTIOUS DISEASES (continued)

Performance Indicator #4: Number of People Receiving HIV/AIDS Treatment in the 15 Emergency Plan Focus Countries



FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	155,000 adults and children.
FY 2005 Data	2005 Preliminary or Provisional Results	235,000 men, women, and children (as of 3/21/2005).
	Target	470,000 men, women, and children.
	Rating	■ Below Target
	Impact	With its severe social, economic, and political consequences, HIV/AIDS presents a security threat and violates a basic principle of development—that each generation do better than the one before. HIV/AIDS treatment mitigates the consequences of HIV/AIDS by dramatically improving health and therefore productivity. With every person receiving treatment, life is extended, families are held intact, and nations move forward with development.



Crimea Medical College students review brochures before watching a theatrical musical show on HIV/AIDS stigma and discrimination, sponsored by USAID. PHOTO: ARVIDAS SHEMETAS, USAID/KYIV



PROGRAM GOAL: INFECTIOUS DISEASES (continued)

Performance Indicator #5: Estimated Number of HIV Infections Prevented in the 15 Emergency Plan Focus Countries

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	120,000,000 people reached using targeted abstinence and "Be Faithful" campaigns and teaching correct condom use.
FY 2005 Data	2005 Preliminary or Provisional Results	Prevalence data released by UNAIDS in 2003 indicates that prevalence ranges from a low of 0.4 percent in Vietnam to a high 37.7 percent in Botswana. The 2003-2004 baseline prevalence information will be available at the end of CY 2005. By the end of CY 2006 results will be collected for the CY 2005-CY 2006 timeframe. This data will be compared to the baseline data to measure infections averted and will be available at the end of CY 2007.
	Target	Final target will be presented in the FY 2005 PAR Addendum in April 2006.
	Rating	 Final results will be presented in the FY 2005 PAR Addendum available April 2006.
	Impact	With its severe social, economic, and political consequences, HIV/AIDS presents a security threat and violates a basic principle of development—that each generation do better than the one before. Preventing HIV infections will dramatically decrease burdens of disease on individuals, families, and nations.
Performance Indicator #6: Number of People Receiving HIV/AIDS Care in the 15 Focus Countries		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	1,727,000 adults and children.
FY 2005 Data	2005 Preliminary or Provisional Results	2,009,259 adults and children (June 2005).
	Target	2,600,000 adults and children.
	Rating	 On Target
	Impact	With its severe social, economic, and political consequences, HIV/AIDS presents a security threat and violates a basic principle of development—that each generation do better than the one before. Care for people infected and affected by HIV/AIDS, including orphans, mitigates the severe pain and debilitating symptoms caused by HIV/AIDS as well as its social and economic consequences.

PROGRAM GOAL: INFECTIOUS DISEASES (continued)

Performance Indicator #7: Number of Clients Provided Services at Sexually Transmitted Infection (STI) Clinics


FY RESULTS HISTORY	2002	120,207 total clients.
	2003	1,299,334 total clients.
	2004	1,234,533 total clients.
FY 2005 Data	2005 Preliminary or Provisional Results	873,938 total clients.
	Target	791,773 total clients.
	Rating	 Exceeded Target
	Impact	With its severe social, economic, and political consequences, HIV/AIDS presents a security threat and violates a basic principle of development—that each generation do better than the one before. Care for people infected and affected by HIV/AIDS, including orphans, mitigates the severe pain and debilitating symptoms caused by HIV/AIDS as well as its social and economic consequences.
Performance Indicator #8: Number of Orphans and Other Vulnerable Children Receiving Care/Support Services Through USAID-Assisted Programs		
FY RESULTS HISTORY	2002	327,636 orphans and vulnerable children.
	2003	490,490 orphans and vulnerable children.
	2004	393,154 orphans and vulnerable children.
FY 2005 Data	2005 Preliminary or Provisional Results	390,000 orphans and vulnerable children.
	Target	389,382 orphans and vulnerable children.
	Rating	 On Target
	Impact	With its severe social, economic, and political consequences, HIV/AIDS presents a security threat and violates a basic principle of development—that each generation do better than the one before. Care for people infected and affected by HIV/AIDS, including orphans, mitigates the severe pain and debilitating symptoms caused by HIV/AIDS as well as its social and economic consequences.

PROGRAM GOAL: INFECTIOUS DISEASES <i>(continued)</i>		
Performance Indicator #9: Number of HIV-infected Pregnant Women Receiving a Complete Course of Anti-Retroviral (ARV) Prophylaxis to Reduce the Risk of Mother-to-Child Transmission (MTCT) in USAID-Assisted Sites		
FY RESULTS HISTORY	2002	6,618 pregnant women.
	2003	10,841 pregnant women.
	2004	2,727 pregnant women.
FY 2005 Data	2005 Preliminary or Provisional Results	4,366 pregnant women.
	Target	4,366 pregnant women.
	Rating	■ On Target
	Impact	With its severe social, economic, and political consequences, HIV/AIDS presents a security threat and violates a basic principle of development—that each generation do better than the one before. Care for people infected and affected by HIV/AIDS, including orphans, mitigates the severe pain and debilitating symptoms caused by HIV/AIDS as well as its social and economic consequences.


PROGRAM GOAL: MATERNAL AND REPRODUCTIVE HEALTH		
Reduce unintended pregnancy; promote healthy reproductive behavior; and enhance maternal survival, health, and nutrition.		
Performance Indicator #1: Total Fertility Rate (TFR)		
FY RESULTS HISTORY	2002	TFR: 4.3
	2003	TFR: 4.3
	2004	TFR: 4.2 preliminary
FY 2005 Data	2005 Preliminary or Provisional Results	TFR: 4
	Target	TFR declines in aggregate across recipient countries with trend data.
	Rating	■ On Target
	Impact	TFR illustrates overall trends in family size. USAID programs reduce unintended pregnancy; promote healthy reproductive behavior; and enhance maternal survival, health, and nutrition.

PROGRAM GOAL: MATERNAL AND REPRODUCTIVE HEALTH (continued)


Performance Indicator #2: Percent of Live Births Attended by Skilled Birth Attendants




FY RESULTS HISTORY	2002	47.1 percent
	2003	48.0 percent
	2004	48.8 percent
FY 2005 Data	2005 Preliminary or Provisional Results	49.6 percent (extrapolated)
	Target	49.2 percent
	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 Indicator #3: Modern Contraceptive Prevalence Rate (Global)

FY RESULTS HISTORY	2002	33.6 percent
	2003	34.7 percent
	2004	36.0 percent
FY 2005 Data	2005 Preliminary or Provisional Results	37.0 percent
	Target	39.4 percent
	Rating	 Below Target
	Impact	Use of modern contraception is a principal proximate determinant of fertility. As contraceptive use increases, fertility tends to decrease as do abortion rates.

Performance Indicator #4: Percent of Births Spaced More Than Three Years Apart

FY RESULTS HISTORY	2002	46.0 percent
	2003	46.8 percent
	2004	47.7 percent
FY 2005 Data	2005 Preliminary or Provisional Results	48.5 percent
	Target	45.9 percent
	Rating	 Exceeded Target
	Impact	Longer birth intervals are associated with better health outcomes for both mothers and infants.

PROGRAM GOAL: MATERNAL AND REPRODUCTIVE HEALTH <i>(continued)</i>		
Performance Indicator #5: Percent of First Births to Mothers Under 18		
FY RESULTS HISTORY	2002	24.2 percent
	2003	23.9 percent
	2004	23.6 percent
FY 2005 Data	2005 Preliminary or Provisional Results	23.3 percent
	Target	24.1 percent
	Rating	 Below Target
	Impact	Young maternal age is associated with poorer health outcomes for mothers and infants.
Performance Indicator #6: Percent Need Satisfied with Modern Contraceptive Methods		
FY RESULTS HISTORY	2002	48.1 percent
	2003	49.5 percent
	2004	52.4 percent
FY 2005 Data	2005 Preliminary or Provisional Results	51.0 percent
	Target	67.8 percent
	Rating	 Below Target
	Impact	Increases in the percentage of need satisfied indicate that women are increasingly able to achieve the number and spacing of children that they desire.
Performance Indicator #7: Percent of Births Parity 5 or Higher		
FY RESULTS HISTORY	2002	26.1 percent
	2003	25.6 percent
	2004	25.2 percent
FY 2005 Data	2005 Preliminary or Provisional Results	24.7 percent
	Target	24.1 percent
	Rating	 On Target
	Impact	High parity births are associated with poorer health outcomes for infants.

PROGRAM GOAL: CHILD HEALTH		
Infant and child survival, health, and nutrition improved.		
Performance Indicator #1: Under-Five Mortality Rate		
FY RESULTS HISTORY	2002	Under-Five Mortality Rate (2000): 91/1,000
	2003	Under-Five Mortality Rate (2002): 89/1,000
	2004	87/1,000
FY 2005 Data	2005 Preliminary or Provisional Results	85/1,000
	Target	86/1,000
	Rating	 On Target
	Impact	Survival of children under age five is one of the most important indicators of a population's overall well being. Continued, although slow, progress in child survival indicates the success of investment by USAID, 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. For every additional child who survives through these program investments, hundreds more leave their childhood healthier, better nourished, and more able to reach their own potential and contribute to their country's progress.
Performance Indicator #2: Neonatal Mortality Rate		
FY RESULTS HISTORY	2002	Neonatal Mortality Rate (1997-2002): 34/1,000
	2003	Neonatal Mortality Rate (1997-2002): 34/1,000
	2004	Neonatal Mortality Rate (1997-2002): 34/1,000
FY 2005 Data	2005 Preliminary or Provisional Results	Neonatal Mortality Rate (1997-2002): 35/1,000 (extrapolated)
	Target	33/1,000
	Rating	 Exceeded Target
	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.

PROGRAM GOAL: CHILD HEALTH <i>(continued)</i>		
Performance Indicator #3: Underweight for Age Among Children Under Five		
FY RESULTS HISTORY	2002	No Data Available.
	2003	28 percent
	2004	27 percent
FY 2005 Data	2005 Preliminary or Provisional Results	27 percent
	Target	27 percent
	Rating	■ On Target
	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. The slow but positive global trend in child nutrition is a strong reflection of the impact of health and other program investments in improving the well being of children, and also contributes to lower risk of severe illness and death from infectious diseases. As part of its work to control the HIV/AIDS epidemic, USAID has worked closely with UNICEF, the World Health Organization (WHO), and other partners to promote safe infant feeding, including exclusive breastfeeding, in populations where HIV infection is highly prevalent.
Performance Indicator #4: Percentage of Children with Diphtheria, Pertussis, and Tetanus (DPT3) Coverage		
FY RESULTS HISTORY	2002	59 percent
	2003	59 percent
	2004	60 percent
FY 2005 Data	2005 Preliminary or Provisional Results	60 percent
	Target	60 percent
	Rating	■ On Target
	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.

PROGRAM GOAL: CHILD HEALTH (continued)

Performance Indicator #5: Percent of Children Aged 0-4 with Diarrhea Who Received Oral Rehydration Therapy (ORT)

FY RESULTS HISTORY	2002	60 percent
	2003	60 percent
	2004	60 percent
FY 2005 Data	2005 Preliminary or Provisional Results	59 percent
	Target	61 percent
	Rating	■ Below Target
	Impact	Since the development of ORT 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. However, with focus shifting to HIV/AIDS and other health problems, ORT is receiving less attention from partners and countries. As a result, in 2005 several large countries, including Nigeria, Kenya, Philippines, and Indonesia, had declines in ORT use, bringing the global average down. USAID has engaged UNICEF and WHO agents to address this decline.



Baby receiving shot in Thailand. PHOTO: USAID/ANE

PERFORMANCE GOAL #2

Partnerships, Initiatives, and Implemented International Treaties and Agreements that Protect the Environment and Promote Efficient Energy Use and Resource Management

PROGRAM GOAL: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT


Reform bilateral and multilateral processes and institutions to focus efforts on key sustainable development issues (water, energy, and domestic good governance; education; agriculture; environment; and economic growth) and on implementation of sustainable development practices.

Performance Indicator #1: Number of People in Target Areas With Access to Adequate Safe Water Supply and/or Sanitation That Meets Sustainability Standards

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	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. ■ 57,436 integrated water resources management (IWRM) governance groups established.
	2004	<ul style="list-style-type: none"> ■ 10,810,722 people in target areas with improved access to adequate safe water supply. ■ 11,104,271 people in target areas with access to sanitation that meets sustainability standards. ■ 60,512 IWRM governance groups established.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 11,307,377 people in target areas with improved access to adequate safe water supply. ■ 10,570,046 people in target areas with access to sanitation that meets sustainability standards. ■ 62,635 IWRM governance groups established.
	Target	25,000,000 people in target areas with improved access to adequate safe water supply and access to sanitation that meets sustainability standards.
	Rating	■ Below Target
	Impact	<p>Adequate and Safe Water Supply: 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."</p> <p>Adequate and Safe Sanitation: 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 without access to basic sanitation."</p>

PROGRAM GOAL: INSTITUTIONALIZING SUSTAINABLE DEVELOPMENT (continued)


Performance Indicator #2: Number of People with Adequate Access to Modern Energy Services


FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	4,765,923 people with access to modern energy services.
	2004	5,140,411 people with access to modern energy services.
FY 2005 Data	2005 Preliminary or Provisional Results	5,414,180 people with access to modern energy services.
	Target	5,000,000 people with access to modern energy services.
	Rating	 Exceeded Target
	Impact	Access to affordable, reliable, clean, and efficient services is essential to breaking the cycle of poverty and achieving sustainable development and economic growth. These expanded services have contributed to improved health care, promoted micro-enterprise development, and improved agricultural productivity.


PROGRAM GOAL: COASTAL AND MARINE RESOURCES

Develop, negotiate, and implement initiatives, treaties, and agreements to better protect both living and non-living marine resources and promote sustainable development.

Performance Indicator #1: Hectares of Coastal and Marine Ecosystems Under Management

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	36,618,897 hectares
	2004	36,718,897 hectares
FY 2005 Data	2005 Preliminary or Provisional Results	36,818,897 hectares
	Target	36,818,897 hectares
	Rating	 On Target
	Impact	Both the quantity and quality of conservation efforts are important in ensuring that natural resources are preserved and well managed.

PROGRAM GOAL: COASTAL AND MARINE RESOURCES (continued)		
Performance Indicator #2: Number of Coastal and Marine Policies, Laws, or Regulations Developed, Adopted, and Implemented		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	49 policies, laws, or regulations.
	2004	63 policies, laws, or regulations.
FY 2005 Data	2005 Preliminary or Provisional Results	68 policies, laws, or regulations.
	Target	68 policies, laws, or regulations.
	Rating	 On Target
	Impact	Conservation policies, laws, and regulation provide a crucial foundation for securing both the commitment to and enforcement of conservation of natural resources.

PROGRAM GOAL: CONSERVATION OF BIOLOGICAL DIVERSITY, PROTECTED AREAS, FORESTS, AND OTHER NATURAL RESOURCES		
Promote economic development, alleviate poverty, and improve local governance by improving conservation and management of the world's natural protected areas.		
Performance Indicator #1: Biodiversity Conservation and Natural Resource Management		
FY RESULTS HISTORY	2002	40,900,997 hectares under improved management.
	2003	■ 26,655,591 hectares under approved management for biodiversity conservation.
		■ 197,888,892 hectares under sustainable forest management.
	2004	■ 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. ■ 83: Number of targeted conservation areas implementing approved management plans as a result of USAID assistance.		
FY 2005 Data	2005 Preliminary or Provisional Results	■ 52,374,972 hectares under improved management (biodiverse landscapes, forests, watersheds, agricultural and natural landscapes). ■ 25,104,242 hectares under increased conservation and sustainable management of forest ecosystems. ■ 94: number of targeted conservation areas implementing approved management plans as a result of USAID assistance.
	Target	■ 52,500,000 hectares under improved management (biodiverse landscapes, forests, watersheds, agricultural and natural landscapes). ■ 28,000,000 hectares under increased conservation and sustainable management of forest ecosystems. ■ 80: number of targeted conservation areas implementing approved management plans as a result of USAID assistance.
	Rating	 Below Target
	Impact	Biodiversity conservation and sound natural resource management promote improved human well being by protecting valuable genetic resources and ecosystems, and expanding enterprise and employment opportunities from the sustainable production of natural products and environmental services. In addition, they contribute to equitable natural resources governance, and mitigate conflict over resources.

PROGRAM GOAL: GLOBAL CLIMATE CHANGE

Implement the President's new approach to climate change and energy technologies.

Performance Indicator #1: Status of Bilateral Regional and Global Climate Change Partnerships and Initiatives

FY RESULTS HISTORY	2002	<ul style="list-style-type: none"> ■ Partnerships announced with India. ■ The Agency implemented climate-related activities with a total budget of \$174 million in 55 bilateral country missions, regional programs, and central offices. 3.8 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.
	2003	<ul style="list-style-type: none"> ■ Initiated partnerships with Russia, Mexico, and South Africa. Continued exploratory discussions with Kazakhstan and Brazil. Results were consistent with 2002 timelines, and existing partnerships were reviewed. ■ The Agency implemented climate-related activities with a total budget of \$207 million in 55 bilateral country missions, regional programs, and central offices. Four 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.
	2004	<ul style="list-style-type: none"> ■ Built support among developing countries for U.S. positions on science, technology, and adaptation under the UN Framework Convention on Climate Change. ■ Worked together with bilateral partners to convene an Asian regional workshop on climate and energy in order to foster a regional dialogue on the nexus of climate and energy issues. ■ Established new additional bilateral climate change partnerships with Brazil. ■ The Agency implemented climate-related activities with a total budget of \$189 million in 49 bilateral country missions, regional programs, and central offices. Five million metric tons of CO2 equivalent emission were avoided, and 127 million hectares/year were added for activities that promote carbon storage and/or protect carbon sinks.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Established partnerships and advanced relationships with additional targeted countries or regions. ■ Convened a second Asian workshop on climate and energy, working in collaboration with a number of bilateral partners as well as the Asia-Pacific Economic Cooperation (APEC).
	Target	<ul style="list-style-type: none"> ■ Established partnerships and advanced relationships with additional targeted countries or regions. ■ Convene a second Asian workshop on climate and energy, working in collaboration with a number of bilateral partners as well as the APEC.
	Rating	■ On Target
	Impact	The Global Climate Change team has been successful in ensuring USAID mission priorities and strategic objectives were incorporated into at least six U.S. government bilateral agreements on climate change, thus furthering U.S. climate change policy.

PERFORMANCE GOAL #3

Broader Access to Quality Education with Emphasis on Primary School Completion

PROGRAM GOAL: IMPROVED ACCESS TO QUALITY EDUCATION

Including early childhood, primary, secondary, adult, higher education, and workforce development programs.

Performance Indicator #1: Number of Learners Completing Basic Education in Programs Sponsored by USAID

FY RESULTS HISTORY	2002	<ul style="list-style-type: none"> ■ 14,163,038 children enrolled in primary education programs supported by USAID.
	2003	<ul style="list-style-type: none"> ■ 22,317,204 children enrolled in primary education programs supported by USAID. ■ 1,799,066 children enrolled in primary school. ■ 101,756 children completing primary school.
	2004	<ul style="list-style-type: none"> ■ 21,279,734 students enrolled in primary school. ■ 1,751,298 students completing primary school. ■ 84,494 adult learners completed basic education.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 23,319,352 students enrolled in primary school. ■ 2,252,753 students completing primary school. ■ 80,750 adult learners completing basic education.
	Target	<ul style="list-style-type: none"> ■ 22,000,000 students enrolled in primary school. ■ 2,000,000 students completing primary school. ■ 90,000 adult learners completing basic education.
	Rating	■ On Target
	Impact	USAID supports basic education programs and activities in 54 countries of which 42 have basic education as a strategic objective.


Macedonia's SEEU Graduation: South East Europe University's first 350 graduates are pioneers who enrolled in Macedonia's bold experiment in higher education—a private, multi-national, multi-lingual university. SEEU currently has 5,000 students. USAID is the largest donor having contributed some \$20 million to date.

PHOTO: CECILE SUN



PROGRAM GOAL: IMPROVED ACCESS TO QUALITY EDUCATION (continued)

Performance Indicator #2: Capabilities in Higher Education and Workforce Development Programs Sponsored by USAID

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	<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.
	2004	<ul style="list-style-type: none"> ■ 550 host country institutions gain increased management capacity through partnership programs. ■ 220 higher education institutional programs, policies, and curricula adapted to the needs of sustainable development. ■ 78,289 persons trained through workforce development programs.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 575 host country institutions gain increased management capacity through partnership programs. ■ 235 higher education institutional programs, policies, and curricula adapted to the needs of sustainable development. ■ 84,240 persons trained through workforce development programs.
	Target	<ul style="list-style-type: none"> ■ 560 host country institutions gain increased management capacity through partnership programs. ■ 210 higher education institutional programs, policies, and curricula adapted to the needs of sustainable development. ■ 80,000 persons trained through workforce development programs.
	Rating	 On Target
	Impact	USAID has established more than 275 higher education partnerships in 69 developing countries over the past four to five years. These 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.

VI. PROGRAM EVALUATIONS AND PART REVIEWS

- 1) Evaluation of the Leadership Development Program for the Ministry of Health, Nicaragua (2001 – 2003)
(link: http://www.dec.org/pdf_docs/PDACA372.pdf)
- 2) Evaluation of REDSALUD and USAID/DR strategic support to reform of the Dominican health sector
(link: http://www.dec.org/pdf_docs/PDACA459.pdf)
- 3) Djibouti Workforce Development and Competitiveness Study, USAID/EDC, March 2004
- 4) "Generations of Quiet Progress: The Development Impact of U.S. Long-Term University Training on Africa from 1963 to 2003," EGAT/ED and Aguirre International, September 2004

STRATEGIC GOAL 7: HUMANITARIAN RESPONSE

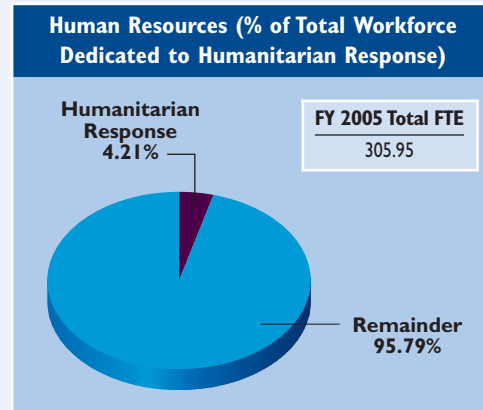
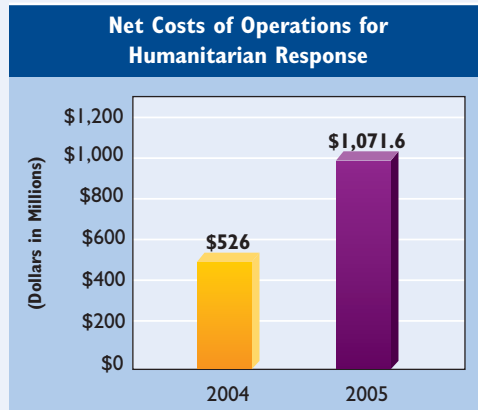
Minimize the Human Costs of Displacement, Conflicts, and Natural Disasters

I. PUBLIC BENEFIT

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

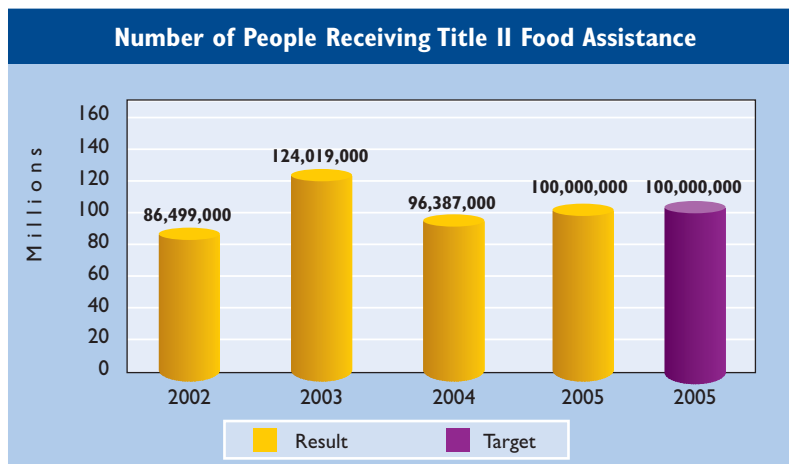
Through USAID efforts, the United States is the leader in international efforts to prevent and respond to humanitarian crises. It provides substantial resources and guidance through international organizations and NGOs for worldwide humanitarian programs, with the objective of increasing access to protection, promoting burden-sharing, and coordinating funding and implementation strategies. USAID's leadership and humanitarian support to disasters and complex emergencies provide a positive standard for the donor community and hope for a better future for the people suffering as a result of natural or manmade disasters.

II. RESOURCES INVESTED



All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

III. SELECTED PERFORMANCE TRENDS



IV. ILLUSTRATIVE EXAMPLE OF SIGNIFICANT ACHIEVEMENT

ASIAN TIDAL WAVE KILLS 150,000

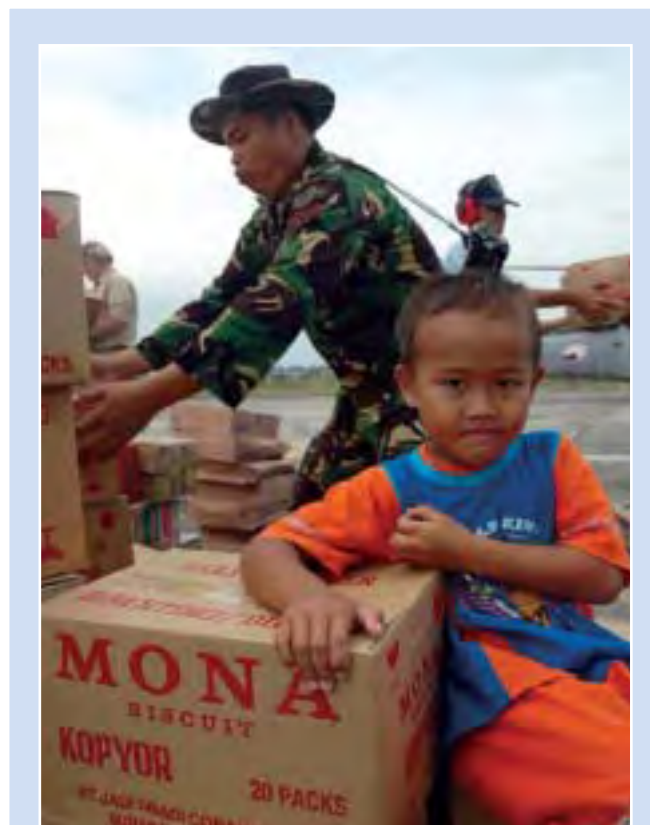
A post-Christmas earthquake and tidal wave killed at least 150,000, injured 500,000, and left millions homeless in Indonesia, Sri Lanka, India, and Thailand, setting off an immediate USAID relief effort.

Within hours of the tidal waves, USAID set up and dispatched a 21-member Disaster Assistance Response Team (DART) to quickly assess needs and help with sanitation, health, and other kinds of relief supplies. DART soon added 20 search and rescue specialists from Los Angeles and Fairfax, VA county fire departments.

In recent years, USAID and the wider foreign aid community have accepted that the best way to move people toward independent lives after a disaster is to help them rebuild. "So a lot of U.S. aid is to provide people with livelihoods," said Ken Isaacs, head of the Office of Foreign Disaster Assistance (OFDA), "such as jobs cleaning up debris and fixing roads in exchange for pay."

About 150 USAID staff from missions in affected countries worked on tsunami relief. Another 50 members of DART continued to assess needs and supply quick funding to relief projects.

As time went by, more of the U.S. aid effort shifted from relief to reconstruction from OFDA to the Bureau for Asia and the Near East (ANE), which has the benefit of established missions in Indonesia and Sri Lanka, the countries most in need of help. Thailand and India have largely been able to cope with relief on their own.



A young Indonesian boy watches the humanitarian relief efforts at Sultan Iskandar Muda Air Force Base in Banda Aceh, Indonesia.
PHOTO: JACOB J. KIRK, U.S. NAVY

FOOD RUSHED TO NIGER, OTHER AFRICAN COUNTRIES

After drought and a wave of locusts left parts of Niger and its neighbors short of food, USAID and other aid agencies moved supplies to the region in August to avert hunger. At the same time, even larger aid shipments were being readied for food crises in the Horn and southern Africa.

USAID sent DART to Niger to assess the situation there and in surrounding countries.

About \$133.9 million in U.S. food aid has already been provided in 2005 for the 65 million people in the Sahel, which extends from West Africa to Chad and Sudan. Niger alone has already received \$18.9 million in aid.

As early as January 21, USAID's Famine Early Warning System Network (FEWS NET) sounded the alarm on Niger, warning that food stocks were running out. After additional warnings in February and March, FEWS NET declared an emergency on June 15, noting deteriorating conditions and "extreme food insecurity." It concluded that 2.5 million people in Niger would need emergency assistance.

The food emergency was in part heightened after a BBC report in which the word "famine" was used. The fear of famine, coupled with regional trade restrictions, led neighboring countries to sharply curtail exports of food and prompted merchants to increase prices.

At the same time, the hunger season set in earlier than usual, forcing Niger's rural residents to head for the towns after their crops failed and their livestock died. There they found shops flush with food, but at prices beyond their means.



Emergency food shipments soon began to pour into Niger. On August 5, USAID airlifted 206 metric tons of special, high-nutrient food supplements to Niger to treat 34,000 children through UNICEF. Another 16,000 tons of food had already been sent. In 2004, to fight locusts, USAID provided \$10 million to the region.

The food shortages in the Sahel region are likely to be dwarfed by larger crises in other parts of Africa in 2005.

In August USAID sent an additional 73,500 tons of food to southern Africa through the UN World Food Program (WFP). The bulgur wheat, cornmeal, sorghum, vegetable oil, peas, and beans will sustain approximately five million to six million people for one month, and is valued at \$51.8 million.

This donation brings U.S. food assistance to southern Africa this year to 143,000 tons.

The United States has delivered more than one million tons of food since 2002, including this contribution, and is the biggest donor to WFP's operations in southern Africa. WFP is currently appealing to the international community for \$410 million to feed eight million people until the spring harvest in March 2006.

USAID LAUNCHES SYSTEM FOR DETERMINING HUMANITARIAN NEEDS

USAID launched an interagency, comprehensive system called the Standardized Monitoring and Assessment of Relief and Transitions (SMART) at the international meeting (June 23, 2005) hosted by UNICEF Executive Director, Ann M. Veneman. The new system is expected to save needless deaths and suffering in emergencies by improving assessment capabilities. "We are pleased to announce a major step forward in understanding of the real needs of populations in crisis situations," said Ms. Veneman in her remarks.

The core component of the system is a new standardized, epidemiological assessment tool for measuring and monitoring death rate, nutritional status, and food security —three data points essential for determining humanitarian need and for measuring the effectiveness of response. In partnership with UNICEF and the Canadian International Development Agency (CIDA), USAID led the

two-year work in research and development with an expert team drawn from several organizations. The assessment tool includes a new analytical software program with a standardized reporting format that is expected to harmonize and reform the humanitarian system. With all humanitarian organizations adopting this standardized tool, it will enable donors to compare need for the first time, and prioritize resources to benefit the most vulnerable people in crises around the world. The SMART method, designed to correct current deficiencies in assessments, will (1) produce accurate data, (2) obtain and report data rapidly in real time, (3) be easy to understand and apply in acute emergencies, and (4) report data in a standard, transparent manner that will give policymakers confidence for decision-making.

V. PERFORMANCE RESULTS

SUMMARY OF PROVISIONAL OR PRELIMINARY RESULTS — STRATEGIC GOAL 7

Total Goals and Indicators		Performance Summary	
Number of Performance Goals	2	Number of Targets Met	6
Number of Program Goals	2	Number of Targets Not Met	–
Number of Indicators	6	Number with Data Lags	–

PERFORMANCE GOAL #1



Effective Protection, Assistance, and Durable Solutions for Refugees, Internally Displaced Persons, Conflict Victims, and Victims of Natural Disasters

PROGRAM GOAL: HUMANITARIAN ASSISTANCE

Address the humanitarian needs of refugees, victims of conflict and natural disasters, and internally displaced persons (IDP).

Performance Indicator #1: Crude Death Rates (CDR)

FY RESULTS HISTORY		
FY RESULTS HISTORY	2002	USAID convened an international workshop which led to the adoption of the crude mortality rate (CMR)/crude death rate (CDR) (and nutritional status) as a common indicator for all relief organizations and agreement to develop a standardized assessment methodology. This led to international agreement to establish comprehensive shared systems to undertake global monitoring of CDR status in emergency sites.
	2003	The Complex Emergencies Database (CE-DAT) was funded by the Department of State/PRM (population, refugees, and migration) 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.
	2004	CE-DAT was officially launched as an online, publicly accessible data source for mortality, morbidity, and nutrition information. In this first phase, CE-DAT focused on 8 priority countries: Afghanistan, Angola, Democratic Republic of Congo, Ivory Coast, Ethiopia, Iraq, Sierra Leone, Sudan—with detailed human indicator database established for Sudan as a priority because of the Darfur crisis.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ CDR declined or remained stable in two-thirds (2/3) of monitored sites. ■ New baseline established: 23 percent of emergency areas are monitored, with current year data. New FY 2006 target: USAID will ensure 30 percent of emergency areas are monitored. ■ “SMART Methodology Version 1” developed and officially rolled out at the interagency meeting hosted by UNICEF.
	Target	CDR declines or remains stable in two-thirds (2/3) of monitored sites.
	Rating	■ On Target
	Impact	45 emergency sites were surveyed in 15 countries. Of these, previous year data were available for 21 sites which showed that CDR declined in 68 percent of the sites and deteriorated in 31 percent of the sites. FY 2005 CDR was above the threshold of 1/10,000/day in 37 percent of the sites (compared to 40 percent of the sites in FY 2004).

PROGRAM GOAL: HUMANITARIAN ASSISTANCE (continued)		
Performance Indicator #2: Nutritional Status of Children Under Five Years of Age		
FY RESULTS HISTORY	2002	USAID convened an international workshop which led to the adoption of nutritional status (and CDR) as a common indicator for all relief organizations and agreement to develop a standardized assessment methodology. This led to international agreement to establish comprehensive shared systems to undertake global monitoring of nutritional status in emergency sites.
	2003	Nutrition data compiled for 67 percent of selected conflict sites with CDR data, mostly in the Africa region and countries with protracted emergencies, and Iraq and Afghanistan.
	2004	198 emergency sites surveyed in 22 countries (16 in Africa, four in Asia, one in Middle East, and one in South America).
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Nutritional status improved or remained stable in two-thirds (2/3) of monitored sites. ■ New baseline established: 23 percent of emergency areas are monitored, with current year data. New FY 2006 target: USAID will ensure 30 percent of emergency areas are monitored. ■ "SMART Methodology Version 1" developed and officially rolled out as the community's standardized methodology for assessing global acute malnutrition
	Target	Nutritional status improves or remains stable in two-thirds (2/3) of monitored sites.
	Rating	 On Target
	Impact	163 emergency sites were surveyed in 23 countries. Where data were available (40 emergency sites), comparison of FY 2005 with FY 2004 data shows that the nutrition situation improved in 13 percent of sites, remained stable in 85 percent of sites, and deteriorated in 2 percent of sites.
Performance Indicator #3: Number of Beneficiaries Assisted by USAID (in millions)		
FY RESULTS HISTORY	2002	59.6 million beneficiaries.
	2003	<ul style="list-style-type: none"> ■ 73 million beneficiaries. ■ 16,530 beneficiaries who were torture survivors.
	2004	<ul style="list-style-type: none"> ■ 64,083,897 beneficiaries. ■ 14,881 beneficiaries who were torture survivors. ■ Number of prosthetic devices distributed (baseline year): 707.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ 90,000,000 beneficiaries. ■ 18,101 beneficiaries who were torture survivors. ■ Number of prosthetic devices distributed: 988.
	Target	The number of people served is not the best measure of the performance of humanitarian assistance. USAID does not normally set an overall target number of beneficiaries at the beginning of an emergency, because disaster situations are dynamic. New needs arise while others are alleviated, so it is very difficult if not impossible to know how many people USAID intends to serve at the outset of a given complex emergency or natural disaster. As a result, the "coverage" figure of planned vs. actual beneficiaries is not entirely reliable.
	Rating	 On Target
	Impact	DCHA/OFDA relief programs reached nearly 100 million beneficiaries, providing a wide range of life-saving and preparedness services.



PERFORMANCE GOAL #2

Improve Disaster Prevention and Response Through Capacity Building in Crisis-Prone Countries

PROGRAM GOAL: PARTNER ACCOUNTABILITY

Ensure that partners have the appropriate training and support to build local capacity in disaster preparedness and mitigation.

Performance Indicator #1: Number of People and Number/Percent of Partner Institutions That Received Training and Technical Support

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	N/A (new indicator in FY 2003)
	2004	<ul style="list-style-type: none"> ■ Number of people that received training and technical support: 294,041. ■ Number of partner institutions that received training and technical support: 862. ■ Average percent of USAID partner institutions that received training and technical support: 33 percent.
FY 2005 Data	2005 Preliminary or Provisional Results	<ul style="list-style-type: none"> ■ Number of people that received training and technical support: 300,150. ■ Number of partner institutions that received training and technical support: 876. ■ Average percent of USAID partner institutions that received training and technical support: 40 percent.
	Target	<ul style="list-style-type: none"> ■ Number of people that received training and technical support: 300,150. ■ Number of partner institutions that received training and technical support: 876. ■ Average percent of USAID partner institutions that received training and technical support: 40 percent.
	Rating	 On Target
	Impact	USAID grantees obtained valuable guidance from OFDA field staff and technical experts through the grant application review process. This resulted in improved non-governmental organization (NGO) program design capacity and more refined future submissions.
Performance Indicator #2: Number/Percent of Crisis-Prone Countries That Have Systems to Warn about Shocks and Their Effects on Food Availability/Access by Vulnerable People		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	Nine (45 percent) of USAID-assisted, crisis prone countries have systems to warn of shocks (first year of data collection).
FY 2005 Data	2005 Preliminary or Provisional Results	14 (55 percent) of USAID-assisted, crisis prone countries have systems to warn of shocks.
	Target	11 (52 percent) of USAID-assisted, crisis prone countries have systems to warn of shocks.
	Rating	 On Target
	Impact	It is important to build local capacity to anticipate and respond appropriately to disasters.

PROGRAM GOAL: PARTNER ACCOUNTABILITY <i>(continued)</i>		
Performance Indicator #3: Number of Institutions Reconstructed and Rehabilitated (Homes, Water/Sanitation Facilities, Schools, Markets, etc.).		
FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	First year of data collection. 41,577 buildings (homes, schools, clinics, markets) reconstructed or rehabilitated.
FY 2005 Data	2005 Preliminary or Provisional Results	28,909 buildings (homes, schools, clinics, markets) reconstructed or rehabilitated.
	Target	28,909 buildings (homes, schools, clinics, markets) reconstructed or rehabilitated.
	Rating	■ On Target
	Impact	USAID met the critical shelter needs of many people displaced by conflict or natural disasters around the world.

VI. PROGRAM EVALUATIONS AND PART REVIEWS

- 1) Evaluation: USAID/OFDA Humanitarian Assistance Program in Angola 2000-2003
- 2) United States Agency for International Development, Office of Foreign Disaster Assistance.
Field Operations Guide
http://www.usaid.gov/our_work/humanitarian_assistance/disaster_assistance/resources/pdf/fog_v4.pdf



USAID supports the construction of approximately 60 rural water and sanitation systems per year in Honduras. The approach includes not only construction of water and sanitation infrastructure, but also community participation to insure sustainability, and health education to bring about changes in health behavior. The presence of potable water in communities and adequate disposal of human waste brings about a decrease in diarrhea and ultimately a decrease in infant and child mortality.

PHOTO: USAID/HONDURAS

HUMANITARIAN ASSISTANCE — BENCHMARK INDICATORS

USAID adopted two benchmark indicators for Humanitarian Assistance in 1999. These are Crude Death Rate (CDR) and Nutritional Status of Children Under-Five. These indicators are useful for monitoring the extent the entire relief system is meeting the needs of populations in crisis, and thus the overall impact of humanitarian effort. They are appropriate for complex humanitarian emergencies, because the response is necessarily system-wide with various partners and other donors of the humanitarian community providing relief. As such, USAID uses these indicators as an overall global monitoring of the situation with its partners, including United Nations (UN) organizations and Private Voluntary Organizations (PVO)/NGOs. The Nutrition Information Crisis Situations (NICS) of the UN Standing Committee on Nutrition (UNSCN) compiled and analyzed nutrition data from all partners and emergency sites, supported by USAID and other donors (see trend analysis below). The Complex-Emergencies Database (CE-DAT) at the Centre for Research on the Epidemiology for Disasters (CRED) undertook a similar reporting on CDR.

NUTRITIONAL STATUS OF CHILDREN UNDER-FIVE

Nutrition trend analysis shows that compared with last year, the situation improved in 13 percent of emergency sites, remained stable in 85 percent of sites, and deteriorated in two percent of sites.

Results:

Results of anthropometric nutrition surveys between June 2004 and June 2005 were analyzed. 163 emergency sites were surveyed in 23 countries (19 African countries, two Asian countries, one country in Middle East, and one country in the Caribbean).

The FY 2005 target of nutritional status remaining stable or improving in two-thirds of emergency sites was met.

The second indicator is the percent of emergency area being monitored, defined as the availability of reliable, updated current year data. Recent consultations with technical partners resulted in the establishment of a new baseline and the setting of new targets which will be reported next year.

For 40 emergency sites, data were available to compare current or FY 2005 prevalence levels with the previous year. This analysis shows that the nutrition situation improved in 13 percent of the sites, remained stable in 85 percent of the sites, and deteriorated in two percent of the sites. Although the situation appears to be stable or improved, the FY 2005 prevalence level of acute malnutrition (wasting) was acceptable in only 22 percent of the sites, according to the World Health Organization (WHO) classification of nutrition status. The rest was poor (27 percent), serious (19 percent) or critical (32 percent). The most critical situations were found among Sudanese refugees and host populations in Chad, Sudanese and Somali refugees in Kenya, resident population of Rift valley North-Eastern provinces in Kenya, among displaced and resident populations in South Sudan and Darfur (although the latest surveys in Darfur showed an improvement of the situation), and among resident populations in Eritrea. USAID will monitor these critical situations closely so that situations will improve, particularly in emergency sites where it provides funding.

CRUDE DEATH RATE (CDR)

Trend analysis shows that compared with last year, the situation improved in 68 percent of emergency sites, and deteriorated in 31 percent of sites.

Results:

Results of mortality surveys between June 2004 and June 2005 were analyzed. Forty-five emergency sites were surveyed in 15 countries (12 African countries, one country in Middle East and two countries in the Latin America and Caribbean (LAC)).

The FY 2005 target of CDR declining or remaining stable in two-thirds of emergency sites was met.

The second indicator is the percent of emergency area being monitored, defined as the availability of reliable, updated current year data. Recent consultations with technical partners resulted in the establishment of a new baseline and the setting of new targets which will be reported next year.

For 21 emergency sites, data were available to compare current or FY 2005 prevalence levels with the previous year. This analysis shows that CDR declined in 68 percent of the sites, and deteriorated in 31 percent of the sites. The FY 2005 CDR was above the threshold of one death/per 10,000 persons/per day in 37 percent of the sites (compared to 40 percent of sites in FY 2004).



USAID is providing support to improve the health of mother and children in mountainous districts of Quang Tri Province, Vietnam.

PHOTO: MICHAEL BISCEGLIE

SUMMARY TABLE 1: NUTRITION SITUATION IN EMERGENCY SITES
(according to surveys conducted between January 2004 and June 2005)

Number of emergency sites surveyed	Severity of the nutrition situation % (no. of sites) ¹	Trends in the prevalence of malnutrition compared to the previous year % (no. of sites)	Comparison with a Comparative Reference Point (CRP)
AFRICA			
ALGERIA			
1	Poor: 100% (1)	No data available	No data available
ANGOLA			
4	Poor: 100% (4)	Stable: 100% (2)	No data available
BURUNDI			
1	Acceptable: 100% (1)	Stable: 100% (1)	No data available
CENTRAL AFRICAN REPUBLIC			
1	Poor: 100% (1)	No data available	No data available
CHAD			
12	Serious: 33% (4) Critical: 67% (8) (acute Malnutrition > 20%)	Decrease: 50% (1) Stable: 50% (1)	Possible for 4 sites CRP: surrounding resident population Equal to CRP: 75% Above CRP: 25%
DEMOCRATIC REPUBLIC OF CONGO			
9	Acceptable: 22% (2) Poor: 33% (3) Serious: 45% (4)	Stable: 100% (1)	No data available
ERITREA			
7	Poor: 14% (1) Serious: 57% (4) Critical: 29% (2)	Stable: 75% (3) Decrease: 25% (1)	No data available
ETHIOPIA			
18	Acceptable: 5% (1) Poor: 45% (8) Serious: 17% (3) Critical: 33% (6)	No data available	No data available
GUINEA			
1	Serious: 100% (1)	No data available	No data available
IVORY COAST			
1	Poor: 100% (1)	No data available	CRP: demographic health survey (DHS) 1998/99, Abidjan: Equal to CRP: 100%

1. Scale on page 148

(continued on next page)

SUMMARY TABLE 1: NUTRITION SITUATION IN EMERGENCY SITES *(continued)*
(according to surveys conducted between January 2004 and June 2005)

Number of emergency sites surveyed	Severity of the nutrition situation % (no. of sites) ¹	Trends in the prevalence of malnutrition compared to the previous year % (no. of sites)	Comparison with a Comparative Reference Point (CRP)
AFRICA (continued)			
KENYA			
<i>Refugees from Somalia and Sudan</i>			
1	Critical: 100% (1)	Stable: 100% (1)	CRP: surrounding resident population: Equal to CRP: 100%
Residents			
10	Acceptable: 30% (3) Critical: 70% (7)	Stable: 50% (1) Decrease: 50% (1)	CRP: DHS 2003, by province: Equal to CRP: 50% (2) Above CRP: 50% (2)
LIBERIA			
3	Acceptable: 100% (3)	No data available	No data available
NIGER			
4	Serious: 50% (2) Critical: 50% (2)	No data available	CRP: multiple indicator cluster surveys (MICS) 2000 by region Below CRP: 25% (1) Equal to CRP: 50% (2) Above CRP: 25% (1)
SIERRA LEONE			
1	Poor: 100% (1)	No data available	No data available
SOMALIA			
9	Serious: 44% (4) Critical: 56% (5)	Increase: 100% (1)	No data available
SUDAN			
<i>Darfur region</i>			
18	Acceptable: 6% (1) Poor: 11% (2) Serious: 22% (4) Critical: 61% (11)	Decrease: 50% (1) Stable: 50% (1)	No data available
<i>Southern Sudan</i>			
16	Poor: 12% (2) Serious: 19% (3) Critical: 69% (11)	Stable: 80% (4) Decrease: 20% (1)	No data available
TANZANIA (REFUGEES FROM BURUNDI/DRC)			
13	Acceptable: 23% (3) Poor: 77% (10)	Stable: 100% (13)	No data available

1. Scale on page 148

(continued on next page)

SUMMARY TABLE I: NUTRITION SITUATION IN EMERGING SITES *(continued)*
(according to surveys conducted between January 2004 and June 2005)

Number of emergency sites surveyed	Severity of the nutrition situation % (no. of sites) ¹	Trends in the prevalence of malnutrition compared to the previous year % (no. of sites)	Comparison with a Comparative Reference Point (CRP)
AFRICA (continued)			
UGANDA			
7	Acceptable: 57% (4) Poor: 43% (3)	Stable: 100% (3)	No data available
ZAMBIA (REFUGEES FROM ANGOLA)			
1	Acceptable: 100% (1)	Stable: 100% (1)	DHS 2001/2002 by region Equal to CRP: 100%
MIDDLE EAST			
IRAQ			
1	Acceptable: 100% (1)	No data available	No data available
ASIA			
AFGHANISTAN			
3	Poor: 67% (2) Serious: 33% (1)	Stable: 100% (2)	No data available
INDONESIA (TSUNAMI AFFECTED AREA)			
1	Serious: 100% (1)	No data available	No data available
THE CARIBBEAN			
HAITI			
20	Acceptable: 80% (16) Poor: 20% (4)	No data available	DHS 2000 by department Equal to CRP: 100% (19)

1. Scale on page 148

THEORETICAL BACKGROUND ON THE USE OF NUTRITIONAL STATUS OF CHILDREN UNDER FIVE

Physical growth in childhood is a proxy indicator of the nutritional well being of a population. Typically, weight and height are measured and compared with the average values for the international reference population of well-nourished North American children (the National Center for Health Statistics (NCHS) population). Deviations from the reference population are usually expressed either as standard deviations (also called Z scores) from the reference median, or as a percentage of the reference median. Classification according to Z-scores is recommended by WHO as the more statistically valid method. It should be noted that the Z score and percent of median methods are not statistically equivalent, and therefore results obtained using the different methods are not comparable. Acute malnutrition is defined as weight/height <-2Z scores and/or the presence of oedema. Severe acute malnutrition is defined as weight/height <-3Z scores and/or oedema.

(continued on next page)

Selection of the nutrition data

Nutrition data were taken from surveys, which used a probabilistic sampling methodology, complying with internationally agreed standards.^{1,2,3} The following studies were not taken into account:

- those for which the methodology was impossible to check
- those that relied on data collected using convenience sample methodologies
- those for which the methodology was not in agreement with WHO/international standard.

Nutrition data were taken from surveys, which assessed children aged between six to 59 months (65 to 110 cm).

Severity of the nutrition situation compared to standard

The WHO definition was used (WHO, 2000, the management of severe malnutrition in major emergencies, WHO: Geneva)

Severity of the nutrition situation	Prevalence of wasting (acute malnutrition)
Acceptable	< 5%
Poor	5-9%
Serious	10-14%
Critical	>= 15%

However, thresholds have to be used with caution and in relation to contextual analysis. Trend analysis is recommended to follow a situation: if nutrition indicators are deteriorating over time, even if not above the threshold, this indicates a worsening situation.

Comparison with the previous year

Where available, data of the emergency sites were compared to data recorded in the same area in the previous year, taking into account seasonal variation.

Comparison with a Comparative Reference Point (CRP)

Were defined as comparative reference points:

Resident populations

Data of representative surveys at emergency site, regional or national level, carried out at a time when political and climate situation was estimated "normal."

Refugee/displaced population

Data of representative surveys of surrounding resident populations in the same environmental conditions.

CRP could be determined mostly for refugees and displaced populations and for "new crises."

1. WHO (2002) The management of Nutrition in Major Emergencies. Geneva:WHO

2. SMART (2002) www.smartindicators.org

3. Médecins sans Frontières (1995) Nutritional guidelines. Paris: Médecins sans Frontières

SUMMARY TABLE 2: CRUDE DEATH RATE (CDR) IN EMERGENCY SITES
(according to surveys conducted between January 2004 and June 2005)

Number of emergency sites surveyed	Severity of the situation % (no. of sites) above standard CDR threshold >1/10,000/day	Trends in CDR compared to the previous year % (no. of sites)	Significance of comparison
AFRICA			
ANGOLA			
2	0	Decrease = 100% (2)	Situation improved
BURUNDI			
1	0	-	No previous year data
CENTRAL AFRICAN REPUBLIC			
1	0	-	No previous year data
CHAD			
1	1	-	No previous year data
DEMOCRATIC REPUBLIC OF CONGO			
3	3	Increase = 100% (3)	Situation deteriorated
ETHIOPIA			
1	1	Decrease = 100% (2)	Situation improved
GUINEA			
1	0	-	No previous year data
KENYA			
3	0	Decrease = 100% (1)	Situation improved
LIBERIA			
3	2	Decrease = 100% (1)	Situation improved
SOMALIA			
4	2	-	No previous year data
SUDAN			
12	5	Decrease = 100% (6)	Situation improved
UGANDA			
1	1	Decrease = 100% (1)	Situation improved
ASIA			
AFGHANISTAN			
3	0	Decrease = 33% (1) Increase = 66% (2)	Slight changes in actual rates
THE CARIBBEAN			
HAITI			
8	0	Decrease = 33% (1) Increase = 66% (2)	Slight changes in actual rates

THEORETICAL BACKGROUND

Mortality rates are indicators that are developed from demographic principles and are commonly used to indicate disease severity, health system performance, or the impact of violent events. Mortality rates indicate the probability of dying before a certain age and require a virtual birth cohort that is followed over time and include the true population at risk of dying. Calculation of mortality rates requires more complex methods that are rarely appropriate within a humanitarian context. Confusion has arisen in the past when the humanitarian community, including this report, used the term “mortality” rates for rates calculated for “death” rates. Subsequent to technical consultations during FY 2005 through the Standardized Monitoring and Assessment of Relief and Transitions (SMART) Initiative and development of the standardized SMART methodology, the accurate terminology or CDR is now in use. CDR includes all age groups and indicates the general impact of a disaster event. It is defined as the number of people in the total population who die over a specified period of time.

CDR is the most vital, basic public health indicator of the severity of a humanitarian crisis. It is useful for assessing need, prioritizing resources, and monitoring the extent to which the relief system (with USAID as the largest donor) is meeting the needs of vulnerable populations. Thus, it measures the overall impact and performance of the relief effort. It is usually used in complex humanitarian emergencies as the response is system-wide with various sectors of the international community providing assistance.

Selection of CDR data

Most of the CDR data were taken from surveys that also assessed nutritional status. These surveys used a probabilistic sampling methodology, complying with internationally agreed standards. The following studies were not taken into account:

- those for which the methodology was impossible to check
- those that relied on data collected using convenience sample methodologies
- those for which the methodology was not in agreement with WHO/international standard.

Data were taken from surveys that assessed the total population of specified emergency sites or area.

Severity of situation

In emergency situations, CDR is expressed as number of deaths/10,000 people/day. CDR trigger level for alert is currently set at 1/10,000/day. However, thresholds have to be used with caution and in relation to contextual analysis. Trend analysis is recommended to follow a situation: if CDR is deteriorating over time, even if not above the threshold, this indicates a worsening situation.

Comparison with the previous year

Where available, data of the emergency sites were compared to data recorded in the same area in the previous area.



Mother with child at the “taxi Gare” in Bougouni, Mali.

PHOTO: CHARLES FEEZEL, USAID/AFRICA

STRATEGIC OBJECTIVE #3:

STRENGTHEN DIPLOMATIC AND PROGRAM CAPABILITIES

The fulfillment of the Agency's mission and the achievement of its policy goals are inextricably linked to a foundation of sound management and organizational excellence required by the President's Management Agenda (PMA). This foundation is essential to support the work of USAID's Missions and Programs. The Agency is committed to maintaining a well-qualified workforce, supported by modern infrastructure that provides the tools to achieve its development goals worldwide. Building this foundation will require significant investments in people, systems, and facilities.

The following strategic goal falls under this strategic objective:

- Strategic Goal 8: Management and Organizational Excellence

STRATEGIC GOAL 8: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

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

I. PUBLIC BENEFIT

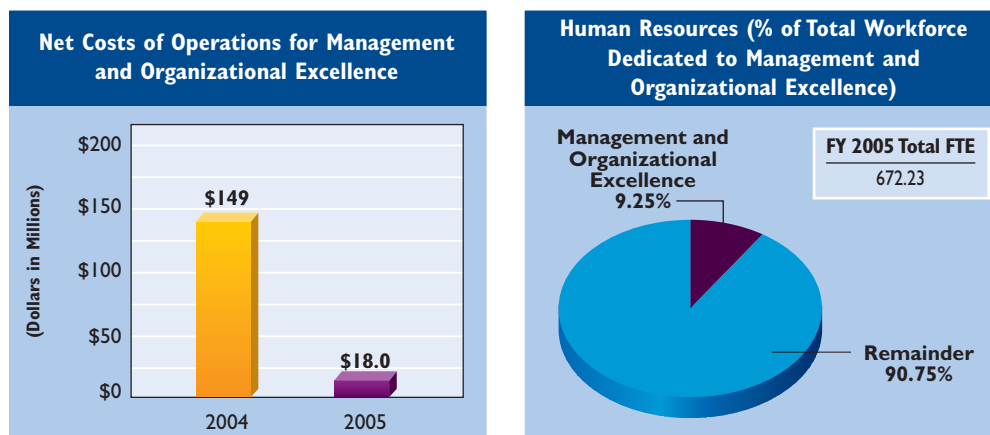
USAID continues to pursue human resource initiatives aimed at building, deploying, and sustaining a knowledgeable, diverse, and high-performing workforce. USAID continues to maintain and develop robust training programs with emphasis on skills that can help achieve transformational diplomacy and development, such as advanced foreign language proficiency, public diplomacy, and leadership and management preparedness. The goal is to have a workforce whose composition, size, and skills can adapt quickly to changes in mission, technology, and worldwide requirements of the foreign affairs environment.

To fulfill their joint mission effectively, the Department of State and USAID depend heavily on the collection, analysis, communication, and presentation of information in forms useful to their stakeholders—the public, businesses, other U.S. government agencies, foreign governments, and their employees. USAID is making 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 (IT) infrastructure, a modern messaging/archiving/knowledge management system, streamlined administrative systems, and a customer-focused portal.

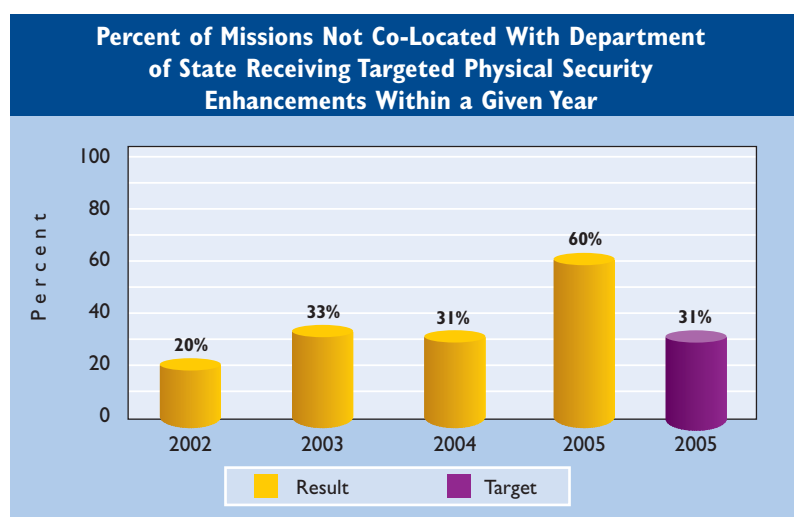
Integrated budgeting, planning, and performance measurement processes, together with effective financial management and demonstrated financial accountability, are enhancing the management and performance of USAID. These measures will ensure the resources entrusted to USAID are well managed and judiciously used. The American people will be able to see how well programs perform, and the costs they incur for that performance.

All results presented are preliminary. Final results will be presented in the FY 2005 PAR Addendum, to be published by USAID in April 2006.

II. RESOURCES INVESTED



III. SELECTED PERFORMANCE TRENDS



IV. ILLUSTRATIVE EXAMPLE OF SIGNIFICANT ACHIEVEMENT

NEW FINANCIAL SYSTEM ARRIVES AT MISSIONS

Eight Latin America and the Caribbean (LAC) and nine Europe and Eurasia (E&E) missions went live with Phoenix, the new financial management system—went live with Phoenix, the new financial management system. The transition was smooth because of the efforts of the missions' financial management staff, who had to learn a new system while still meeting daily job responsibilities, and working long hours that at times included weekends. Phoenix has been supporting accounting transactions at USAID's headquarters since 2000. Now that 22 missions are using the system successfully, the Agency plans to roll out Phoenix to the Asia and Near East (ANE) missions in December 2005 and to the Africa missions in 2006. Phoenix, unlike the current overseas Mission Accounting and Control System (MACS) it replaces, is compliant with federal regulations. Financial transactions on Phoenix are posted immediately to a general ledger. USAID is taking the lessons learned from the pilot phase of the project and anticipates making some changes—especially in the areas of training and user support. Deploying Phoenix overseas is part of the Business Systems Modernization initiative, a key component of USAID's Business Transformation Plan.



Dr. Mariama Cire Bah, a foreign service national who serves as USAID/Guinea's reproductive health specialist, discusses the particulars of HIV/AIDS transmission with a group of young men.

PHOTO: USAID/GUINEA

USAID LEADERSHIP RESPONDS TO SURVEY WITH CHANGES FOR FOREIGN SERVICE NATIONALS

USAID's 2004 employee opinion survey has led to new personnel initiatives for the Agency's largest employee group: nearly 4,900 foreign service nationals (FSN).

In last year's survey, 1,400 comments were submitted, mostly from FSNs. Many said they wanted career development and training opportunities. Many commented on salary, and asked that an FSN executive corps be established to enhance communication between Washington management and people in the field.

As a result of those requests, the Agency's Business Transformation Executive Committee (BTEC) made "nurturing FSNs" one of its four major priorities for this year. In addition, the Office of Human Resources (HR) established the first FSN Working Group, with Agency representatives from each USAID/Washington bureau and including former FSNs working in the Washington area.

The working group plans to create a publication of FSN success stories, as well as new awards for FSNs. The group has already created a virtual FSN network and regional FSN mailing lists to ease communication between USAID/Washington and the FSN community. In April, the working group met to develop a strategy and action plan to promote professional development, mobility, and communications. To expand the role of FSNs, the working group is considering ways to better utilize FSNs in countries with emerging priorities for "surge" needs, as well as encouraging more FSN exchange opportunities for temporary assignments in other missions and in USAID/Washington.

Recognizing that English-language capability is one of the single biggest factors in FSN career advancement, the HR office recently rolled out online English-language training programs targeting 1,000 entry-level FSNs worldwide.

The working group is also exploring other career development options, such as increasing participation by FSNs in leadership training programs and establishing senior FSN positions. For instance, an FSN Executive Corps is being studied that would identify a cadre of senior or retired FSN professionals worldwide to meet surge and other short to medium-term technical assistance requirements.

Administrator Andrew S. Natsios recently named 2005 as the "Year of the FSN" when announcing new initiatives at the world-wide mission directors' conference, held in Arlington, VA, May 17–20.

USAID SECURITY PROVISIONS GET THUMBS UP

USAID received the highest grade, an A+, on the 2004 Federal Information Security Management Act (FISMA) report card issued February 16. This is a significant improvement from the C– score the Agency received in 2003. The overall government-wide grade is a D+. The grades were based on internal assessments by agencies and evaluations by the Office of Management and Budget (OMB). The FISMA report cards help Congress assess the government's security progress.

V. PERFORMANCE RESULTS

SUMMARY OF PROVISIONAL OR PRELIMINARY RESULTS — STRATEGIC GOAL 8

Total Goals and Indicators		Performance Summary	
Number of Performance Goals	4	Number of Targets Met	4
Number of Program Goals	4	Number of Targets Not Met	–
Number of Indicators	5	Number with Data Lags	1


PERFORMANCE GOAL #1

Modernized, Secure, and High Quality Information Technology (IT) Management and Infrastructure that Meet Critical Business Requirements


PROGRAM GOAL: SECURE GLOBAL NETWORK AND INFRASTRUCTURE

Achieve the Agency's IT goals by establishing a reliable and secure global telecommunications and processing infrastructure.

Performance Indicator #1: Percentage of IT Systems Certified and Accredited

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	100 percent
FY 2005 Data	2005 Preliminary or Provisional Results	100 percent
	Target	100 percent
	Rating	 On Target
	Impact	The 100 percent certification and accreditation (C&A) 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 (Aidnet), office-specific information systems of the Inspector General (IG) and the Office of Foreign Disaster Assistance (OFDA), the New Management Systems (NMS) Acquisition and Assistance Module, and the Phoenix and related financial systems.

Performance Indicator #2: Number of Information Security Vulnerabilities Per IT Hardware Item

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2004)
	2003	N/A (new indicator in FY 2004)
	2004	0.09
FY 2005 Data	2005 Preliminary or Provisional Results	0.00054
	Target	0.01
	Rating	 On 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 GOAL #2

Secure, Safe, and Functional Facilities Serving Domestic and Overseas Staff

PROGRAM GOAL: COMPOUND SECURITY PROGRAM

Compound security provides technical security (e.g., alarms, cameras, lighting, closed-circuit televisions (CCTV)) and physical security (e.g., perimeter security, vaults, safe havens, escape hatches) installations and upgrades to Department overseas facilities to protect employees from terrorist and other security threats.

Performance Indicator #1: Percent of Missions Not Co-Located With the Department of State Receiving Targeted Physical Security Enhancements Within a Given Year

FY RESULTS HISTORY	2002	20 percent
	2003	33 percent
	2004	31 percent
FY 2005 Data	2005 Preliminary or Provisional Results	60 percent
	Target	31 percent
	Rating	 Exceeded 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 GOAL #3

Integrated Budgeting, Planning, and Performance Management; Effective Financial Management; and Demonstrated Financial Accountability

PROGRAM GOAL: IMPROVED FINANCIAL PERFORMANCE

Provide world-class financial services that support strategic decision-making, mission performance, the President's Management Agenda (PMA), and improved accountability to the American people.

Performance Indicator #1: Total Number of Federal Managers' Financial Integrity Act (FMFIA) and Auditor Identified Material Weaknesses Identified

FY RESULTS HISTORY	2002	N/A
	2003	10
	2004	Four
FY 2005 Data	2005 Preliminary or Provisional Results	One
	Target	Three
	Rating	 Exceeded Target
	Impact	The strong FY 2005 result is important because it indicates that the Agency is taking aggressive actions to implement financial and general management improvements. What will happen or what did happen because of the achieved results? Specifically, the Agency has reduced vulnerabilities to a manageable level and it has continued to improve upon financial processes. How do the results move the Agency closer to a desired outcome? The ultimate result, which we have achieved, is an unqualified certification on management controls by USAID's Administrator (under the FMFIA) and a clean opinion from the IG on the Agency's financial statements indicating that USAID's overall financial and management position has been strengthened.

PERFORMANCE GOAL #4

Customer-Oriented, Innovative Delivery of Administrative and Information Services, and Assistance

PROGRAM GOAL: CUSTOMER-ORIENTED MANAGEMENT SERVICES

Ensuring that USAID Management Services are directed at and generated by the staff that uses them.

Performance Indicator #1: Average "Margin of Victory" on Customer Service Survey for Management Offices (PART) – Two Year Average of Per Capita Central Management Costs

FY RESULTS HISTORY	2002	N/A (new indicator in FY 2003)
	2003	N/A
	2004	Baseline: 23.7 percent.
FY 2005 Data	2005 Preliminary or Provisional Results	Final results will be presented in the FY 2005 PAR Addendum available April 2006.
	Target	FY 2004 serves as a baseline for this indicator.
	Rating	■ Final results will be presented in the FY 2005 PAR Addendum available April 2006.
	Impact	The average "Margin of Victory" on the Administrator's customer service survey in FY 2004 indicates that USAID's management offices have improved customer service since FY 2003. The higher score reflects increased satisfaction with management services, especially in such areas as Information Resources Management, Financial Management, Administrative Services, and procurement, and indicates increasingly effective support to Agency functions.

VI. PROGRAM EVALUATIONS AND PART REVIEWS

- 1) OMB/USAID Operating Expense/Capital Investment Fund Program Assessment Rating Tool (PART), July 2004
- 2) OIG Standards for Success Accomplishment Report Fiscal Year 2003, available on the Web at: http://www.usaid.gov/oig/public/standards_success_report_fy2003.pdf
- 3) OIG Semi-Annual Reports to Congress, available on the Web at: <http://www.usaid.gov/oig/public/semiann/semiannual1.htm>
- 4) Independent Auditor's Report on USAID's Consolidated Financial Statements, Internal Controls, and Compliance for Fiscal Years 2003 and 2002,; November 14, 2003; available on the Web at: <http://www.usaid.gov/oig/public/fy04rpts/0-000-04-001-c.pdf>

PROGRAM ASSESSMENT RATING TOOLS (PART) STATUS

The tables below summarize the ratings for the Agency's seven FY 2004 - 2006 PART reviews. The Agency's goal is to have completed PARTs for 100 percent of its programs by the end of the FY 2008 cycle, and to have OMB-approved performance and efficiency measures for all PART'ed programs.

FY 2004 PART PROGRAMS

STRATEGIC GOAL 4/5		DEMOCRACY AND HUMAN RIGHTS/ECONOMIC PROSPERITY AND SECURITY
Program Name	USAID Development Assistance - Population	
Rating	◆ CY 2002: Moderately Effective	
Lead Bureau	◆ Agency for International Development - Global Health (GH)	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program has been highly effective in increasing contraceptive use in assisted countries. ◆ The program does not allocate resources across regions and countries in an optimal way to respond to highest need. ◆ The program should continue to provide resources at the FY 2003 level, and take steps to better align resource allocations with country needs through new performance budgeting efforts. 	
Actions Taken/Planned	◆ Available in the JPP.	
STRATEGIC GOAL 6		USAID SOCIAL AND ENVIRONMENTAL ISSUES
Program Name	Global Climate Change (GCC)	
Rating	◆ CY 2002: Adequate	
Lead Bureau	◆ Agency for International Development - Economic Growth, Agriculture, and Trade (EGAT)	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program is managed well. The real issue for the program is redefining its role in foreign policy. ◆ Only one of the program's performance measures is measurable and has a cumulative target linked to an outcome. The program would benefit from improved measures. 	
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ The GCC program is in the process of developing a new strategy to update its goals. ◆ The GCC program is improving measurability by developing methodologies to measure carbon sequestration (awarded cooperative agreement 9/03 to NGO with expertise in carbon measurement). ◆ The GCC program reflects Administration's priorities by actively participating in bilateral climate change discussions with the Department of State, and is a member of the negotiating team in international climate change negotiations. 	

(continued)

STRATEGIC GOAL 7		HUMANITARIAN RESPONSE
Program Name	USAID Public Law 480 Title II Food Aid	
Rating	◆ CY 2002: Adequate	
Lead Bureau	◆ Agency for International Development - Democracy, Conflict, and Humanitarian Assistance (DCHA)	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Overall changes in the wellbeing of hungry people are difficult to measure. ◆ Emergency food aid, which provides food to prevent or reduce discrete and protracted famines, has demonstrated adequate progress. ◆ The program would be more cost-effective if several congressional mandates were eliminated, such as cargo preference requirements. 	
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ Development of a Food for Peace Office of Strategic Plan provides indicators that will better measure the well being of those receiving food aid. ◆ Working closely with the Department of Transportation, USDA, and others, USAID aggressively is pursuing ways to strike a balance in relief of cargo preferences and purchase of minimal tonnage of food aid requirements and other congressional mandates. 	

FY 2005 PART PROGRAMS

STRATEGIC GOAL I		REGIONAL STABILITY
Program Name	USAID Transition Initiatives	
Rating	◆ CY 2003: Moderately Effective	
Lead Bureau	◆ Agency for International Development - DCHA/Office of Transition Initiatives (OTI)	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The assessment found that the program is strong overall. ◆ OTI's performance measurement is strong at the individual program/country level, but there is no aggregate measurement of OTI's effectiveness across the board. ◆ USAID will closely monitor the development of OTI's short and long-term baselines, timeframes, and targets to ensure their timely completion. 	
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ Currently working to put systems in place to aggregately measure OTI's effectiveness. ◆ Developing a system to ensure timely completion of OTI's monitoring process at the mission level. 	
STRATEGIC GOAL 4/5		DEMOCRACY AND HUMAN RIGHTS/ECONOMIC PROSPERITY AND SECURITY
Program Name	USAID Child Survival and Health – Latin America and Caribbean (LAC) Region	
Rating	<ul style="list-style-type: none"> ◆ CY 2003: Results Not Demonstrated ◆ CY 2004: Moderately Effectively 	
Lead Bureau	◆ Agency for International Development - LAC Bureau	
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program is closely aligned with U.S. foreign policy priorities in the region. ◆ The program cannot adequately demonstrate progress in achieving results due to the lack of LAC regional performance measures and targets. At the country, or operating unit level, however, targets are, with few exceptions, being met or exceeded. 	
Actions Taken/Planned	◆ LAC has implemented a system of regional common performance indicators that will facilitate the setting of ambitious annual and long-term performance targets, the measurement of results, and an annual budgeting process that is directly integrated with performance.	

(continued)

STRATEGIC GOAL 4/5		DEMOCRACY AND HUMAN RIGHTS/ECONOMIC PROSPERITY AND SECURITY (continued)	
Program Name	USAID Development Assistance – LAC Region		
Rating	<ul style="list-style-type: none"> ◆ CY 2003: Results Not Demonstrated ◆ CY 2004: Moderately Effective 		
Lead Bureau	◆ Agency for International Development - LAC		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program is closely aligned with U.S. foreign policy priorities in the region. ◆ The program cannot adequately demonstrate progress in achieving results due to the lack of LAC regional performance measures and targets. At the country, or operating unit level, however, targets are, with few exceptions, being met or exceeded. 		
Actions Taken/Planned	◆ LAC has implemented a system of regional common performance indicators that will facilitate the setting of ambitious annual and long-term performance targets, the measurement of results, and an annual budgeting process that is directly integrated with performance.		

FY 2006 PART PROGRAMS

STRATEGIC GOAL 8		MANAGEMENT AND ORGANIZATIONAL EXCELLENCE	
Program Name	USAID Operating Expenses/Capital Investment Fund		
Rating	◆ CY 2004: Moderately Effective		
Lead Bureau	◆ Agency for International Development		
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The evaluation highlighted the importance of USAID continuing its efforts to improve financial, human capital, and information technology management. ◆ While USAID's on-going business transformation initiatives have already resulted in significant achievements, challenges remain including institutionalizing performance management in decision-making. ◆ Performance data is insufficiently used by managers when making resource allocation decisions. The data that is available highlights a number of areas in which further reform efforts are required. 		
Actions Taken/Planned	<ul style="list-style-type: none"> ◆ Continue to develop and operationalize meaningful performance measures and utilize them in the management of agency operations. This will include ensuring that operating units and their managers are held accountable for results through regular reviews and performance reporting, and that the use of performance data becomes a routine part of making resource allocation decisions. ◆ Focus reform efforts on increasing the effectiveness and efficiency of agency operations, including continuing to develop the capability to take advantage of further regionalization, centralization, cross-servicing, or other alternative approaches to the bilateral model of program delivery. ◆ Implement comprehensive analysis-based workforce planning process encompassing USDH and non-USDH positions funded by trust, program or OE. Use results from the performance management plan to make key human capital program decisions and to drive improvements. ◆ Expand the use of performance based contracting. 		

FY 2007 PART PROGRAMS

STRATEGIC GOAL 7		HUMANITARIAN RESPONSE
Program Name	USAID International Disaster and Famine Assistance (IDFA)	
Rating	Still awaiting OMB final score	
Lead Bureau	Agency for International Development - DCHA/OFDA	
Major Findings/ Recommendations	TBD	
Actions Taken/Planned	TBD	
STRATEGIC GOAL 4/5		DEMOCRACY AND HUMAN RIGHTS/ECONOMIC PROSPERITY AND SECURITY
Program Name	USAID Child Survival and Health – Africa Region	
Rating	Adequate	
Lead Bureau	U.S. Agency for International Development - Africa	
Major Findings/ Recommendations	Still awaiting OMB final score	
Actions Taken/Planned	Still awaiting OMB final score	



Primary school students in Iringa region, Tanzania.

PHOTO: DANIEL SCHWARTZ

FINANCIAL SECTION



ERADICATING ILLITERACY THROUGH EDUCATION

SILENT TSUNAMI
ILLITERACY

MORE THAN
900 MILLION
ADULTS ARE
NOT LITERATE
AND 125
MILLION
CHILDREN WHO
SHOULD BE IN
SCHOOL ARE
NOT.



USAID programs support: Early childhood development, primary education, secondary education, teacher training, policy and system reform, text books, curriculum development, girls scholarships, basic skills for adults and out-of-school youth, and workforce training.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The *Performance and Accountability Report for Fiscal Year 2005* is the Agency's principal publication and report to the President and the American people on our stewardship and management of the public funds to which we have been entrusted. In addition to financial performance, this Report also covers policy and program performance – how well the Agency implemented its goals and objectives.



I am pleased to report that, for the third year in a row, USAID received an unqualified or “clean” opinion from our Inspector General (IG) on all five of the Agency's principal financial statements. In addition, we have met accelerated financial and performance reporting deadlines. With these accomplishments, the American people can have confidence that the financial and performance information presented here is timely, accurate, and reliable. At the same time, we achieved a number of other key goals:

- As part of USAID's commitment to implement a unified, integrated financial management system that substantially complies with system requirements under the Federal Financial Management Improvement Act (FFMIA), we successfully installed Phoenix, the new financial management system, on February 15, 2005, in eight Latin America and the Caribbean (LAC) region missions – Bolivia, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, and Nicaragua – and, on July 19, 2005, in nine Europe & Eurasia (E&E) missions – Armenia, Bosnia and Herzegovina, Georgia, Hungary, Kazakhstan, Kosovo, Russia, Serbia and Montenegro, and Ukraine – bringing a total of 22 overseas locations on-line, including the five pilot missions – Egypt, Ghana, Peru, Colombia, and Nigeria – that implemented Phoenix last year. The next deployment phase is to the Asia Near East (ANE) missions in December 2005. After that, the plan is to deploy to Africa, which will complete our worldwide rollout in April 2006. This project has been implemented with few hitches and continues to stay within budget.

- On May 31, 2005, Phoenix was upgraded to a web-based version, that not only gives users a different look and feel, but also changes some of the steps to enter data into the system. This new version enables the Agency to meet key financial management strategic objectives, including running from a common platform with the State Department, complying with new Federal requirements, and complying with security best practices, such as standards-based encryption.

- In addition to the continued rollout of the Phoenix system, a number of enhancements to financial reports were released in early September to provide users with complete, accurate, and timely financial information needed for decision-making purposes.
- In November 2005, the Phoenix hardware and operations will be moved to the Department of State's Charleston Financial Services Center. This consolidation will result in cost-savings to the taxpayer. By physically co-locating State and USAID financial system operations, the State team can support many of the aspects of running Phoenix, such as maintaining the hardware, database, and storage aspects of Phoenix, that they already support for their own financial management system.
- The Agency continues to make progress in implementing the Government Performance and Results Act (GPRA). We continue to evaluate and improve our performance indicators, targets, and reporting system. We are in the midst of introducing reforms that will more directly link budgeting to specific operational goals.
- With respect to the President's Management Agenda (PMA), USAID has maintained a “green” progress score on the scorecard for Improving Financial Management. To get to a “green” status score, USAID needs to have systems and processes institutionalized that will provide accurate and timely data that can be used by managers to answer critical business and management questions.

- The Agency recently closed two long-standing Federal Managers' Financial Integrity Act (FMFIA) material weaknesses – Primary Accounting System and Information Resources Management Processes - leaving no material weaknesses to report this year.
- We also took aggressive actions to eliminate and reduce vulnerabilities associated with auditor reported weaknesses identified in the FY 2004 Government Management Reform Act (GMRA) audit.

The Independent Auditor's Report on USAID's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2005 contains one new material weakness related to USAID's Accruals Reporting System. The audit report also includes several audit recommendations and reportable conditions. We have accepted responsibility for addressing these issues and expect to take final actions by the end of FY 2006. We foresee no major impediments to correcting these weaknesses. Additional details regarding the weaknesses and our specific plans for addressing the audit recommendations can be found in

the Management's Discussion and Analysis and Financial Sections of this Report. Actions taken regarding issues from the FY 2004 audit are also included in these sections.

While we are pleased with our accomplishments in FY 2005, we will continue to improve all aspects of performance and strive to maintain higher financial management standards in FY 2006. We will also continue to promote effective internal controls and focus on implementation of the PMA and other financial management initiatives. I am confident that we will resolve any impediments that could affect the IG's ability to issue an unqualified audit opinion next year, and we will continue to meet accelerated financial reporting deadlines.



Lisa D. Fiely
Chief Financial Officer
November 15, 2005

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. Agency for International Development (USAID or Agency). The Statements have been prepared from the books and records of the Agency in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*, which updates and incorporates, OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*. The Statements are in addition to financial reports prepared by the Agency 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 Agency has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation.

USAID's principal financial statements and additional information for FY 2005 and 2004 consist of the following:

The **Consolidated Balance Sheet** provides information on amounts available for use by USAID (assets); the amounts owed (liabilities); and amounts that comprise the difference between assets and liabilities, which is the Agency's net financial position or equity, similar to the balance sheets reported in the private sector. Comparative data for 2004 (Restated, as discussed in Note 22) are included and intra-Agency balances have been eliminated from the amounts presented.

The **Consolidated Statement of Net Cost** reports the components of the net costs of the Agency's operations for the period. The net cost operations consist of the gross cost incurred by the Agency less any exchange (i.e., earned) revenue from our activities. Comparative data for 2004 (Restated, as discussed in Note 22) are included and intra-Agency balances have been eliminated from the amounts presented.



El Salvador cuts the ribbon on Phoenix Go-Live with the CFO. PHOTO: USAID/BOB BONNAFFON

The **Consolidated Statement of Changes in Net Position** reports the beginning net position, the transactions that affect net position for the period, and the ending net position. The components of net position are separately displayed in two columns: Cumulative Results of Operations and Unexpended Appropriations to more clearly identify the components of and changes to Net Position. For FY 2005, a new line item, Net Change, has been added. Comparative data for 2004 (Restated, as discussed in Note 22) are included and intra-Agency balances have been eliminated from the amounts presented.

The **Combined Statement of Budgetary Resources** provides information on how budgetary resources were made available for the year and what the status of budgetary resources was at year-end. Information in this statement is reported on the budgetary basis of accounting. Comparative data for 2004 are included and intra-Agency balances have been eliminated from the amounts presented.

The **Consolidated Statement of Financing** reconciles net obligations reported on the Statement of Budgetary Resources to net costs reported on the Statement of Net Costs. Comparative data for 2004 (Restated, as discussed in Note 22) are included and intra-Agency balances have been eliminated from the amounts presented.

The **Notes to Principal Financial Statements** are an integral part of the financial statements. They provide explanatory information to help financial statement users to understand, interpret, and use the data presented. Comparative FY 2004

Note data may have been restated (as discussed in Note 22) or recast to enable comparability with the FY 2005 presentation.

Required Supplementary Information provides information on intragovernmental asset and liability amounts along with details on USAID's budgetary resources at year-end.

Other Accompanying Information presents Consolidating Financial Statements that provide detailed program and fund data supporting the financial statements.

HISTORY OF USAID'S FINANCIAL STATEMENTS

In accordance with the Government Management Reform Act (GMRA), USAID has prepared consolidated fiscal year-end financial statements since FY 1996. The USAID Office of Inspector General (OIG) is required to audit these statements, related internal controls, and Agency compliance with applicable laws and regulations. From FY 1996 through FY 2000, the OIG was unable to express an opinion on USAID's financial statements because the Agency's financial management systems could not produce complete, reliable, timely, and consistent financial information.

For FY 2001, the OIG was able to express qualified opinions on three of the five principal financial statements of the Agency, while continuing to issue a disclaimer of opinion on the remaining two. For FY 2002, the OIG expressed unqualified opinions on four of the five principal financial statements and a qualified opinion on the fifth. This marked the first time since enactment of the GMRA that USAID received an opinion on all of its financial statements. We are extremely pleased that the efforts of both Agency and OIG staff have resulted in an unqualified opinion on all of the financial statements since FY 2003.

FINANCIAL STATEMENTS

U.S. Agency for International Development
CONSOLIDATED BALANCE SHEET
 As of September 30, 2005 and 2004
 (Dollars in Thousands)

	FY 2005	FY 2004 Restated
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 17,503,843	\$ 15,854,926
Accounts Receivable, Net (Note 3)	823,246	1,031,168
Other Assets (Note 4)	30,575	30,920
Total Intragovernmental	18,357,664	16,917,014
Cash and Other Monetary Assets (Note 5)	283,002	257,201
Accounts Receivable, Net (Note 3)	79,617	69,800
Loans Receivable, Net (Note 6)	5,100,249	6,108,252
Inventory and Related Property (Note 7)	44,122	35,764
General Property, Plant, and Equipment, Net (Notes 8 and 9)	96,172	81,954
Advances and Prepayments (Note 4)	749,993	559,686
Total Assets	24,710,819	24,029,671
LIABILITIES (Note 16)		
Intragovernmental		
Accounts Payable (Note 10)	24,232	29,523
Debt (Note 11)	422,602	111,081
Due to U.S. Treasury (Note 11)	5,311,661	6,033,925
Other Liabilities (Notes 12, 13, and 14)	30,510	420,574
Total Intragovernmental	5,789,005	6,595,103
Accounts Payable (Note 10)	3,180,592	2,343,623
Loan Guarantee Liability (Note 6)	1,562,485	1,039,937
Federal Employees and Veteran's Benefits (Note 14)	23,726	24,523
Other Liabilities (Notes 12 and 13)	390,335	353,750
Total Liabilities	10,946,143	10,356,936
Commitments and Contingencies (Note 15)		
NET POSITION		
Unexpended Appropriations	13,004,174	13,012,242
Cumulative Results of Operations	760,502	660,493
Total Net Position	13,764,676	13,672,735
Total Liabilities and Net Position	\$ 24,710,819	\$ 24,029,671

The accompanying notes are an integral part of these statements.

U.S. Agency for International Development
CONSOLIDATED STATEMENT OF NET COST
For the Years Ended September 30, 2005 and 2004
(Dollars in Thousands)

Goal	FY 2005	FY 2004 Restated
Regional Stability		
Total Costs	\$ 784,590	\$ 677,683
Less Earned Revenues	(624)	(1,271)
Net Program Costs	783,966	676,412
Counterterrorism		
Total Costs	887,866	134,154
Less Earned Revenues	(413)	(54)
Net Program Costs	887,452	134,100
International Crime and Drugs		
Total Costs	217,697	79,842
Less Earned Revenues	(385)	(295)
Net Program Costs	217,311	79,547
Democracy and Human Rights		
Total Costs	1,196,972	1,326,682
Less Earned Revenues	(5,015)	(3,789)
Net Program Costs	1,191,958	1,322,893
Economic Prosperity and Security		
Total Costs	3,942,326	3,510,131
Less Earned Revenues	(7,522)	(14,339)
Net Program Costs	3,934,804	3,495,792
Social and Environmental Issues		
Total Costs	4,297,366	4,535,321
Less Earned Revenues	(66,525)	(66,842)
Net Program Costs	4,230,840	4,468,479
Humanitarian Response		
Total Costs	1,188,454	742,443
Less Earned Revenues	(193,809)	(66,133)
Net Program Costs	994,645	676,310
Management and Organizational Excellence		
Total Costs	14,686	48,071
Less Earned Revenues	(37)	(424)
Net Program Costs	14,649	47,647
Public Diplomacy and Public Affairs		
Total Costs	-	35,724
Less Earned Revenues	-	(177)
Net Program Costs	-	35,547
Net Costs of Operations (Notes 17 and 18)	\$ 12,255,626	\$ 10,936,727

The accompanying notes are an integral part of these statements.

U.S. Agency for International Development
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the Years Ended September 30, 2005 and 2004
(Dollars in Thousands)

	FY 2005		FY 2004 Restated	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	\$ 660,493	\$ 13,395,387	\$ 714,476	\$ 11,777,877
Prior period adjustments (Note 19)	–	(383,145)	–	–
Beginning Balances, as adjusted	660,493	13,012,242	714,476	11,777,877
Budgetary Financing Sources:				
Appropriations Received	–	10,048,521	–	9,186,373
Appropriations transferred-in/out	–	2,070,251	–	2,122,641
Other adjustments (recissions, etc)	–	(1,061,395)	–	(49,538)
Appropriations used	11,065,445	(11,065,445)	10,025,111	(10,025,111)
Nonexchange revenue	–	–	–	–
Donations and forfeitures of cash and cash equivalents	109,782	–	83,683	–
Transfers-in/out without reimbursement	1,165,437	–	763,675	–
Other budgetary financing sources	–	–	–	–
Other Financing Sources:				
Transfers-in/out without reimbursement	(1,823)	–	1,823	–
Imputed financing from costs absorbed by others	16,794	–	8,452	–
Total Financing Sources	12,355,635	(8,068)	10,882,744	1,234,365
Net Cost of Operations	12,255,626	–	10,936,727	–
Net Change	100,009	(8,068)	(53,983)	1,234,365
Ending Balance	\$ 760,502	\$13,004,174	\$ 660,493	\$13,012,242

The accompanying notes are an integral part of these statements.

U.S. Agency for International Development
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2005 and 2004
(Dollars in Thousands)

	FY 2005		FY 2004 Restated	
	Budgetary	Credit Program Financing	Budgetary	Credit Program Financing
Budgetary Resources				
Budget Authority				
Appropriations Received	\$ 10,116,585	\$ –	\$ 9,260,278	\$ –
Borrowing Authority (Note 20)	2,000	310,947	–	–
Net Transfers	590,519	–	(524,133)	–
Other	–	–	–	–
Total Budget Authority	10,709,104	310,947	8,736,145	–
Unobligated Balance:				
Beginning of Period	2,437,323	1,001,713	2,288,520	981,619
Net Transfers, Actual	(864,251)	–	96,959	–
Total Unobligated Balance	1,573,072	1,001,713	2,385,479	981,619
Spending Authority from Offsetting Collections:				
Earned				
Collected	1,443,194	421,647	906,735	218,325
Receivable from Federal Sources	351	–	(237)	–
Change in Unfilled Customer Orders				
Advance Received	–	–	4,594	–
Anticipated for Rest of Year, Without Advances	3,021	–	–	–
Subtotal	1,446,566	421,647	911,092	218,325
Recoveries of Prior Year Obligations	1,138,496	–	140,910	3,955
Permanently Not Available	(1,779,259)	–	(1,079,492)	(1,184)
Total Budgetary Resources	13,087,979	1,734,307	11,094,134	1,202,715
Status of Budgetary Resources:				
Obligations Incurred (Note 20)				
Direct	9,756,791	709,518	8,971,305	234,102
Reimbursable	59,212	–	–	–
Subtotal	9,816,003	709,518	8,971,305	234,102
Unobligated Balance, Available	3,262,407	1,024,789	2,090,924	968,613
Unobligated Balance, Unavailable	9,569	–	31,905	–
Total Status of Budgetary Resources	13,087,979	1,734,307	11,094,134	1,202,715
Relationship of Obligations to Outlays:				
Obligated Balance, Net, Beginning of Period (Note 20)	10,824,552	11,031	10,574,841	1,597
Obligated Balance Transferred, Net	–	–	–	–
Obligated Balance, Net, End of Period:				
Accounts Receivable	(3,692)	–	(3,691)	–
Unfilled Customer Orders From Federal Sources	(7,614)	–	(4,593)	–
Undelivered Orders	7,884,272	2,768	9,559,497	10,604
Accounts Payable	2,402,758	520	1,273,339	427
Outlays:				
Disbursements	8,275,519	717,260	8,482,569	220,712
Collections	(1,441,693)	(421,647)	(1,122,466)	(2,595)
Subtotal	6,833,826	295,613	7,360,103	218,117
Less: Offsetting Receipts	(195,568)	–	–	–
Net Outlays	\$ 6,638,258	\$ 295,613	\$ 7,360,103	\$ 218,117

The accompanying notes are an integral part of these statements.

U.S. Agency for International Development
CONSOLIDATED STATEMENT OF FINANCING
For the Years Ended September 30, 2005 and 2004
(Dollars in Thousands)

	FY 2005	FY 2004 Restated
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred (Note 20)	\$ 10,525,521	\$ 11,408,435
Appropriations transferred to/from other agencies (net)	2,517,433	1,206,427
Total Obligations Incurred (Note 21)	13,042,954	12,614,862
Less: Spending authority from offsetting collections and recoveries (Note 20)	(3,006,709)	(1,274,282)
Spending authority transferred to/from other agencies (net)	680,727	172,331
Total spending authority from offsetting collections and recoveries	(2,325,982)	(1,446,613)
Less: Offsetting Receipts	195,568	-
Net Obligations	10,912,540	11,168,250
Other Resources		
Donated and Credit Program Revenue	(1,823)	(1,823)
Imputed Financing From Costs Absorbed by Others	16,794	8,452
Total Resources Used to Finance Activities	10,927,511	11,174,879
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	468,419	(1,013,892)
Resources that fund expenses recognized in prior periods	(5,731)	3,163
Credit program collections which increase liabilities for loan guarantees or allowances for subsidy	1,283,309	1,070,144
Resources that finance the acquisition of assets	(47,894)	20,159
Other	(718,893)	(121,900)
Total Resources Used to Finance Items not Part of Net Cost of Operations	979,210	(42,326)
Total Resources Used to Finance Net Cost of Operations	11,906,721	11,132,553
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	3,475	1,242
Upward/Downward reestimates of credit subsidy expense	320,093	(208,678)
Increase in exchange revenue receivable from the public	-	-
Total Components Requiring or Generating Resources in Future Periods	323,568	(170,405)
Components not Requiring or Generating Resources		
Depreciation and Amortization	22,754	15,186
Revaluation of assets or liabilities	810	(805)
Other	1,773	(2,771)
Total Components not Requiring or Generating Resources	25,337	(25,421)
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	348,905	(195,826)
Net Cost of Operations	\$ 12,255,626	\$ 10,936,727

The accompanying notes are an integral part of these statements.

USAID FY 2005 FOOTNOTES TO THE FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

These financial statements report USAID's financial position and results of operations. They have been prepared using USAID's books and records in accordance with Agency accounting policies, the most significant of which are summarized in this note. The statements are presented in accordance with the guidance and requirements of the recently issued Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, which incorporates and updates Bulletin 01-09, Form and Content of Agency Financial Statements, and the Government Management Reform Act of 1994.

USAID accounting policies follow generally accepted accounting principles for the Federal government, as recommended by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard set for the Federal government. These standards have been agreed to, and published by the Director of the Office of Management and Budget, the Secretary of the Treasury, and the Comptroller General.

B. REPORTING ENTITY

Established in 1961 by President John F. Kennedy, USAID is the independent U.S. Government agency that provides economic development and humanitarian assistance to advance United States economic and political interests overseas.

PROGRAMS

The statements present the financial activity of various programs and accounts managed by USAID. The programs include the Iraq Relief and Reconstruction Fund, Economic Support Fund, Development Assistance, Assistance for the New Independent States of the Former Soviet Union, Special Assistance Initiatives, International Disaster Assistance, Child Survival and Disease, Transition Initiatives, and Direct and Guaranteed Loan Programs. This classification is consistent with the Budget of the United States.

Iraq Relief and Reconstruction Fund

This fund supports necessary expenses related to providing humanitarian assistance in and around Iraq and to carrying out the purposes of the Foreign Assistance Act of 1961 for rehabilitation and reconstruction in Iraq. These include costs of: (1) water/sanitation infrastructure; (2) feeding and food distribution; (3) supporting relief efforts related to refugees, internally displaced persons, and vulnerable individuals, including assistance for families of innocent Iraqi civilians who suffer losses as a result of military operations; (4) electricity; (5) healthcare; (6) telecommunications; (7) economic and financial policy; (8) education; (9) transportation; (10) rule of law and governance; (11) humanitarian de-mining; and (12) agriculture.

Economic Support Fund

Programs funded through this account provide economic assistance to select countries in support of efforts to promote stability and U.S. security interests in strategic regions of the world.

Development Assistance

This program provides economic resources to developing countries with the aim of bringing the benefits of development to the poor. The program promotes broad-based, self-sustaining economic growth and supports initiatives intended to stabilize population growth, protect the environment and foster increased democratic participation in developing countries. The program is concentrated in those areas in which the United States has special expertise and which promise the greatest opportunity for the poor to better their lives.

Assistance for the New Independent States of the Former Soviet Union

This account provides funds for a program of assistance to the independent states that emerged from the former Soviet Union. These funds support U.S. foreign policy goals of consolidating improved U.S. security; building a lasting partnership with the New Independent States; and providing access to each other's markets, resources, and expertise.

Special Assistance Initiatives

This program provides funds to support special assistance activities. The majority of funding for this program was for democratic and economic restructuring in Central and Eastern European countries consistent with the objectives of the Support for East European Democracy (SEED) Act. All SEED Act programs support one or more of the following strategic objectives: promoting broad-based economic growth with an emphasis on privatization, legal and regulatory reform and support for the emerging private sector; encouraging democratic reforms; and improving the quality of life including protecting the environment and providing humanitarian assistance.

International Disaster Assistance

Funds for the International Disaster Assistance Program provide relief, rehabilitation, and reconstruction assistance to foreign countries struck by disasters such as famines, floods, hurricanes and earthquakes. The program also provides assistance in disaster preparedness, and prevention and mitigation.

Child Survival and Disease

This program provides economic resources to developing countries to support programs to improve infant and child nutrition, with the aim of reducing infant and child mortality rates; to reduce HIV transmission and the impact of the HIV/AIDS pandemic in developing countries; to reduce the threat of infectious diseases of major public health importance such as polio, and malaria; and to expand access to quality basic education for girls and women.

Transition Initiatives

This account funds humanitarian programs that provide post-conflict assistance to victims of natural and man-made disasters. Until FY 2001, this type of assistance was funded under the International Disaster Assistance account.

Direct and Guaranteed Loans:

■ **Direct Loan Program**

These loans are authorized under Foreign Assistance Acts, various predecessor agency programs, and other foreign assistance legislation. Direct Loans are issued in both U.S. dollars and the currency of the borrower. Foreign currency loans made “with maintenance of value” place the risk of currency devaluation on the borrower, and are recorded in

equivalent U.S. dollars. Loans made “without maintenance of value” place the risk of devaluation on the U.S. Government, and are recorded in the foreign currency of the borrower.

■ **Urban and Environmental Program**

The Urban and Environmental (UE) program, formerly the Housing Guarantee Program, extends guaranties to U.S. private investors who make loans to developing countries to assist them in formulating and executing sound housing and community development policies that meet the needs of lower income groups.

■ **Micro and Small Enterprise Development Program**

The Micro and Small Enterprise Development (MSED) Program supports private sector activities in developing countries by providing direct loans and loan guarantees to support local micro and small enterprises. The MSED program had one new loan guarantee for FY 2004. Although the MSED program is still active, the bulk of USAID's new loan guarantee activity is handled through the Development Credit Authority (DCA) program.

■ **Israeli Loan Guarantee Program**

Congress enacted the Israeli Loan Guarantee Program in Section 226 of the Foreign Assistance Act to support the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. Under this program, the U.S. Government guaranteed the repayment of up to \$10 billion in loans from commercial sources, to be borrowed in \$2 billion annual increments. Borrowing was completed under the program during Fiscal Year 1999, with approximately \$9.2 billion being guaranteed. Guarantees are made by USAID on behalf of the U.S. Government, with funding responsibility and basic administrative functions guarantees for Israel, not to exceed \$9 billion and \$1.3 billion in guarantees were resting with USAID. In FY 2003, Congress authorized a second portfolio of loan issued under this portfolio during FY 2003.

■ **Ukraine Guarantee Program**

The Ukraine Export Credit Insurance Program was established with the support of the Export-Import Bank of the U.S. to assist Ukrainian importers of American goods. The program commenced operations in Fiscal Year 1996 and expired in Fiscal Year 1999. The Ukraine Financing Account was closed out in FY 2002.

■ **Development Credit Authority**

The first obligations for USAID's new Development Credit Authority (DCA) were made in FY 1999. DCA allows missions and other offices to use loans and loan guarantees to achieve their development objectives when it can be shown that: (1) the project generates enough revenue to cover the debt service including USAID fees, (2) there is at least 50% risk-sharing with a private-sector institution, and (3) the DCA guarantee addresses a financial market failure in-country and does not "crowd-out" private sector lending. DCA can be used in any sector and by any USAID operating unit whose project meets the DCA criteria. DCA projects are approved by the Agency Credit Review Board and the Chief Financial Officer.

■ **Loan Guarantees to Egypt Program**

The Loan Guarantees to Egypt Program was established under the Emergency Wartime Supplemental Appropriations Act, 2003. Under this program, the U.S. Government was authorized to issue an amount not to exceed \$2 billion in loan guarantees to Egypt during the period beginning March 1, 2003 and ending September 30, 2005. \$1.25 billion in new loan guarantees were issued in fiscal year 2005 before the expiration of the program.

FUND TYPES

The statements include the accounts of all funds under USAID's control. Most of the fund accounts relate to general fund appropriations. USAID also has special fund, revolving fund, trust fund, deposit funds, capital investment fund, receipt account, and budget clearing accounts.

General fund appropriations and the Special fund are used to record financial transactions under Congressional appropriations or other authorization to spend general revenue.

Revolving funds are established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress.

Trust funds are credited with receipts generated by the terms of the trust agreement or statute. At the point of collection, these receipts are unavailable, depending upon statutory requirements, or available immediately.

The capital investment fund contains no year funds to provide the Agency with greater flexibility to manage investments in technology systems and facility construction that the annual appropriation for Operating Expenses does not allow.

Deposit funds are established for (1) amount received for which USAID is acting as a fiscal agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods or services received, and (4) monies held waiting distribution on the basis of legal determination.

C. BASIS OF ACCOUNTING

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints on, and controls of, the use of federal funds.

The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules. Finally, the Statement of Financing has been prepared to reconcile budgetary to financial (proprietary) accounting information.

D. BUDGETS AND BUDGETARY ACCOUNTING

The components of USAID's budgetary resources include current budgetary authority (that is, appropriations and borrowing authority) and unobligated balances remaining from multi-year and no-year budget authority received in prior years. Budget authority is the authorization provided by law to enter into financial obligations that result in immediate or future outlays of federal funds. Budgetary resources also include reimbursement and other income (that is, spending authority from offsetting collections credited to an appropriation of fund account) and adjustments (that is, recoveries of prior year obligations).

Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is canceled. When accounts are canceled five years after they expire, amounts are not available for obligations or expenditure for any purpose and are returned to Treasury.

Pursuant to Section 511 of USAID's Appropriations Act for certain purposes under the Foreign Assistance Act of 1961, as amended, funds shall remain available for obligation for an extended period if such funds are initially obligated within their initial period of availability.

E. REVENUES AND OTHER FINANCING SOURCES

USAID receives the majority of its funding through congressional appropriations --annual, multi-year, and no-year appropriations -- that may be used within statutory limits. Appropriations are recognized as revenues at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are not recognized as expenses. In addition to funds warranted directly to USAID, the agency also receives allocation transfers from the U.S. Department of Agriculture (USDA) Commodity Credit Corporation, the Executive Office of the President, and the Department of State.

Additional financing sources for USAID's various credit programs and trust funds include amounts obtained through collection of guaranty fees, interest income on rescheduled loans, penalty interest on delinquent balances, permanent indefinite borrowing authority from U.S. Treasury, proceeds from the sale of overseas real property acquired by USAID, and advances from foreign governments and international organizations.

Revenues are recognized as financing sources to the extent that they were payable to USAID from other agencies, other governments and the public in exchange for goods and services rendered to others. Imputed revenues are reported in the financial statements to offset the imputed costs.

F. FUND BALANCES WITH THE U.S. TREASURY

Cash receipts and disbursements are processed by the U.S. Treasury. The fund balances with Treasury are primarily appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, but they also include revolving, deposit, and trust funds.

G. FOREIGN CURRENCY

The Direct Loan Program has foreign currency funds, which are used to disburse loans in certain countries. Those balances are reported at the U.S. dollar equivalents using the exchange rates prescribed by the U.S. Treasury. A gain or loss on translation is recognized for the change in valuation of foreign currencies at year-end. Additionally, some USAID host countries contribute funds for the overhead operation of the host mission and the execution of USAID programs. These funds are held in trust and reported in U.S. dollar equivalents on the balance sheet and statement of net costs.

H. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due mainly from foreign governments but also from other Federal agencies and private organizations. USAID regards amounts due from other Federal agencies as 100 percent collectible. The Agency establishes an allowance for uncollectible accounts receivable for non-loan or revenue generating sources that have not been collected for a period of over one year.

I. LOANS RECEIVABLE

Loans are accounted for as receivables after funds have been disbursed. For loans obligated before October 1, 1991 (the pre-credit reform period), loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on a net present value method prescribed by OMB that takes into account country risk and projected cash flows.

For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the net present value of the cost to the USG of making the loan. This cost, known as "subsidy", takes into account all cash inflows and outflows associated with the loan, including the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, and offsets from fees and other estimated cash flows. This allowance is re-estimated when necessary and changes reflected in the operating statement.

Loans have been made in both U.S. dollars and foreign currencies. Loans extended in foreign currencies can be with or

without “Maintenance of Value” (MOV). Those with MOV place the currency exchange risk upon the borrowing government; those without MOV place the risk on USAID. Foreign currency exchange gain or loss is recognized on those loans extended without MOV, and reflected in the net credit programs receivable balance.

Credit program receivables also include origination and annual fees on outstanding guarantees, interest on rescheduled loans and late charges. Claims receivables (subrogated and rescheduled) are due from foreign governments as a result of defaults for pre-1992 guaranteed loans. Receivables are stated net of an allowance for uncollectible accounts, determined using an OMB approved net present value default methodology.

While estimates of uncollectible loans and interest are made using methods prescribed by OMB, the final determination as to whether a loan is collectible is also affected by actions of other U.S. Government agencies.

J. ADVANCES AND PREPAYMENTS

Funds disbursed in advance of incurred expenditures are recorded as advances. Most advances consist of funds disbursed under letters of credit to contractors and grantees. The advances are liquidated and recorded as expenses upon receipt of expenditure reports from the recipients.

K. INVENTORY AND RELATED PROPERTY

USAID’s inventory and related property is comprised of operating materials and supplies. Some operating materials and supplies are held for use and consist mainly of computer paper and other expendable office supplies not in the hands of the user. USAID also has materials and supplies in reserve for foreign disaster assistance stored at strategic sites around the world. These consist of tents, vehicles, and water purification units. The Agency also has birth control supplies stored at several sites.

USAID’s office supplies are deemed items held for use because they are tangible personal property to be consumed in normal operations. Agency supplies held in reserve for future use are not readily available in the market, or there is more than a remote chance that the supplies will be needed, but not in the normal course of operations. Their valuation is based on cost and they are not considered “held for sale”. USAID has no supplies categorizable as excess, obsolete, or unserviceable operating materials and supplies.

L. PROPERTY, PLANT AND EQUIPMENT

USAID capitalizes all property, plant and equipment that has an acquisition cost of \$25,000 or greater and a useful life of two years or more. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost and depreciated using the straight-line method. Real property is depreciated over 20 years, nonexpendable personal property is depreciated over 3 to 5 years, and capital leases are depreciated according to the terms of the lease. The Agency operates land, buildings, and equipment that are provided by the General Services Administration. Rent for this property is expensed. Internal use software that has development costs of \$300,000 or greater is capitalized. Deferred maintenance amounts are immaterial with respect to the financial statements.

M. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by USAID as the result of transactions or events that have already occurred. However, no liability can be paid by the Agency without an appropriation or borrowing authority. Liabilities for which an appropriation has not been enacted are therefore classified as liabilities not covered by budgetary resources (unfunded liabilities), and there is no certainty that the appropriations will be enacted. Also, these liabilities can be abrogated by the U.S. Government, acting in its sovereign capacity.

N. LIABILITIES FOR LOAN GUARANTEES

The Credit Reform Act (CRA) of 1990, which became effective on October 1, 1991, has significantly changed the manner in which USAID’s loan programs finance their activities. The main purpose of CRA was to more accurately measure the cost of Federal credit programs and to place the cost of such programs on a budgetary basis equivalent to other Federal spending. Consequently, commencing in fiscal 1992, USAID cannot make new loans or guarantees without an appropriation available to fund the cost of making the loan or guarantee. This cost is known as “subsidy”.

For USAID’s loan guarantee programs, when guarantee commitments are made, an obligation for subsidy cost is recorded in the program account. This cost is based on the net present value of the estimated net cash outflows to be paid by the Program as a result of the loan guarantees, except for administrative costs, less the net present value of all cash inflows

to be generated from those guarantees. When the loans are disbursed, the subsidy cost is disbursed from the program account to a financing account.

For loan guarantees made before the CRA (pre-1992), the liability for loan guarantees represents an unfunded liability. Footnote 6 presents the unfunded amounts separate from the post-1991 liabilities. The amount of unfunded liabilities also represents a future funding requirement for USAID. The liability is calculated using a reserve methodology that is similar to OMB prescribed method for post-1991 loan guarantees.

O. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

P. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

USAID recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time the employees provide the related services. The pension expense recognized in the financial statements equals the current service cost for USAID employees for the accounting period less the amount contributed by the employees. The measurement of the service cost requires the use of an actuarial cost method and assumptions. OPM administers these benefits and provides the factors that USAID applies to report the cost. The excess of the pension expense over the amount contributed by USAID and employees represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. This cost is considered imputed cost to USAID.

USAID recognizes a current-period expense for the future cost of post retirement health benefits and life insurance for its employees while they are still working. USAID accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and USAID do not make contributions to fund these future benefits.

Federal employee benefit costs paid by OPM and imputed by USAID are reported on the Statement of Financing and the Statement of Net Cost.

Q. NET POSITION

Net position is the residual difference between assets and liabilities. It is composed of unexpended appropriations and cumulative results of operations.

- Unexpended appropriations are the portion of the appropriations represented by undelivered orders and unobligated balances.
- Cumulative results of operations are also part of net position. This account reflects the net difference between (1) expenses and losses and (2) financing sources, including appropriations, revenues and gains, since the inception of the activity.

R. NON-ENTITY ASSETS

Non-entity fund balances are amounts in Deposit Fund accounts. These include such items as: funds received from outside sources where the government acts as fiscal agent, monies the government has withheld awaiting distribution based on legal determination, and unidentified remittances credited as suspense items outside the budget. For USAID, non-entity assets are minimal in amount and as reflected in Note 3, composed solely of accounts receivables, net of allowances.

S. AGENCY COSTS

USAID costs of operations are comprised of program and operating expenses. USAID/Washington program expenses by goal are obtained directly from Phoenix, the Agency general ledger. Mission related program expenses by goal area are obtained from the Mission Accounting and Control system (MACS). A cost allocation model is used to distribute operating expenses, including Management Bureau, Global Development Alliance, Trust Funds and Support Offices costs to specific goals. Expenses related to Credit Reform and Revolving Funds are directly applied to specific agency goals based on their objectives.

T. RECLASSIFICATIONS

During FY 2005, financial statements were reviewed to ensure proper form and content. As a result, the following reclassifications and or changes were made to the Statements of Budgetary Resources and Financing to improve the presentation of information:

A fund shown as Program on the Statement of Budgetary Resources in FY 2004 was reclassified as Allocations in FY 2005. To ensure comparability of the statements, the FY 2004 Total Budgetary Resources and Status of Budgetary Resources was decreased by \$2,204 million, Net Outlays increased by \$240 million, and Ending Obligations by \$1,925 million. No other statements are affected by this reclassification.

On the Statement of Financing, the line item Other Resources, Donated and Credit Program Revenue was renamed to Transfers In without Reimbursement. Because of this change, Credit Program Revenue is now shown in Resources Used to Finance Items not Part of the Net Cost of Operations-Other. For comparative purposes, the FY 2004 amount of \$121 million for Credit Program Revenue was also reclassified. Similarly, the line item Components Requiring or Generating Resources for Future Periods-Increase in Exchange Revenue Receivable from the Public was reclassified as Components not Requiring or Generating Resources-Other. The corresponding amounts in FY 2004, of \$37 million were also reclassified to ensure comparability.

NOTE 2. FUND BALANCES WITH TREASURY

Fund Balances with Treasury as of September 30, 2005 and 2004 consisted of the following:

The Fund Balances with Treasury are available to pay accrued liabilities and finance authorized commitments relative to goods, services, and benefits.

Fund Balances with Treasury (Dollars in Thousands)		
Fund Balances	FY 2005	FY 2004
Trust Funds	\$ 36,747	\$ 33,255
Revolving Funds	2,760,473	1,435,616
Appropriated Funds	14,509,038	14,324,552
Other Funds	197,585	61,503
Total	\$ 17,503,843	\$ 15,854,926

Status of Fund Balance:	FY 2005	FY 2004
Unobligated Balance		
Available	\$ 11,064	\$ 1,193,906
Unavailable	911,885	18,142
Obligated Balance Not Yet Disbursed	16,580,894	14,647,878
Total	\$ 17,503,843	\$ 15,854,926

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's accounts receivable as of September 30, 2005 and 2004 are as follows:

Accounts Receivable, Net (Dollars in Thousands)				
Entity	Receivable Gross	Allowance Accounts	Receivable Net 2005	Receivable Net 2004
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	\$ 225	N/A	\$ 225	\$ 225
Accounts Receivable from Federal Agencies Disbursing Authority	330,530	N/A	330,530	300,131
Less Intra-Agency Receivables	(327,437)	–	(327,437)	(73,679)
Receivable from USDA	819,928	N/A	819,928	804,491
Total Intragovernmental	823,246	N/A	823,246	1,031,168
Accounts Receivable	81,245	(7,553)	73,692	65,271
Total Entity	904,491	(7,553)	896,938	1,096,440
Total Non-Entity	6,234	(309)	5,925	4,528
Total Receivables	\$ 910,725	\$ (7,862)	\$ 902,863	\$ 1,100,968

Reconciliation of Uncollectible Amounts (Allowance Accounts) (Dollars in Thousands)		
	FY 2005	FY 2004
Beginning Balance	\$ 7,193	\$ 9,501
Additions	986	(341)
Reductions	(317)	(1,967)
Ending Balance	\$ 7,862	\$ 7,193

Entity intragovernmental accounts receivable consist of amounts due from other U.S. Government agencies. No allowance has been established for the intragovernmental accounts receivable, which are considered to be 100 percent collectible. Disbursing Authority Receivable from USDA consists of obligational authority from the U.S. Department of Agriculture's Commodity Credit Corporation. The authority is for payment of transportation costs incurred by USAID associated with the shipment of Title II and III commodities; Farmer-to-Farmer Technical Assistance Programs; and for assistance to private voluntary organizations, cooperatives, and international organizations. Collections against this receivable are realized when USAID requests a transfer of funds from USDA to cover incurred expenses.

All other entity accounts receivable consist of amounts managed by missions or USAID/Washington. These receivables consist of non-program related receivables such as overdue advances, unrecovered advances, audit findings, and any interest related to these types of receivables. A 100 percent allowance for uncollectible amounts is estimated for accounts receivable due from the public which are more than one year past due. Accounts receivable from missions are collected and recorded to the respective appropriation.

Interest receivable is calculated separately and there is no interest included in the accounts receivable listed above.

The accounts receivable, net, with the public for FY 2005 is \$79.6 million which consists of \$73.7 million entity and \$5.9 million non-entity. Account receivables with the public for FY 2004 was \$69.8 million which consists of \$65.3 million entity and \$4.5 million non-entity.

NOTE 4. OTHER ASSETS

Advances and Prepayments as of September 30, 2005 and 2004 consisted of the following:

Advances and Prepayments (Dollars in Thousands)		
	FY 2005	FY 2004
Intragovernmental		
Advances to Federal Agencies	\$ 30,575	\$ 30,920
Total Intragovernmental	30,575	30,920
Advances to Contractors/Grantees	678,229	487,441
Travel Advances	1,431	2,480
Advances to Host Country Governments and Institutions	46,732	46,620
Prepayments	11,669	11,108
Advances, Other	11,932	12,037
Total with the Public	749,993	559,686
Total Advances and Prepayments	\$ 780,568	\$ 590,606

Advances to Host Country Governments and Institutions represent amounts advanced by USAID missions to host country governments and other in-country organizations, such as

educational institutions and voluntary organizations. Other Advances consist primarily of amounts advanced for living quarters and home service.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2005 and 2004 are as follows:

Cash and Other Monetary Assets (Dollars in Thousands)		
Cash and Other Monetary Assets	FY 2005	FY 2004
Imprest Fund- Headquarters	\$ 407	\$ 280
UE and Micro and Small Enterprise Fund Cash w/Fiscal Agent	50	50
Foreign Currencies	282,545	256,871
Total Cash and Other Monetary Assets	\$ 283,002	\$ 257,201

USAID has imprest funds in various overseas locations. These funds are provided by the Department of State overseas U.S. Disbursing Officers to which USAID is liable for any shortages. USAID's cumulative balance of the Department of State provided imprest funds was \$1.5 million in FY 2005 and \$4.6 million in FY 2004. These imprest funds are not included in USAID's Balance Sheet.

Foreign Currencies are related to Foreign Currency Trust Funds and this totaled to \$282.5 million in FY 2005 and \$256.9 million in FY 2004. USAID does not have any non-entity cash or other monetary assets.

NOTE 6. LOANS RECEIVABLE AND LIABILITIES FOR LOAN GUARANTEES

USAID operates the following loan and/or loan guarantee programs:

- Direct Loan Program (Direct Loan)
- Urban and Environmental Program (UE)
- Micro and Small Enterprise Development Program (MSED)
- Israel Loan Guarantee Program (Israel Loan)
- Development Credit Authority Program (DCA)
- Egypt Loan Guarantee Program

Direct loans resulting from obligations made prior to FY 1992 are reported net of allowance for estimated uncollectible loans. Estimated losses from defaults on loan guarantees resulting from obligations made prior to FY 1992 are reported as a liability.

The Credit Reform Act of 1990 prescribes an alternative method of accounting for direct loans and guarantees resulting from obligations made after FY 1991. Subsidy cost, which is the net present value of the cash flows (i.e. interest rates, interest supplements, estimated defaults, fees, and other cash flows)

associated with direct loans and guarantees, is required by the Act to be recognized as an expense in the year in which the direct loan or guarantee is disbursed. Subsidy cost is calculated by agency program offices prior to obligation using a model prescribed by the Office of Management and Budget (OMB). Subsidy relating to existing loans and guarantees is generally required to be reestimated on an annual basis to adjust for changes in risk and interest rate assumptions. Direct loans are reported net of an allowance for this subsidy cost (allowance for subsidy). The subsidy costs associated with loan guarantees are reported as loan guarantee liability.

An analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees are provided in the following sections.

The following net loan receivable amounts are not the same as the proceeds that USAID would expect to receive from selling its loans. Actual proceeds may be higher or lower depending on the borrower and the status of the loan.

Summary of Loans Receivables, Net (Dollars in Thousands)	FY 2005	FY 2004
Net Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	\$ 4,494,975	\$ 5,780,367
Net Direct Loans Obligated After FY 1991 (Present Value Method)	335,572	32,248
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	269,702	295,637
Total Loans Receivable, Net as reported on the Balance Sheet	\$ 5,100,249	\$ 6,108,252

DIRECT LOANS

Direct Loans (Dollars in Thousands)				
Loan Programs	Loans Receivables Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method) as of September 30, 2005:				
Direct Loans	\$ 5,867,779	\$ 316,253	\$ 1,688,991	\$ 4,495,041
MSED	643	96	805	(66)
Total	\$ 5,868,422	\$ 316,349	\$ 1,689,796	\$ 4,494,975
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method) as of September 30, 2004:				
Direct Loans	\$ 7,748,796	\$ 296,481	\$ 2,264,834	\$ 5,780,443
MSED	677	89	842	(76)
Total	\$ 7,749,473	\$ 296,570	\$ 2,265,676	\$ 5,780,367

(continued on next page)

Direct Loans (continued)
(Dollars in Thousands)

Loan Programs	Loans Receivables Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans
Direct Loans Obligated After FY 1991 as of September 30, 2005:				
Direct Loans	\$ 1,043,132	\$ 9,145	\$ 716,853	\$ 335,424
MSED	150	24	27	147
Total	\$ 1,043,282	\$ 9,169	\$ 716,880	\$ 335,572
Direct Loans Obligated After FY 1991 as of September 30, 2004:				
Direct Loans	\$ 259,542	\$ 9,774	\$ 237,215	\$ 32,101
MSED	150	24	27	147
Total	\$ 259,692	\$ 9,798	\$ 237,242	\$ 32,248

Total Amount of Direct Loans Disbursed
(Dollars in Thousands)

Direct Loan Programs	FY 2005	FY 2004
Direct Loans	\$ 6,910,911	\$ 8,008,339
MSED	793	827
Total	\$ 6,911,704	\$ 8,009,166

Subsidy Expense for Direct Loans by Program and Component
(Dollars in Thousands)

Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (FY 2005)				
N/A	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Modifications and Reestimates (FY 2004)				
MSED	\$ -	\$ -	\$ (29)	\$ (29)
Total	\$ -	\$ -	\$ (29)	\$ (29)

Total Direct Loans Subsidy Expense
(in thousands)

Direct Loan Programs	FY 2005	FY 2004
MSED	\$ -	\$ (29)
Direct Loans	-	-
Total	\$ -	\$ (29)

**Schedule for Reconciling Subsidy Cost Allowance Balances
(Post-1991 Direct Loans)
(Dollars in Thousands)**

	FY 2005			FY 2004		
	Direct Loan	MSED	Total	Direct Loan	MSED	Total
Beginning Balance, Changes, and Ending Balance						
Beginning balance of the subsidy cost allowance	\$ 237,215	\$ 27	\$ 237,242	\$ 213,993	\$ 879	\$ 214,872
Add: subsidy expense for direct loans disbursed during the reporting years by component:						
(a) Interest rate differential costs	–	–	–	–	–	–
(b) Default costs (net of recoveries)	–	–	–	–	–	–
(c) Fees and other collections	–	–	–	–	–	–
(d) Other subsidy costs	–	–	–	–	–	–
Total of the above subsidy expense components	–	–	–	–	–	–
Adjustments:						
(a) Loan modifications	\$ 480,625	\$ –	\$ 480,625	\$ –	\$ –	\$ –
(b) Fees received	–	–	–	–	–	–
(c) Foreclosed property acquired	–	–	–	–	–	–
(d) Loans written off	–	–	–	–	–	–
(e) Subsidy allowance amortization	(2,874)	–	(2,874)	10,585	(716)	9,869
(f) Other	1,887	–	1,887	12,637	(107)	12,530
Ending balance of the subsidy cost allowance before reestimates	\$ 716,853	\$ 27	\$ 716,880	\$ 237,215	\$ 56	\$ 237,271
Add or subtract subsidy reestimates by component:						
(a) Interest rate reestimate	–	–	–	–	–	–
(b) Technical/default reestimate	–	–	–	–	(29)	(29)
Total of the above reestimate components	–	–	–	–	(29)	(29)
Ending balance of the subsidy cost allowance	\$ 716,853	\$ 27	\$ 716,880	\$ 237,215	\$ 27	\$ 237,242

**Defaulted Guaranteed Loans
(Dollars in Thousands)**

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Loans Receivable, Net
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): FY 2005				
UE	\$ 382,264	\$ 46,915	\$ 159,477	\$ 269,702
Total	\$ 382,264	\$ 46,915	\$ 159,477	\$ 269,702
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): FY 2004				
UE	\$ 452,432	\$ 22,517	\$ 179,312	\$ 295,637
Total	\$ 452,432	\$ 22,517	\$ 179,312	\$ 295,637

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

In FY 2005, the UE Program experienced \$4.2 million in defaults on payments.

In FY 2004, the UE Program experienced \$4.4 million in defaults on payments.

GUARANTEED LOANS OUTSTANDING:

Guaranteed Loans Outstanding (Dollars in Thousands)		
Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (FY 2005):		
UE	\$ 1,652,480	\$ 1,652,480
MSED	47,427	23,714
Israel	12,987,372	12,987,372
DCA	911,071	405,810
Egypt	1,250,000	1,250,000
Total	\$ 16,848,350	\$ 16,319,376
Guaranteed Loans Outstanding (FY 2004):		
UE	\$ 1,832,755	\$ 1,832,755
MSED	76,400	38,200
Israel	12,322,417	12,322,417
DCA	789,799	341,500
Total	\$ 15,021,371	\$ 14,534,872
New Guaranteed Loans Disbursed (FY 2005):		
UE	\$ –	\$ –
MSED	–	–
DCA	177,254	88,627
Israel	750,000	750,000
Egypt	1,250,000	1,250,000
Total	\$ 2,177,254	\$ 2,088,627
New Guaranteed Loans Disbursed (FY 2004):		
UE	\$ –	\$ –
MSED	5,000	2,500
DCA	250,233	109,417
Israel	3,350,000	3,350,000
Total	\$ 3,605,233	\$ 3,461,917

**Liability for Loan Guarantees
(Dollars in Thousands)**

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2005:			
UE	\$ 195,344	\$ 149,557	\$ 344,901
MSED	-	(1,811)	(1,811)
Israel	-	1,066,734	1,066,734
DCA	-	4,610	4,610
Egypt	-	148,051	148,051
Total	\$ 195,344	\$ 1,367,141	\$ 1,562,485
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2004:			
UE	\$ 242,171	\$ 103,788	\$ 345,959
MSED	-	(3,902)	(3,902)
Israel	-	700,855	700,855
DCA	-	(2,975)	(2,975)
Total	\$ 242,171	\$ 797,766	\$ 1,039,937

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

**Subsidy Expense for Loan Guarantees by Program and Component
(Dollars in Thousands)**

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (FY 2005):					
DCA	\$ -	\$ 4,297	\$ -	\$ -	\$ 4,297
MSED	-	1,110	-	-	1,110
Total	\$ -	\$ 5,407	\$ -	\$ -	\$ 5,407
Subsidy Expense for New Loan Guarantees (FY 2004):					
DCA	\$ -	\$ 993	\$ -	\$ -	\$ 993
MSED	-	1,466	-	-	1,466
Total	\$ -	\$ 2,459	\$ -	\$ -	\$ 2,459

Subsidy Expense for Loan Guarantees by Program and Component (continued)
(Dollars in Thousands)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (FY 2005):				
UE	\$ -	\$ -	\$ 532	\$ 532
MSED	-	-	-	-
DCA	-	-	211	211
Israel	-	-	187,892	187,892
Egypt	-	-	7,335	7,335
Total	\$ -	\$ -	\$ 195,970	\$ 195,970
Modifications and Reestimates (FY 2004):				
UE	\$ -	\$ -	\$ 2,194	\$ 2,194
MSED	-	-	610	610
DCA	-	-	64	64
Total	\$ -	\$ -	\$ 2,868	\$ 2,868

Total Loan Guarantee Subsidy Expense
(Dollars in Thousands)

Loan Guarantee Programs	FY 2005	FY 2004
DCA	\$ 4,508	\$ 1,057
UE	532	2,194
MSED	1,110	2,076
Israel	187,892	-
Egypt	7,335	-
Total	\$ 201,377	\$ 5,327

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts
(Percent)

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
DCA	-	5.14%	-	-	5.14%

Schedule for Reconciling Loan Guarantee Liability Balances
(Dollars in Thousands)

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Total
FY 2005						
Beginning Balance, Changes, and Ending Balance						
Beginning balance of the loan guarantee liability	\$ (2,975)	\$ (3,902)	\$ 103,787	\$ 700,856	\$ –	\$ 797,766
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:						
(a) Interest supplement costs	–	–	–	–	–	–
(b) Default costs (net of recoveries)	–	–	–	–	–	–
(c) Fees and other collections	–	–	–	–	–	–
(d) Other subsidy costs	4,298	1,110	–	–	–	5,408
Total of the above subsidy expense components	\$ 4,298	\$ 1,110	\$ –	\$ –	\$ –	\$ 5,408
Adjustments:						
(a) Loan guarantee modifications	–	–	–	–	–	–
(b) Fees received	1,443	209	2,591	29,250	137,250	170,743
(c) Interest supplements paid	–	–	–	–	–	–
(d) Foreclosed property and loans acquired	–	–	–	–	–	–
(e) Claim payments to lenders	(310)	(586)	(4,167)	–	–	(5,063)
(f) Interest accumulation on the liability balance	–	–	8,279	47,110	3,109	58,498
(g) Other	3,736	4,784	48,555	(14,153)	–	42,922
Ending balance of the loan guarantee liability before reestimates	\$ 6,192	\$ 1,615	\$ 159,045	\$ 763,063	\$ 140,359	\$ 1,070,274
Add or subtract subsidy reestimates by component:						
(a) Interest rate reestimate	–	–	–	–	–	–
(b) Technical/default reestimate	(1,582)	(3,426)	(9,488)	303,671	7,692	296,867
Total of the above reestimate components	\$ (1,582)	\$ (3,426)	\$ (9,488)	\$ 303,671	\$ 7,692	\$ 296,867
Ending balance of the loan guarantee liability	\$ 4,610	\$ (1,811)	\$ 149,557	\$ 1,066,734	\$ 148,051	\$ 1,367,141
FY 2004						
Beginning Balance, Changes, and Ending Balance						
Beginning balance of the loan guarantee liability	\$ (1,014)	\$ 264	\$ 175,521	\$ 673,262	\$ –	\$ 848,032
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:						
(a) Interest supplement costs	–	–	–	–	–	–
(b) Default costs (net of recoveries)	–	–	–	–	–	–
(c) Fees and other collections	–	–	–	–	–	–
(d) Other subsidy costs	993	1,466	–	–	–	2,459
Total of the above subsidy expense components	\$ 993	\$ 1,466	\$ –	\$ –	\$ –	\$ 2,459
Adjustments:						
(a) Loan guarantee modifications	–	–	–	–	–	–
(b) Fees received	–	–	2,468	88,200	–	90,668
(c) Interest supplements paid	–	–	–	–	–	–
(d) Foreclosed property and loans acquired	–	–	–	–	–	–
(e) Claim payments to lenders	–	–	(4,380)	–	–	(4,380)
(f) Interest accumulation on the liability balance	–	–	3,528	55,987	–	59,515
(g) Other	(765)	(3,522)	(71,514)	19,512	–	(56,289)
Ending balance of the loan guarantee liability before reestimates	\$ (787)	\$ (1,792)	\$ 105,621	\$ 836,960	\$ –	\$ 940,005
Add or subtract subsidy reestimates by component:						
(a) Interest rate reestimate	–	–	–	–	–	–
(b) Technical/default reestimate	(2,188)	(2,111)	(1,834)	(136,105)	–	(142,237)
Total of the above reestimate components	\$ (2,188)	\$ (2,111)	\$ (1,834)	\$ (136,105)	\$ –	\$ (142,237)
Ending balance of the loan guarantee liability	\$ (2,975)	\$ (3,902)	\$ 103,787	\$ 700,855	\$ –	\$ 797,766

**Administrative Expense
(Dollars in Thousands)**

Loan Programs	FY 2005	FY 2004
DCA	\$ 9,615	\$ 8,862
UE	217	594
MSED	2	161
Total	\$ 9,834	\$ 9,617

OTHER INFORMATION

1. Allowance for Loss for Liquidating account (pre-Credit Reform Act) receivables have been calculated in accordance with OMB guidance using a present value method which assigns risk ratings to receivables based upon the country of debtor. Fourteen countries are in violation of Section 620q of the Foreign Assistance Act (FAA), owing \$43.6 million that is more than six months delinquent. Eleven countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing \$439.9 million that is more than one year delinquent. Outstanding direct loans receivable for countries in violation of Section 620q totaled \$37.2 million. Outstanding direct loans receivable for countries in violation of the Brooke Amendment totaled \$421 million.
2. The MSED Liquidating Account general ledger has a loan receivable balance of \$643 thousand. This includes two loans pending closure. These loans are being carried at 100% bad debt allowance.

NOTE 7. INVENTORY AND RELATED PROPERTY (Dollars in Thousands)

USAID's Inventory and Related Property is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2005 and 2004 are as follows:

	FY 2005	FY 2004
Items Held for Use		
Office Supplies	\$ 13,319	\$ 7,212
Items Held in Reserve for Future Use		
Disaster assistance materials and supplies	9,096	7,986
Birth control supplies	21,707	20,566
Total	\$ 44,122	\$ 35,764

Operating Materials and Supplies are valued at historical cost and considered not held for sale.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

General Property, Plant and Equipment, Net (Dollars in Thousands)

	Useful Life	Cost	Accumulated Depreciation	Net Book Value
The components of PP&E as of September 30, 2005 are as follows:				
Classes of Fixed Assets				
Equipment	3 to 5 years	\$ 76,099	\$ (38,729)	\$ 37,370
Buildings, Improvements, & Renovations	20 years	59,221	(26,789)	32,432
Land and Land Rights	N/A	4,181	–	4,181
Assets Under Capital Lease		6,365	(1,864)	4,501
Construction in Progress	N/A	570	–	570
Internal Use Software	3 to 5 years	29,961	(12,843)	17,118
Total		\$176,397	\$ (80,225)	\$ 96,172

The components of PP&E as of September 30, 2004 are as follows:				
Classes of Fixed Assets				
Equipment	3 to 5 years	\$ 56,471	\$ (25,732)	\$ 30,740
Buildings, Improvements, & Renovations	20 years	53,851	(24,263)	29,588
Land and Land Rights	N/A	4,181	–	4,181
Assets Under Capital Lease		6,872	(1,423)	5,449
Construction in Progress	N/A	570	–	570
Internal Use Software	3 to 5 years	20,328	(8,901)	11,427
Total		\$142,272	\$ (60,317)	\$ 81,954

The threshold for capitalizing or amortizing assets is \$25,000. Assets purchased prior to FY 2003 are depreciated using the straight line depreciation method. Assets purchased during FY 2003 and beyond are depreciated using the mid-quarter convention depreciation method. Depreciable assets are assumed to have no remaining salvage value. There are currently no restrictions on PPE assets.

USAID PP&E includes assets located in Washington, D.C. offices and overseas field Missions.

Equipment consists primarily of electric generators, ADP hardware, vehicles and copiers located at the overseas field missions.

Structures and Facilities include USAID owned office buildings and residences at foreign missions, including the land on which these structures reside. These structures are used and maintained by the field missions. USAID does not separately report the cost of the building and the land on which the building resides.

Land consists of property owned by USAID in foreign countries. Usually the land is purchased with the intention of constructing an office building at the site.

Buildings, Improvements, and Renovations accumulated depreciation was understated in FY 2004 due to transposing numbers. The Buildings, Improvements, and Renovations accumulated depreciation should have read as “(\$24,263) million instead of (\$24,236) million.”

NOTE 9. LEASES

Leases as of September 30, 2005 and 2004 (Dollars in Thousands)

Entity as Lessee		
Capital Leases:	FY 2005	FY 2004
Summary of Assets Under Capital Lease:		
Buildings	\$ 6,365	\$ 6,872
Accumulated Depreciation	\$ 1,864	\$ 1,423
Net Asset under Capital Leases	\$ 4,501	\$ 5,449
Future Payments Due:		
Fiscal Year	Future Costs	Future Costs
2005	\$ –	\$ 785
2006	195	471
2007	165	431
2008	45	192
2009	45	164
2010	45	–
After 5 Years	158	–
Net Capital Lease Liability	653	2,043
Lease Liabilities Covered by Budgetary Resources	653	2,043
Lease Liabilities Not Covered by Budgetary Resources	–	–
The capital lease liability is reported on USAID's Balance Sheet under Other Liabilities.		
Operating Leases:		
	FY 2005	FY 2004 Recast
Future Payments Due:		
Fiscal Year	Future Costs	Future Costs
2005	\$ –	\$ 76,968
2006	77,861	75,258
2007	76,467	73,798
2008	75,332	73,207
2009	74,094	70,020
2010	72,219	75,773
After 5 Years	19,515	–
Total Future Lease Payments	\$ 395,489	\$ 445,024

Of the \$395.5 million in future lease payment, \$153.5 is attributable to the Ronald Regan Building. The stepped rent schedule on the Ronald Reagan Building in Washington D.C., USAID's headquarters expired September 30, 2005. The occupancy agreement for the Ronald Reagan Building in Washington D.C will expire September 30, 2010. This building is leased by the General Services Administration (GSA). USAID is charged rent intended to approximate commercial rental rates. Lease payments for FY 2005 and 2004 amounted to \$40.5 million and \$39 million respectively.

The Agency's missions have various long term leases 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. 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.

In FY 2004, Total Future Lease Payments were presented in Note 9 as \$203 million. Future operating lease costs for the RRB for years 2006 and beyond were not available as of year-end reporting last year and thus not included in that amount. Total Future Lease Payments for FY 2004 should have been reflected as \$445 million. The amounts presented in the FY 2004 Future Costs column have been recast to reflect the \$445 million.

NOTE 10. ACCOUNTS PAYABLE

The Accounts Payable covered by budgetary resources as of September 30, 2005 and 2004 consisted of the following:

Accounts Payable Covered by Budgetary Resources (Dollars in Thousands)		
	FY 2005	FY 2004 RESTATED
Intragovernmental		
Accounts Payable	\$ 24,226	\$ 29,523
Disbursements in Transit	6	–
Total Intragovernmental	24,232	29,523
Accounts Payable	3,164,071	2,334,613
Disbursements in Transit	16,521	9,010
	3,180,592	2,343,623
Total Accounts Payable	\$ 3,204,824	\$ 2,373,146

Intragovernmental Accounts Payable are those payable to other federal agencies and consist mainly of unliquidated obligation balances related to interagency agreements between USAID and other federal agencies.

Year end accounts payable accruals were underestimated at the end of FY 2004 by about \$383.1 million. Fiscal Year 2004 data has been restated to show the increase in account payables.

All other Accounts Payable represent liabilities to other non-federal entities.

NOTE 11. DEBT

USAID Intragovernmental debt as of September 30, 2005 and 2004 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt:

Intragovernmental Debt as of September 30, 2005 and 2004 (Dollars in Thousands)					
	FY 2004 Beginning Balance	Net Borrowing	FY 2004 Ending Balance	Net Borrowing	FY 2005 Ending Balance
Urban & Environmental	\$ –	\$ –	\$ –	\$ –	\$ –
Direct Loan	77,981	33,100	111,081	311,521	422,602
MSED	1,184	(1,184)	–	–	–
Total Debt	\$ 79,165	\$ 31,916	\$ 111,081	\$ 311,521	\$ 422,602

Pursuant to the Credit Reform Act of 1990, agencies with credit programs have permanent indefinite authority to borrow funds from the Treasury. These funds are used to disburse new direct loans to the public and, in certain situations, to cover credit reform program costs. Liquidating (pre-1992) accounts have permanent indefinite borrowing authority to be used to cover program costs when they exceed account resources. UE Program debt includes amounts borrowed before the effective date of the Credit Reform Act of 1990.

The above disclosed debt is principal payable to Treasury, which represents financing account borrowings from the Treasury under the Credit Reform Act. In addition, there is net liquidating account equity in the amount of \$5.3 billion, which under the Credit Reform Act is required to be recorded as Due to Treasury. Both of these accounts are used exclusively for credit reform activity. All debt shown is intragovernmental debt.

NOTE 12. OTHER LIABILITIES

As of September 30, 2005 and 2004 Other Liabilities consisted of the following:

Other Liabilities as of September 30, 2005 and 2004 (Dollars in Thousands)		
	FY 2005	FY 2004
Intragovernmental		
OPAC Suspense	\$ -	\$ -
Unfunded FECA Liability	7,429	9,529
Deposit and Clearing Accounts	-	-
Credit Program Undisbursed Loans	-	207,095
Other	23,081	203,950
Total Intragovernmental	30,510	420,574
Accrued Funded Payroll/Benefits	13,964	11,357
Unfunded Leave	33,324	29,891
Advances From Others	7	-
Deferred Credit	11,557	7,405
Liability for Deposit Funds and Suspense Accounts – Non-Entity	18,072	19,148
Foreign Currency Trust Fund	282,545	256,871
Custodial Liability	50	6
Capital Lease Liability	781	2,589
Trust Fund Balances	30,035	26,459
Other	-	24
Total	\$ 390,335	\$ 353,750
Total Other Liabilities	\$ 420,845	\$ 774,324

All liabilities are current. Intragovernmental Liabilities represent amounts due to other federal agencies. All remaining Other Liabilities are liabilities to non-federal entities.

NOTE 13. ACCRUED UNFUNDED ANNUAL LEAVE AND SEPARATION PAY

Accrued unfunded benefits for annual leave and separation pay as of September 30, 2005 and 2004 are as indicated below.

Accrued Unfunded Benefits (Dollars in Thousands)		
	FY 2005	FY 2004
Liabilities Not Covered by Budgetary Resources		
Accrued Annual Leave	\$ 32,076	\$ 29,882
FSN Separation Pay Liability	1,248	9
Total Accrued Unfunded Annual Leave and Separation Pay	\$ 33,324	\$ 29,891

NOTE 14. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2005 and 2004 are as indicated below.

Accrued Unfunded Workers' Compensation Benefits (Dollars in Thousands)		
	FY 2005	FY 2004
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	\$ 23,726	\$ 24,523
Accrued Funded Payroll and Leave	13,964	6,985
Total Accrued Unfunded Workers' Compensation Benefits	\$ 37,690	\$ 31,508

The Federal Employees Compensation Act (FECA) program is administered by the U.S. Department of Labor (DOL) and provides income and medical cost protection to covered Federal civilian employees who have been injured on the job or have incurred a work-related occupational disease. Compensation is given to beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. DOL initially pays valid FECA claims for all Federal government agencies and seeks reimbursement two fiscal years later from the Federal agencies employing the claimants.

Estimated future FECA costs are determined by the Department of Labor. This liability is determined using a paid losses extrapolation method calculated over a 37 year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These annual benefit payments have been discounted to present value. The interest rate assumptions used for discounting were 4.883% in year 1 and 5.235% in Year 2 and thereafter.

NOTE 15. COMMITMENTS AND CONTINGENCIES

USAID is involved in certain claims and suits, and complaints that have been filed or are pending. These matters are in the ordinary course of the Agency's operations and are not expected to have a material adverse effect on the Agency's financial operations.

As of September 30, 2005 a total of nine cases were pending. One case has been designated as reasonably possible. This case is a contract claim over the payment of Peruvian taxes on a building leased by USAID/Peru as mission offices. The estimated loss is over \$1 million. The status of the remaining litigation cases are at a remote designation.

The group of cases disclosed at the end of FY 2004, involving Negotiated Indirect Cost Rate Agreement (NICRA) rates have been dismissed in USAID's favor.

NOTE 16. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2005 and 2004 are as follows:

Liabilities Not Covered by Budgetary Resources (Dollars in Thousands)		
	FY 2005	FY 2004
Intragovernmental		
Accounts Payable	\$ 351,663	\$ 103,202
Debt	422,602	111,081
Other	30,510	420,574
Total Intragovernmental	804,775	634,857
With The Public		
Accrued unfunded annual leave and separation pay	33,324	29,891
Accrued unfunded Workers Compensation Benefits	37,691	31,508
Debt - Contingent Liabilities for Loan Guarantees	195,344	242,171
Total Liabilities not covered by Budgetary Resources	266,359	303,571
Total Liabilities covered by Budgetary Resources	10,202,446	9,492,187
Less Intra-Agency Liabilities	(327,437)	(73,679)
Total Liabilities	\$10,946,143	\$10,356,936

Fiscal Year 2005 Total Liabilities covered Budgetary Resources are \$10.7 billion.

Fiscal Year 2004 data presentation has been changed to comply with OMB's Circular A-136 format. For FY 2004, Total Liabilities covered by Budgetary Resources were \$10.1 billion.

NOTE 17. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

The Consolidated Statement of Net Cost reports the Agency's gross costs less earned revenues to arrive at net cost of operations by strategic goals, as of September 30, 2005. These goals are consistent with USAID's Strategic Planning Framework. These goals are consistent with USAID's Strategic Planning Framework. In FY 2005, as part of the annual certification process for mapping strategic objectives to performance goals, strategic objectives assigned to performance goals under the Public Diplomacy and Public Affairs strategic goal were reassigned to performance goals under the Regional Stability strategic goal. Thus, the Public Diplomacy goal is not effective for FY 2005 cost reporting.

Also, the format of the Consolidated Statement of Net Cost is new for FY 2005 and is consistent with OMB Circular A-136 guidance. To the extent possible, FY 2004 comparative data has been recast consistent with this format. Comparative FY 2004 data has also been restated to include the \$383.1 million in expenses that were not reported in last year's financial statements. The restatement is discussed in Note 22.

Note 17 shows the value of exchange transactions between USAID and other Federal entities as well as non-Federal entities. These are also categorized by strategic goals and responsibility segments. Responsibility Segments are defined in Note 18.

Intragovernmental costs and exchange revenue sources relate to transactions between USAID and other Federal entities. Public costs and exchange revenues on the other hand relate to transactions between USAID and non-Federal entities. The FY 2004 data reflects the \$383.1 million restatement and the format is consistent with last year's Note 17. Earned revenue could not be recast by intragovernmental and with the public.

U.S. Agency for International Development
INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT
For the Years Ended September 30, 2005 and 2004
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	2005 Total	2004 Restated
Regional Stability										
Intragovernmental Costs	\$ 1,009	\$ 3,790	\$ 8,805	\$ 2,858	\$ 1,020	\$ -	\$ 11,720	\$ (107)	\$ 29,095	\$ 13,632
Public Costs	28,493	394,022	289,166	2,064	21,604	-	20,147	-	755,496	664,051
Total Program Costs	29,501	397,812	297,971	4,922	22,624	-	31,868	(107)	784,590	677,683
Intragovernmental Earned Revenue	(30)	(158)	(241)	-	(39)	-	(45)	7	(507)	-
Public Earned Revenue	(7)	(36)	(54)	-	(9)	-	(10)	-	(115)	-
Total Earned Revenue	(36)	(194)	(295)	-	(48)	-	(56)	7	(622)	(1,271)
Counterterrorism										
Intragovernmental Costs	(2)	8,665	-	-	-	-	-	(32)	8,631	17,198
Public Costs	(61)	879,295	-	-	-	-	-	-	879,234	116,956
Total Program Costs	(63)	887,960	-	-	-	-	-	(32)	887,866	134,154
Intragovernmental Earned Revenue	-	(341)	-	-	-	-	-	5	(336)	-
Public Earned Revenue	-	(76)	-	-	-	-	-	-	(76)	-
Total Earned Revenue	-	(417)	-	-	-	-	-	5	(412)	(54)
International Crime and Drugs										
Intragovernmental Costs	-	-	1,591	-	497	-	37,336	(144)	39,280	4,540
Public Costs	-	-	12,521	-	6,159	-	159,738	-	178,417	75,302
Total Program Costs	-	-	14,112	-	6,655	-	197,074	(144)	217,697	79,842
Intragovernmental Earned Revenue	-	-	(11)	-	(21)	-	(285)	4	(313)	-
Public Earned Revenue	-	-	(3)	-	(5)	-	(64)	-	(71)	-
Total Earned Revenue	-	-	(14)	-	(25)	-	(350)	4	(384)	(295)
Democracy and Human Rights										
Intragovernmental Costs	3,423	3,601	2,720	-	39,095	-	9,801	(215)	58,426	20,932
Public Costs	105,062	337,316	25,862	-	486,109	-	184,197	-	1,138,546	1,305,750
Total Program Costs	108,485	340,918	28,582	-	525,204	-	193,998	(215)	1,196,972	1,326,682
Intragovernmental Earned Revenue	(2,509)	(131)	(23)	-	(1,633)	-	(284)	64	(4,516)	-
Public Earned Revenue	(27)	(29)	(5)	-	(366)	-	(64)	-	(491)	-
Total Earned Revenue	(2,535)	(160)	(28)	-	(1,999)	-	(348)	64	(5,007)	(3,789)
Economic Prosperity and Security										
Intragovernmental Costs	14,081	20,146	331	28,537	48,836	-	14,798	(524)	126,206	122,736
Public Costs	319,885	1,538,419	1,098,034	146,805	482,126	-	230,851	-	3,816,120	3,387,395
Total Program Costs	333,966	1,558,566	1,098,365	175,342	530,962	-	245,648	(524)	3,942,326	3,510,131
Intragovernmental Earned Revenue	(1,680)	(590)	(3)	(308)	(1,630)	-	(353)	64	(4,500)	-
Public Earned Revenue	(85)	(135)	(1)	(2,351)	(371)	-	(81)	-	(3,023)	-
Total Earned Revenue	(1,764)	(725)	(4)	(2,659)	(2,001)	-	(434)	64	(7,523)	(14,339)

(continued on next page)

U.S. Agency for International Development
INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT (continued)
For the Years Ended September 30, 2005 and 2004
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Intra-Agency Eliminations	2005 Total	2004 Restated
Social and Environmental Issues										
Intragovernmental Costs	51,480	19,111	-	43,230	23,521	32,111	20,262	(609)	189,105	369,840
Public Costs	886,707	1,166,285	285	129,625	229,869	1,338,976	356,512	-	4,108,261	4,165,481
Total Program Costs	938,187	1,185,396	285	172,855	253,390	1,371,087	376,774	(609)	4,297,366	4,535,321
Intragovernmental Earned Revenue	(1,049)	(435)	-	(11,834)	(781)	(43,225)	(552)	811	(57,065)	-
Public Earned Revenue	(239)	(99)	-	(8,726)	(178)	(93)	(126)	-	(9,461)	-
Total Earned Revenue	(1,288)	(534)	-	(20,560)	(959)	(43,319)	(678)	811	(66,526)	(66,842)
Humanitarian Response										
Intragovernmental Costs	2,722	1,516	46,390	-	4,013	-	5,250	(219)	59,672	180,203
Public Costs	63,964	64,311	369,250	461,354	49,769	-	120,135	-	1,128,782	562,240
Total Program Costs	66,686	65,827	415,640	461,354	53,783	-	125,384	(219)	1,188,454	742,443
Intragovernmental Earned Revenue	(61)	(9)	(334)	(64,489)	(167)	-	(184)	914	(64,329)	-
Public Earned Revenue	(14)	(2)	(76)	(129,319)	(38)	-	(42)	-	(129,491)	-
Total Earned Revenue	(75)	(11)	(410)	(193,807)	(205)	-	(226)	914	(193,820)	(66,133)
Management and Organizational Excellence										
Intragovernmental Costs	637	-	-	5,092	-	-	-	(21)	5,709	5,581
Public Costs	646	-	-	8,332	-	-	-	-	8,978	42,490
Total Program Costs	1,283	-	-	13,424	-	-	-	(21)	14,686	48,071
Intragovernmental Earned Revenue	(1)	-	-	(29)	-	-	-	-	(30)	-
Public Earned Revenue	-	-	-	(7)	-	-	-	-	(7)	-
Total Earned Revenue	(2)	-	-	(36)	-	-	-	-	(37)	(424)
Public Diplomacy and Public Affairs										
Intragovernmental Costs	-	-	-	-	-	-	-	-	-	157
Public Costs	-	-	-	-	-	-	-	-	-	35,567
Total Program Costs	-	-	-	-	-	-	-	-	-	35,724
Intragovernmental Earned Revenue	-	-	-	-	-	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-	-	-	-	-	(177)
Net Costs of Operations	\$1,472,345	\$4,434,437	\$1,854,204	\$610,835	\$1,387,382	\$1,327,768	\$1,168,655	\$	\$12,255,626	\$10,936,727

Note: The Total Earned Revenue by strategic goals on Notes 17 and 18 are slightly off from the Consolidated and Consolidating Statement of Net Cost. Some public earned revenue could not be mapped to a specific goal. Since the amount was immaterial, it was allocated amongst the goals with the largest amounts of public earned revenue i.e., Economic Prosperity and Security, Social and Environmental Issues and Humanitarian Response. Pre-allocation, these goals collectively made up approximately 99% of the Total Public Earned revenue.

NOTE 18. SCHEDULE OF COST BY RESPONSIBILITY SEGMENTS

The Schedule of Costs by Responsibility Segment categorizes costs and revenues by strategic and performance goals 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. The geographic and technical bureaus of USAID (below) meet the criteria of a responsibility segment. These bureaus directly support the Agency goals while the remaining bureaus and offices support the operations of these bureaus. To report the full cost of program outputs, the cost of support bureaus and offices are allocated to the outputs of the geographic and technical bureaus. Intra-agency eliminations are allocated to goals to reflect total goals costs.

FY 2005 STATEMENT OF NET COST RESPONSIBILITY SEGMENTS	
Geographic Bureaus	Technical Bureaus
<ul style="list-style-type: none"> ■ Africa (AFR) ■ Asia and Near East (ANE) ■ Latin America and the Caribbean (LAC) ■ Europe and Eurasia (E&E) 	<ul style="list-style-type: none"> ■ Democracy, Conflict, and Humanitarian Assistance (DCHA) ■ Economic Growth, Agriculture, and Trade (EGAT) ■ Global Health (GH)

U.S. Agency for International Development SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT For the Year Ended September 30, 2005 (Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Combined Total	Intra-Agency Eliminations	Consolidated Total
Regional Stability										
Close, strong, and effective U.S. ties with allies										
Gross Costs	\$ 4,402	\$ 377,598	\$ 52,070	\$ 4,922	\$ 14,071	\$ -	\$ 16,504	\$ 469,568	\$ (74)	\$ 469,494
Less: Earned Revenues	(6)	(185)	(51)	-	(15)	-	(28)	(286)	3	(283)
Net Program Costs	4,396	377,413	52,019	4,922	14,056	-	16,476	469,281	(70)	469,211
Existing and emergent regional conflicts are contained or resolved										
Gross Costs	25,099	20,214	245,900	-	8,553	-	15,364	315,130	(33)	315,056
Less: Earned Revenues	(30)	(9)	(244)	-	(32)	-	(28)	(343)	4	(339)
Net Program Costs	25,068	20,205	245,656	-	8,520	-	15,336	314,787	(29)	314,757
Counterterrorism										
Stable political and economic conditions										
Gross Costs	(63)	887,960	-	-	-	-	-	887,897	(32)	887,865
Less: Earned Revenues	-	(417)	-	-	-	-	-	(417)	5	(412)
Net Program Costs	(63)	887,543	-	-	-	-	-	887,480	(27)	887,453
International Crime and Drugs										
International trafficking in drugs, persons, and other illicit goods										
Gross Costs	-	-	-	-	6,655	-	197,074	203,729	(138)	203,591
Less: Earned Revenues	-	-	-	-	(25)	-	(350)	(375)	4	(371)
Net Program Costs	-	-	-	-	6,630	-	196,724	203,354	(134)	203,220

(continued on next page)

U.S. Agency for International Development
SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT (continued)
For the Year Ended September 30, 2005
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Combined Total	Intra-Agency Eliminations	Consolidated Total
International Crime and Drugs (continued)										
States cooperate internationally to set and implement anti-drug and anti-crime standards, share financial and political burdens										
Gross Costs	-	-	14,112	-	-	-	-	14,112	(6)	14,106
Less: Earned Revenues	-	-	(14)	-	-	-	-	(14)	-	(14)
Net Program Costs	-	-	14,098	-	-	-	-	14,098	(6)	14,092
Democracy and Human Rights										
Develop transparent and accountable democratic institutions										
Gross Costs	108,485	333,991	23,521	-	525,204	-	182,908	1,174,109	(211)	1,173,898
Less: Earned Revenues	(2,535)	(157)	(23)	-	(1,999)	-	(328)	(5,043)	64	(4,979)
Net Program Costs	105,950	333,833	23,498	-	523,205	-	182,580	1,169,066	(147)	1,168,919
Universal standards protect human rights										
Gross Costs	-	6,927	5,061	-	-	-	11,090	23,078	(4)	23,074
Less: Earned Revenues	-	(3)	(5)	-	-	-	(20)	(28)	-	(28)
Net Program Costs	-	6,924	5,056	-	-	-	11,070	23,050	(4)	23,046
Economic Prosperity and Security										
Enhanced food security and agricultural development										
Gross Costs	224,083	35,863	1,098,365	72,320	-	-	71,462	1,502,093	(76)	1,502,017
Less: Earned Revenues	(307)	(19)	(4)	(202)	-	-	(130)	(661)	7	(654)
Net Program Costs	223,777	35,844	1,098,361	72,117	-	-	71,332	1,501,432	(69)	1,501,363
Increased trade and investment										
Gross Costs	71,507	369,911	-	14,343	-	-	58,667	514,428	(49)	514,380
Less: Earned Revenues	(1,405)	(182)	-	(38)	-	-	(105)	(1,730)	23	(1,707)
Net Program Costs	70,102	369,729	-	14,306	-	-	58,561	512,698	(25)	512,673
Institutions, laws, and policies foster private sector led growth										
Gross Costs	38,375	975,242	-	77,455	457,304	-	114,675	1,663,051	(349)	1,662,702
Less: Earned Revenues	(52)	(460)	-	(2,419)	(1,722)	-	(198)	(4,850)	30	(4,820)
Net Program Costs	38,323	974,782	-	75,036	455,582	-	114,478	1,658,201	(319)	1,657,882
Secure and stable financial and energy markets										
Gross Costs	-	177,550	-	11,224	73,659	-	844	263,277	(50)	263,227
Less: Earned Revenues	-	(64)	-	-	(279)	-	(1)	(345)	4	(341)
Net Program Costs	-	177,486	-	11,224	73,379	-	843	262,932	(46)	262,887
Social and Environmental Issues										
Broader access to quality education with an emphasis on primary school completion										
Gross Costs	145,331	320,081	-	13,939	17,163	-	50,147	546,661	(101)	546,560
Less: Earned Revenues	(197)	(148)	-	(37)	(64)	-	(90)	(536)	6	(530)
Net Program Costs	145,133	319,933	-	13,903	17,099	-	50,056	546,125	(95)	546,030

(continued on next page)

U.S. Agency for International Development
SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT (continued)
For the Year Ended September 30, 2005
(Dollars in Thousands)

Goal	Africa	Asia & Near East	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Combined Total	Intra-Agency Eliminations	Consolidated Total
Social and Environmental Issues (continued)										
Improved global health										
Gross Costs	741,509	644,726	285	-	186,977	1,371,087	252,312	3,196,895	(391)	3,196,504
Less: Earned Revenues	(1,021)	(307)	-	-	(710)	(43,319)	(455)	(45,799)	635	(45,164)
Net Program Costs	740,488	644,419	285	-	186,267	1,327,768	251,857	3,151,096	243	3,151,340
Partnerships, initiatives, and implemented international treaties										
Gross Costs	51,348	220,589	-	158,916	49,251	-	74,316	554,419	(118)	554,301
Less: Earned Revenues	(70)	(79)	-	(20,523)	(185)	-	(133)	(20,851)	171	(20,680)
Net Program Costs	51,278	220,509	-	138,392	49,066	-	74,183	533,568	53	553,621
Humanitarian Response										
Effective protection, assistance, and durable solutions for refugees										
Gross Costs	58,626	46,102	398,844	-	46,321	-	45,505	595,398	(182)	595,216
Less: Earned Revenues	(66)	(1)	(392)	-	(176)	-	(82)	(718)	8	(710)
Net Program Costs	58,560	46,101	398,452	-	46,144	-	45,423	594,680	(174)	594,506
Improved capacity of host countries to reduce vulnerabilities to disasters										
Gross Costs	8,060	19,725	16,796	461,354	7,462	-	79,880	593,276	(37)	593,238
Less: Earned Revenues	(10)	(9)	(17)	(193,809)	(28)	-	(143)	(191,945)	906	(191,039)
Net Program Costs	8,051	19,715	16,778	267,545	7,433	-	79,736	401,330	869	402,199
Management and Organizational Excellence										
A high performing, well-trained, and diverse workforce										
Gross Costs	-	-	-	10,682	-	-	-	10,682	(12)	10,670
Less: Earned Revenues	-	-	-	(28)	-	-	-	(28)	1	(27)
Net Program Costs	-	-	-	10,653	-	-	-	10,653	(11)	10,643
Customer-oriented, innovative delivery of administrative and information services										
Gross Costs	-	-	-	594	-	-	-	594	(2)	592
Less: Earned Revenues	-	-	-	(2)	-	-	-	(2)	-	(2)
Net Program Costs	-	-	-	592	-	-	-	592	(2)	590
Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability.										
Gross Costs	-	-	-	2,149	-	-	-	2,149	(5)	2,144
Less: Earned Revenues	-	-	-	(6)	-	-	-	(6)	-	(6)
Net Program Costs	-	-	-	2,143	-	-	-	2,143	(5)	2,138
Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements.										
Gross Costs	1,283	-	-	-	-	-	-	1,283	(2)	1,281
Less: Earned Revenues	(2)	-	-	-	-	-	-	(2)	-	(2)
Net Program Costs	1,281	-	-	-	-	-	-	1,281	(2)	1,279
Public Diplomacy and Public Affairs										
American understanding and support for U.S. foreign policy										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenues	-	-	-	-	-	-	-	-	-	-
Net Program Costs	-	-	-	-	-	-	-	-	-	-
Net Costs of Operations	\$ 1,472,345	\$ 4,434,437	\$ 1,854,204	\$ 610,834	\$ 1,387,382	\$ 1,327,768	\$ 1,168,655	\$ 12,255,626	\$ -	\$ 12,255,626

Note: The Total Earned Revenue by strategic goals on Notes 17 and 18 are slightly off from the Consolidated and Consolidating Statement of Net Cost. Some public earned revenue could not be mapped to a specific goal. Since the amount was immaterial, it was allocated amongst the goals with the largest amounts of public earned revenue i.e., Economic Prosperity and Security, Social and Environmental Issues and Humanitarian Response. Pre-allocation, these goals collectively made up approximately 99% of the Total Public Earned revenue.

NOTE 19. PRIOR PERIOD ADJUSTMENT

USAID recorded a prior adjustment during FY 2005. Fiscal Year 2004 accounts payable accruals were underestimated at the end of FY 2004 by \$383.1 million. Note 22 discusses this prior adjustment in detail. There were no prior period adjustment for FY 2004.

NOTE 20. STATEMENT OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred (Dollars in Thousands):

	FY 2005	FY 2004
Category A, Direct	\$ 711,346	\$ 39,926
Category B, Direct	12,272,395	11,316,180
Category A, Reimbursable	8,990	27,475
Category B, Reimbursable	50,222	24,854
Total	\$ 13,042,953	\$ 11,408,435

B. Borrowing Authority, End of Period and Terms of Borrowing Authority Used:

For credit financing activities, borrowing authority for FY 2005 was \$301.9 million. For FY 2004 borrowing authority was \$31.9 million. Borrowing Authority is indefinite and authorized under the Credit Reform Act of 1990 (PL 101-508), and is used to finance obligations during the current year, as needed.

C. Adjustments to Beginning Balance of Budgetary Resources:

There were no differences for FY 2005 between prior year and current year beginning balances.

D. Permanent Indefinite Appropriations:

USAID has permanent indefinite appropriations relating to specific Credit Reform Program and Liquidating appropriations. USAID is authorized permanent indefinite authority for Credit Reform Program appropriations for subsidy reestimates, and Credit Reform Act of 1990.

E. Legal Arrangements Affecting the Use of Unobligated Balances:

Pursuant to Section 511 of PL 107-115 funds shall remain available until expended if such funds are initially obligated before the expiration of their periods of availability. Any subsequent recoveries (deobligations) of these funds become unobligated balances that are available for reprogramming by USAID (subject to OMB approval through the apportionment process).

A fund shown as Program on the Statement of Budgetary Resources in FY 2004 was reclassified as Allocations in FY 2005. To ensure comparability of the statements, the FY 2004 Total Budgetary Resources and Status of Resources was decreased by \$2,204 million, Outlays increased by \$240 million, and ending obligations by \$1,925 million. No other statements are affected by this reclassification.

NOTE 21. STATEMENT OF FINANCING - OTHER

Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

Contingent liabilities for Loan Guarantees on the Balance Sheet represent cumulative balances, of which \$195 million represent the Credit Subsidy expense reestimates requiring resources in future periods. Current period changes of \$3.5 million represents the current period increase in the Accrued Unfunded Annual Leave Separation Pay liability, and is shown on the Statement of Financing as a change in components requiring resources in future periods.

Explanation of the Relationship Between the Statement of Changes in Net Position and the Statement of Financing

Transfers in without reimbursement for \$1.8 million and Donated Revenue of \$17.5 million are shown on both the Statement of Changes of Net Position as Other Financing Sources and on the Statement of Financing as Other Resources.

Description of Transfers that Appear as a Reconciling Item on the Statement of Financing

Appropriations that are transferred from other Federal Agencies to USAID are not shown on the Statement of Budgetary Resources, but are shown on the Balance Sheet and Statement of Net Costs. Appropriations that are transferred to other

agencies are shown on the Statement of Budgetary Resources, but are not shown on the Balance Sheet nor the Statement of Net Costs. Below is a reconciliation of obligations and spending authority from offsetting collections between the Statement of Budgetary Resources and the Statement of Financing. Below is a reconciliation of Obligations, Offsetting Receipts and Recoveries between the Statement of Financing and the Statement of Budgetary Resources.

Changes in FY 2005 for Statement of Financing:

A net decrease of obligations incurred and a decrease of obligation recoveries during FY 2005 as well as an increase of Credit Program collections for both liabilities and subsidies are the primary reasons for the increase in the Total Resources Used to Finance items not part of the net cost of operations on the Statement of Financing. During FY 2005, Net Obligations decreased by \$598 million, and Credit Program Collections were about \$1,283 million. For FY 2004, net obligations increased by about \$1,397 million and total credit program collections were about \$1,070 million.

For the Upward/Downward Re-estimates of Credit Subsidy Expense, during FY 2005, there was a net decrease for Credit Program subsidy re-estimates of about \$14 million, as compared to an increase in FY 2004 of \$209 million. This is generally caused by a favorable economic world climate during FY 2005, thus the lowering of sovereign country default rates.

**Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods
(Dollars in Thousands)**

Obligations Incurred, Statement of Budgetary Resources		\$10,525,521
Less: Transfers to Other Agencies		
Department Of State	(685,344)	
Department of Agriculture	(4,996)	
Nuclear Regulatory Commission	(2,188)	
Department of Energy	(1,440)	
Others	(1,863)	(695,831)
Add: Transfers from Other Agencies		
Department of Agriculture	1,247,800	
Department of State	947,226	
Executive Office of the President	983,491	
Other	34,746	3,213,263
Obligations Incurred, Statement of Financing		13,042,953
<hr/>		
Offsetting Collections and Recoveries, Statement of Budgetary Resources		3,006,709
Less: Transfers to Other Agencies		
Department of State	(7,695)	
U.S. Treasury Department	(999,389)	
Department of Agriculture	(3,063)	
Other	(125)	(1,010,272)
Add: Allocations from Other Agencies		
Executive Office of the President	232,897	
Department of Agriculture	96,412	
Other	236	329,545
Offsetting Collections and Recoveries, Statement of Financing		\$ 2,325,982

NOTE 22. RESTATEMENT

Year end accounts payable accruals were underestimated at the end of FY 2004 by about \$383.1 million. Because of this error, the following statements and affected line items were restated, as indicated below, by the \$383.1 million:

- Balance Sheet: Increase in *Accounts Payable* to the Public; and Decrease in *Unexpended Appropriations*.
- Statement of Changes in Net Position: Increase in *Appropriations Used, Cumulative Results of Operations*; and Decrease in *Appropriations Used, Unexpended Appropriations*.
- Statement of Net Costs: Increase in *Expenses*.

- Statement of Financing: Increase in *Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered, but not yet Provided*.

This change to the FY 2004 statements also resulted in a reduction of the FY 2004 year ending balance in Unexpended Appropriations. To correctly show the FY 2005 beginning balance, a prior period correcting entry was made in FY 2005 to reduce the beginning balance of Unexpended Appropriations and corresponding expenses for \$383.1 million. This adjustment was made per the Treasury USSGL guidelines.

REQUIRED SUPPLEMENTAL INFORMATION



REDUCING GENDER INEQUALITY THROUGH NEW JOB OPPORTUNITIES

SILENT TSUNAMI INEQUALITY

WOMEN
CONSTITUTE 60
PERCENT OF THE
RURAL POOR,
WOMEN'S
UNEMPLOYMENT
RATES REMAIN HIGH
RELATIVE TO THOSE
OF MEN, AND
WHEN EMPLOYED,
THEY ARE PAID LESS
THAN MEN FOR
THE SAME WORK.°



USAID programs support: Increasing women's legal rights and participation in civil society, increasing number of women in political leadership positions, decreasing legal restrictions on women's land and property ownership rights, progressing towards gender equality in education, reducing domestic violence and trafficking, integrating gender as a cross-cutting issue into all programs.

U.S. Agency for International Development
REQUIRED SUPPLEMENTARY INFORMATION: INTRAGOVERNMENTAL AMOUNTS
as of September 30, 2005
(Dollars in Thousands)

INTRAGOVERNMENTAL ASSETS:

Agency	Fund Balance with Treasury	Accounts Receivable, Net	Advances and Prepayments	Totals
Treasury	\$ 17,503,843	\$ -	\$ -	\$ 17,503,843
Dept of Agriculture	-	819,928	3,026	822,954
Dept of Commerce	-	-	532	532
Dept of State	-	-	18,197	18,197
Other	-	3,005	8,821	11,826
Total	\$ 17,503,843	\$ 822,934	\$ 30,575	\$ 18,357,352

INTRAGOVERNMENTAL LIABILITIES:

Agency	Due to Treasury	Accounts Payable	Debt	Other	Totals
Treasury	\$ 5,311,661	\$ 3,259	\$ 422,602	\$ 12,546	\$ 5,750,068
GSA	-	9,730	-	-	9,730
Dept of Agriculture	-	4,285	-	-	4,285
Dept of Labor	-	(2,814)	-	-	(2,814)
Dept of Health and Human Services	-	7,830	-	-	7,830
Other	-	1,941	-	17,964	19,905
Total	\$ 5,311,661	\$ 24,232	\$ 422,602	\$ 30,510	\$ 5,789,005

INTRAGOVERNMENTAL EARNED REVENUES AND RELATED COSTS:

USAID's intragovernmental earned revenues are not greater than \$500 million. As such, intragovernmental earned revenues and related costs by trading partner are not required to be reported.

U.S. Agency for International Development
REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF BUDGETARY RESOURCES
For the period ended September 30, 2005

	Operating		Program				Credit-Financing	Other	Allocations to Other Agencies	Consolidated Total		
	1000	1010	1021	1029	1035	1037					1093	1095
Budgetary Resources												
Budget Authority												
Appropriations Received	\$642,400	\$396,600	\$1,460,000	\$656,000	\$578,000	\$42,500	\$630,994	\$1,550,000	\$ -	\$ 4,152,556	\$ 7,535	\$10,116,585
Borrowing Authority (Note 20)	-	-	-	-	-	-	-	-	310,947	-	2,000	312,947
Net Transfers	1,969	(142,482)	(3,110)	(183,919)	30,603	-	(160,033)	30,989	-	775,202	241,300	590,519
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Budget Authority	644,369	254,118	1,456,890	472,081	608,603	42,500	470,961	1,580,989	310,947	4,927,758	250,835	11,020,051
Unobligated Balance:												
Beginning of Period	71,106	95,440	55,721	-	201,168	-	145,304	238,910	1,001,713	1,205,208	423,168	3,439,036
Net Transfers, Actual	-	-	-	-	-	-	-	-	-	656	(864,907)	(864,251)
Total Unobligated Balance	71,106	95,440	55,721	-	201,168	-	145,304	238,910	1,001,713	1,207,162	(441,739)	2,574,785
Spending Authority from Offsetting Collections:												
Earned												
Collected	5,260	6	1,576	-	2,221	-	1,810	4,667	558,897	1,288,903	1,501	1,864,841
Receivable from Federal Sources	-	-	-	-	-	-	-	-	-	-	351	351
Change in Unfilled Customer Orders												
Advance Received	-	-	-	-	-	-	-	-	-	-	-	-
Anticipated for Rest of Year, Without Advances	2,064	-	279	-	489	-	-	-	-	189	-	3,021
Subtotal	7,324	6	1,855	-	2,710	-	1,810	4,667	558,897	1,289,092	1,852	1,868,213
Recoveries of Prior-Year Obligations	14,664	9,996	17,626	-	15,754	-	47,372	2,554	-	22,110	1,008,420	1,138,496
Permanently Not Available	(5,393)	(3,637)	(11,711)	-	(3,104)	-	(4,730)	(12,400)	-	(1,738,284)	-	(1,779,259)
Total Budgetary Resources	732,070	355,923	1,520,381	472,081	825,131	42,500	660,717	1,814,720	1,871,557	5,707,838	819,368	14,822,286
Status of Budgetary Resources:												
Obligations Incurred (Note 20):												
Direct	672,791	284,525	1,387,550	437,767	745,707	42,500	481,988	1,616,947	709,517	3,391,186	695,831	10,466,309
Reimbursible	7,323	6	1,855	-	2,710	-	1,810	4,667	-	40,841	-	59,212
Subtotal	680,114	284,531	1,389,405	437,767	748,417	42,500	483,798	1,621,614	709,517	3,432,027	695,831	10,525,521
Unobligated Balances - Available	51,236	70,872	129,809	34,314	76,271	-	176,857	193,110	1,162,040	2,271,956	120,731	4,287,196
Unobligated Balances - Unavailable	720	520	1,167	-	443	-	62	(4)	-	3,855	2,806	9,569
Total, Status of Budgetary Resources	732,070	355,923	1,520,381	472,081	825,131	42,500	660,717	1,814,720	1,871,557	5,707,838	819,368	14,822,286
Relationship of Obligations to Outlays:												
Obligated Balance, Net,												
Beginning of Period (Note 20)	164,482	452,415	2,630,507	-	379,666	-	544,004	2,073,456	11,031	3,312,583	1,267,439	10,835,583
Obligated Balance, Transferred, Net	-	-	-	-	-	-	-	-	-	-	-	-
Obligated Balance, Net, End of Period	(225)	-	-	-	-	-	-	-	-	(3,467)	-	(3,692)
Unfilled Customer Orders												
From Federal Sources	(3,955)	-	(279)	-	(489)	-	-	-	-	(2,891)	-	(7,614)
Undelivered Orders	(35,560)	105,350	1,910,639	432,078	355,589	-	314,452	1,603,568	2,768	3,194,628	3,528	7,887,040
Accounts Payable	226,368	148,146	575,132	1,816	275,245	-	235,947	365,919	520	574,185	-	2,403,278
Outlays:												
Disbursements	641,239	473,453	1,516,515	3,873	481,496	42,500	430,031	1,723,028	717,260	2,959,856	3,528	8,992,779
Collections	(5,260)	(6)	(1,576)	-	(2,221)	-	(1,810)	(4,667)	(558,897)	(1,288,903)	-	(1,863,340)
Subtotal	635,979	473,447	1,514,939	3,873	479,275	42,500	428,221	1,718,361	158,363	1,670,953	3,528	7,129,439
Less: Offsetting Receipts	-	-	-	-	-	-	-	-	-	(195,568)	-	(195,568)
Net Outlays	\$635,979	\$473,447	\$1,514,939	\$ 3,873	\$479,275	\$42,500	\$428,221	\$1,718,361	\$ 158,363	\$ 1,475,385	\$ 3,528	\$ 6,933,871

MAJOR FUNDS**Operating Funds**

1000 Operating Expenses of USAID

Program Funds

1010 Special Assistance Initiatives

1021 Development Assistance

1029 Tsunami Relief and Reconstruction Fund

1035 International Disaster Assistance

1037 Economic Support Fund

1093 Assistance for the N.I.S. OfThe Former Soviet Union

1095 Child Survival and Disease Programs Funds

CREDIT-FINANCING FUNDS

4119 Israel Guarantee Financing Fund

4137 Direct Loan Financing Fund

4266 DCA Financing Fund

4342 MSED Direct Loan Financing Fund

4343 MSED Guarantee Financing Fund

4344 UE Financing Fund

4345 Ukraine Financing Fund

OTHER FUNDS**Operating Funds**

1007 Operating Expenses of USAID Inspector General

1036 Foreign Service Retirement and Disability Fund

Program Funds

1012 Sahel Development Program

1014 Africa Development Assistance

1023 Food and Nutrition Development Assistance

1024 Population and Planning & Health Dev. Asst.

1025 Education and Human Resources, Dev. Asst.

1027 Transition Initiatives

1028 Global Fund to Fight HIV / AIDS

1038 Central American Reconciliation Assistance

1040 Sub-Saharan Africa Disaster Assistance

1096 Latin American/Caribbean Disaster Recovery

1500 Demobilization and Transition Fund

Trust Funds

8342 Foreign Natl. Employees Separation Liability Fund

8502 Tech. Assist. - U.S. Dollars Advance from Foreign

8824 Gifts and Donations

OTHER FUNDS (continued)**Credit Program Funds**

0400 MSED Program Fund

0401 UE Program Fund

0402 Ukraine Program Fund

1264 DCA Program Fund

4103 Economic Assistance Loans - Liquidating Fund

4340 UE Guarantee Liquidating Fund

4341 MSED Direct Loan Liquidating Fund

5318 Israel Admin Expense Fund

Revolving Funds

4175 Property Management Fund

4513 Working Capital Fund

4590 Acquisition of Property, Revolving Fund

ALLOCATIONS TO OTHER AGENCIES

1000 Operating Expenses of USAID

1010 Special Assistance Initiatives

1014 Africa Development Assistance

1021 Development Assistance

1027 Transition Initiatives

1032 Peacekeeping Operations

1035 International Disaster Assistance

1037 Economic Support Fund

1093 Assistance for the N.I.S. OfThe Former Soviet Union

1095 Child Survival and Disease Programs Funds

1096 International Organizations + Programs

1500 Demobilization and Transition Fund

FINANCIAL SECTION

OTHER ACCOMPANYING INFORMATION



PREVENTING HUNGER THROUGH AGRICULTURE

SILENT TSUNAMI HUNGER

MORE THAN 800
MILLION PEOPLE
WORLDWIDE ARE
SERIOUSLY
MALNOURISHED,
AND THREE-
QUARTERS OF
THESE AFFECTED
POPULATIONS LIVE
IN RURAL AREAS.



USAID programs support: Increasing productivity of farm operations, increasing value of production, lower cost of production and inputs, increasing food security and food grain production, focus on fishing and forestry, developing improved seed varieties, allowing access to water and shared natural resources, facilitating trade, supporting cooperative organizations, providing a sound legal framework for agribusiness to operate.

U.S. Agency for International Development
CONSOLIDATING BALANCE SHEET
As of September 30, 2005
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Intra- Agency Elimination	Total
ASSETS								
Intragovernmental								
Fund Balance with Treasury	\$ 1,922,622	\$ 15,106,292	\$ 462,203	\$ 1,827	\$ 36,697	\$ (25,798)	\$ –	\$ 17,503,843
Accounts Receivable	330,546	–	820,137	–	–	–	(327,437)	823,246
Other Assets	–	29,138	1,437	–	–	–	–	30,575
Total Intragovernmental	2,253,168	15,135,430	1,283,777	1,827	36,697	(25,798)	(327,437)	18,357,664
Cash and Other Monetary Assets	50	–	282,952	–	–	–	–	283,002
Accounts Receivable, Net	53,226	19,358	1,107	1	–	5,925	–	79,617
Loans Receivable, Net	5,100,249	–	–	–	–	–	–	5,100,249
Inventory and Related Property	–	30,804	13,318	–	–	–	–	44,122
General Property, Plant, and Equipment, Net	–	461	95,711	–	–	–	–	96,172
Advances and Prepayments	148	721,996	26,591	1,013	245	–	–	749,993
Total Assets	7,406,841	15,908,049	1,703,456	2,841	36,942	(19,873)	(327,437)	24,710,819
LIABILITIES								
Intragovernmental								
Accounts Payable	327,267	24,722	(320)	–	–	–	(327,437)	24,232
Debt	422,602	–	–	–	–	–	–	422,602
Due to U.S. Treasury	5,311,661	–	–	–	–	–	–	5,311,661
Other Liabilities	15,941	(26)	8,670	–	–	5,925	–	30,510
Total Intragovernmental	6,077,471	24,696	8,350	–	–	5,925	(327,437)	5,789,005
Accounts Payable	42,501	2,518,148	655,833	1,060	6,920	(43,870)	–	3,180,592
Loan Guarantee Liability	1,562,485	–	–	–	–	–	–	1,562,485
Federal Employees and Veteran's Benefits	–	–	23,726	–	–	–	–	23,726
Other Liabilities	12,485	111	328,397	–	31,270	18,072	–	390,335
Total Liabilities	7,694,942	2,542,955	1,016,306	1,060	38,190	(19,873)	(327,437)	10,946,143
Commitments and Contingencies	–	–	–	–	–	–	–	–
NET POSITION								
Unexpended Appropriations	47,170	13,026,593	(69,737)	148	–	–	–	13,004,174
Cumulative Results of Operations	(335,271)	338,501	756,887	1,633	(1,248)	–	–	760,502
Total Net Position	(288,101)	13,365,094	687,150	1,781	(1,248)	–	–	13,764,676
Total Liabilities and Net Position	\$ 7,406,841	\$ 15,908,049	\$ 1,703,456	\$ 2,841	\$ 36,942	\$ (19,873)	\$(327,437)	\$ 24,710,819

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF NET COST
For the Year Ended September 30, 2005
(Dollars in Thousands)

Goal	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Intra-Agency Elimination	Total Amount
Regional Stability								
Intragovernmental Costs	\$ -	\$ 16,862	\$ 12,328	\$ 11	\$ -	\$ -	\$ (107)	\$ 29,095
Public Costs	-	722,208	32,562	288	438	-	-	755,496
Total Costs	-	739,070	44,890	300	438	-	(107)	784,590
Intragovernmental Earned Revenue	-	-	(230)	(284)	-	-	7	(507)
Public Earned Revenue	-	(2)	(98)	(17)	-	-	-	(117)
Less Total Earned Revenues	-	(2)	(328)	(301)	-	-	7	(624)
Net Program Costs	-	739,068	44,562	(1)	438	-	(100)	783,966
Counterterrorism								
Intragovernmental Costs	-	486	8,170	8	-	-	(32)	8,631
Public Costs	-	857,176	21,577	191	290	-	-	879,234
Total Costs	-	857,662	29,747	198	290	-	(32)	887,866
Intragovernmental Earned Revenue	-	-	(153)	(188)	-	-	5	(336)
Public Earned Revenue	-	(1)	(65)	(12)	-	-	-	(78)
Less Total Earned Revenues	-	(1)	(217)	(200)	-	-	5	(413)
Net Program Costs	-	857,661	29,530	(1)	290	-	(27)	887,452
International Crime and Drugs								
Intragovernmental Costs	-	31,801	7,615	7	-	-	(144)	39,280
Public Costs	-	157,855	20,114	178	270	-	-	178,417
Total Costs	-	189,657	27,729	185	270	-	(144)	217,697
Intragovernmental Earned Revenue	-	-	(142)	(175)	-	-	4	(313)
Public Earned Revenue	-	(1)	(60)	(11)	-	-	-	(72)
Less Total Earned Revenues	-	(1)	(203)	(186)	-	-	4	(385)
Net Program Costs	-	189,655	27,526	(1)	270	-	(140)	217,311
Democracy and Human Rights								
Intragovernmental Costs	-	6,082	52,511	48	-	-	(215)	58,426
Public Costs	-	996,763	138,692	1,228	1,864	-	-	1,138,546
Total Costs	-	1,002,845	191,203	1,276	1,864	-	(215)	1,196,972
Intragovernmental Earned Revenue	-	(2,391)	(981)	(1,209)	-	-	64	(4,516)
Public Earned Revenue	-	(8)	(417)	(75)	-	-	-	(499)
Less Total Earned Revenues	-	(2,399)	(1,397)	(1,283)	-	-	64	(5,015)
Net Program Costs	-	1,000,446	189,806	(7)	1,864	-	(151)	1,191,958
Economic Prosperity and Security								
Intragovernmental Costs	6,141	42,170	78,347	72	-	-	(524)	126,206
Public Costs	10,006	2,491,253	1,310,265	1,825	2,771	-	-	3,816,120
Total Costs	16,147	2,533,423	1,388,612	1,897	2,771	-	(524)	3,942,326
Intragovernmental Earned Revenue	-	(1,309)	(1,458)	(1,797)	-	-	64	(4,500)
Public Earned Revenue	(2,244)	(48)	(619)	(111)	-	-	-	(3,022)
Less Total Earned Revenues	(2,244)	(1,357)	(2,077)	(1,908)	-	-	64	(7,522)
Net Program Costs	13,903	2,532,066	1,386,535	(11)	2,771	-	(460)	3,934,804

(continued on next page)

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF NET COST (continued)
For the Year Ended September 30, 2005
(Dollars in Thousands)

Goal	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Intra-Agency Elimination	Total Amount
Social and Environmental Issues								
Intragovernmental Costs	23,243	83,615	82,779	76	-	-	(609)	189,105
Public Costs	35,318	3,849,436	218,634	1,935	2,938	-	-	4,108,261
Total Costs	58,562	3,933,051	301,413	2,011	2,938	-	(609)	4,297,366
Intragovernmental Earned Revenue	(11,333)	(43,092)	(1,546)	(1,905)	-	-	811	(57,065)
Public Earned Revenue	(8,536)	(151)	(657)	(118)	-	-	-	(9,460)
Less Total Earned Revenues	(19,868)	(43,243)	(2,202)	(2,023)	-	-	811	(66,525)
Net Program Costs	38,693	3,889,808	299,211	(12)	2,938	-	202	4,230,840
Humanitarian Response								
Intragovernmental Costs	-	41,764	18,111	17	-	-	(219)	59,672
Public Costs	461,354	618,528	47,834	423	643	-	-	1,128,782
Total Costs	461,354	660,292	65,945	440	643	-	(219)	1,188,454
Intragovernmental Earned Revenue	(64,489)	-	(338)	(417)	-	-	914	(64,329)
Public Earned Revenue	(127,250)	(2,061)	(144)	(26)	-	-	-	(129,480)
Less Total Earned Revenues	(191,739)	(2,061)	(482)	(443)	-	-	914	(193,809)
Net Program Costs	269,615	658,231	65,463	(3)	643	-	695	994,645
Management and Organizational Excellence								
Intragovernmental Costs	-	4,992	737	1	-	-	(21)	5,709
Public Costs	-	6,989	1,945	17	26	-	-	8,978
Total Costs	-	11,981	2,682	18	26	-	(21)	14,686
Intragovernmental Earned Revenue	-	-	(14)	(17)	-	-	-	(30)
Public Earned Revenue	-	-	(6)	(1)	-	-	-	(7)
Less Total Earned Revenues	-	-	(20)	(18)	-	-	-	(37)
Net Program Costs	-	11,981	2,662	-	26	-	(21)	14,649
Public Diplomacy and Public Affairs								
Intragovernmental Costs	-	-	-	-	-	-	-	-
Public Costs	-	-	-	-	-	-	-	-
Total Costs	-	-	-	-	-	-	-	-
Intragovernmental Earned Revenue	-	-	-	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-	-	-	-
Less Total Earned Revenues	-	-	-	-	-	-	-	-
Net Program Costs	-	-	-	-	-	-	-	-
Net Costs of Operations	\$ 322,212	\$ 9,878,917	\$2,045,294	\$ (37)	\$ 9,240	\$ -	\$ -	\$12,255,626

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2005
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Total
Beginning Balances	\$ 17,697	\$ 13,243,619	\$ 792,829	\$ 1,744	\$ (9)	\$ -	\$ 14,055,880
Prior period adjustments	(36)	(258,765)	(124,344)	-	-	-	(383,145)
Beginning Balances, as adjusted	17,661	12,984,854	668,485	1,744	(9)	-	13,672,735
Budgetary Financing Sources:							
Appropriations Received	11,927	9,255,194	781,400	-	-	-	10,048,521
Appropriations transferred-in/out	6,460	2,059,256	4,535	-	-	-	2,070,251
Other adjustments (recissions, etc)	(125)	(1,055,293)	(5,977)	-	-	-	(1,061,395)
Appropriations used	-	-	-	-	-	-	-
Nonexchange revenue	-	-	-	-	-	-	-
Donations and forfeitures of cash and cash equivalents	11	-	101,770	-	8,001	-	109,782
Transfers-in/out without reimbursement	-	-	1,165,437	-	-	-	1,165,437
Other budgetary financing sources	-	-	-	-	-	-	-
Other Financing Sources:							
Donations and forfeitures of property	-	-	-	-	-	-	-
Transfers-in/out without reimbursement	(1,823)	-	-	-	-	-	(1,823)
Imputed financing from costs absorbed by others	-	-	16,794	-	-	-	16,794
Total Financing Sources	16,450	10,259,157	2,063,959	-	8,001	-	12,347,567
Net Cost of Operations	322,212	9,878,917	2,045,294	(37)	9,240	-	12,255,626
Net Change	(305,762)	380,240	18,665	37	(1,239)	-	91,941
Ending Balances	\$ (288,101)	\$ 13,365,094	\$ 687,150	\$ 1,781	\$ (1,248)	\$ -	\$ 13,764,676

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2005
(Dollars in Thousands)

	Credit Program Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Credit- Financing	Allocations	Total
Budgetary Resources:									
Budget Authority									
Appropriations Received	\$ 61,927	\$ 9,255,194	\$ 781,400	\$ –	\$ 10,529	\$ –	\$ –	\$ 7,535	\$ 10,116,585
Borrowing Authority	–	–	–	–	–	–	310,947	2,000	312,947
Net Transfers	5,804	338,880	4,535	–	–	–	–	241,300	590,519
Other	–	–	–	–	–	–	–	–	–
Total Budget Authority	67,731	9,594,074	785,935	–	10,529	–	310,947	250,835	11,020,051
Unobligated Balances									
Beginning of Period	178,492	1,748,169	82,984	2,484	2,026	–	1,001,713	423,168	3,439,036
Net Transfers, Actual	656	–	–	–	–	–	–	(864,907)	(864,251)
Total Unobligated Balance	179,148	1,748,169	82,984	2,484	2,026	–	1,001,713	(441,739)	2,574,785
Spending Authority from Offsetting Collections									
Earned									
Collected	1,379,341	49,064	6,926	6,362	–	–	421,647	1,501	1,864,841
Receivable from Federal Sources	–	–	–	–	–	–	–	351	351
Change in Unfilled Customer Orders									
Advance Received	–	–	–	–	–	–	–	–	–
Anticipated for Rest of Year, Without Advances	–	1,158	2,064	(201)	–	–	–	–	3,021
Subtotal	1,379,341	50,222	8,990	6,161	–	–	421,647	1,852	1,868,213
Recoveries of Prior-Year Obligations	1,675	112,894	15,856	41	(390)	–	–	1,008,420	1,138,496
Permanently Not Available	(716,644)	(1,056,435)	(6,180)	–	–	–	–	–	(1,779,259)
Total Budgetary Resources	911,251	10,448,924	887,585	8,686	12,165	–	1,734,307	819,368	14,822,286
Status of Budgetary Resources:									
Obligations Incurred:									
Direct	53,289	8,184,669	808,982	5,945	8,075	–	709,518	695,831	10,466,309
Reimbursible	–	50,222	8,990	–	–	–	–	–	59,212
Subtotal	53,289	8,234,891	817,972	5,945	8,075	–	709,518	695,831	10,525,521
Unobligated Balances—Available	857,744	2,208,208	68,893	2,741	4,090	–	1,024,789	120,731	4,287,196
Unobligated Balances—Unavailable	218	5,825	720	–	–	–	–	2,806	9,569
Total Status of Budgetary Resources	911,251	10,448,924	887,585	8,686	12,165	–	1,734,307	819,368	14,822,286
Relationship of Obligations to Outlays:									
Obligated Balance, Net, Beginning of Period	34,791	9,297,471	195,072	(1,450)	31,229	–	11,031	1,267,439	10,835,583
Obligated Balance, Transferred, Net	–	–	–	–	–	–	–	–	–
Obligated Balance, Net, End of Period	–	–	–	–	–	–	–	–	–
Accounts Receivable	(3,467)	–	(225)	–	–	–	–	–	(3,692)
Unfilled Customer Orders From Federal Sources	–	(1,158)	(3,955)	(2,501)	–	–	–	–	(7,614)
Undelivered Orders	32,891	7,835,041	(13,428)	540	25,700	–	2,768	3,528	7,887,040
Accounts Payable	6,882	2,141,659	246,261	1,048	6,908	–	520	–	2,403,278
Outlays:									
Disbursements	50,098	7,442,766	766,471	5,569	7,087	–	717,260	3,528	8,992,779
Collections	(1,379,341)	(49,064)	(6,926)	(6,362)	–	–	(421,647)	–	(1,863,340)
Subtotal	(1,329,243)	7,393,702	759,545	(793)	7,087	–	295,613	3,528	7,129,439
Less: Offsetting Receipts	–	–	–	–	–	(195,568)	–	–	(195,568)
Net Outlays	\$(1,329,243)	\$ 7,393,702	\$ 759,545	\$ (793)	\$ 7,087	\$(195,568)	\$ 295,613	\$ 3,528	\$ 6,933,871

U.S. Agency for International Development
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 2005
(Dollars in Thousands)

	Credit Funds	Program Funds	Operating Funds	Revolving Funds	Trust Funds	Other Funds	Allocations	Total
Resources Used to Finance Activities:								
Budgetary Resources Obligated								
Obligations Incurred	\$ 762,807	\$ 8,234,891	\$ 817,972	\$ 5,945	\$ 8,075	\$ –	\$ 695,831	\$ 10,525,521
Appropriations transferred to/from other agencies (net)	–	1,965,464	1,247,800	–	–	–	(695,831)	2,517,433
Total Obligations Incurred	762,807	10,200,355	2,065,772	5,945	8,075	–	–	13,042,954
Less: Spending authority from offsetting collections and recoveries	(1,802,663)	(163,116)	(24,846)	(6,202)	390	–	(1,010,272)	(3,006,709)
Spending authority transferred to/from other agencies (net)	–	(233,003)	(96,542)	–	–	–	1,010,272	680,727
Total Spending authority from offsetting collections and recoveries	(1,802,663)	(396,119)	(121,388)	(6,202)	390	–	–	(2,325,982)
Less: Offsetting Receipts	–	–	–	–	–	195,568	–	195,568
Net Obligations	(1,039,856)	9,804,236	1,944,384	(257)	8,465	195,568	–	10,912,540
Other Resources								
Transfers in without reimbursement	(1,823)	–	–	–	–	–	–	(1,823)
Imputed Financing From Costs Absorbed by Others	–	–	16,794	–	–	–	–	16,794
Total resources used to finance activities	(1,041,679)	9,804,236	1,961,178	(257)	8,465	195,568	–	10,927,511
Resources Used to Finance Items not Part of the Net Cost of Operations:								
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	2,617	337,245	129,847	221	(1,511)	–	–	468,419
Resources that fund expenses recognized in prior periods	–	(5,382)	(348)	(1)	–	–	–	(5,731)
Credit program collections which increase liabilities for loan guarantees or allowances for subsidy	1,283,309	–	–	–	–	–	–	1,283,309
Resources that finance the acquisition of assets	–	(2,252)	(45,642)	–	–	–	–	(47,894)
Other	(242,128)	(256,255)	(24,946)	4	–	(195,568)	–	(718,893)
Total resources used to finance items not part of net cost of operations	1,043,798	73,356	58,911	(224)	(1,511)	(195,568)	–	979,210
Total resources used to finance net cost of operations	2,119	9,877,592	2,020,089	(33)	6,954	–	–	11,906,721
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	–	–	2,236	–	1,239	–	–	3,475
Upward/Downward reestimates of credit subsidy expense	320,093	–	–	–	–	–	–	320,093
Increase in exchange revenue receivable from the public	–	–	–	–	–	–	–	–
Total components Requiring or Generating Resources in future periods	320,093	–	2,236	–	1,239	–	–	323,568
Components not Requiring or Generating Resources								
Depreciation and Amortization	–	474	22,280	–	–	–	–	22,754
Revaluation of assets or liabilities	–	–	810	–	–	–	–	810
Other	–	851	(121)	(4)	1,047	–	–	1,773
Total Components not Requiring or Generating Resources	–	1,325	22,969	(4)	1,047	–	–	25,337
Total components of net cost of operations that will not require or generate resources in the current period	320,093	1,325	25,205	(4)	2,286	–	–	348,905
Net Cost of Operations	\$ 322,212	\$ 9,878,917	\$ 2,045,294	\$ (37)	\$ 9,240	\$ –	\$ –	\$ 12,255,626



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

October 14, 2005

INFORMATION MEMORANDUM

TO: A/AID, Andrew S. Natsios

FROM: Acting DIG, Paula F. Hayes *P.F. Hayes*

SUBJECT: USAID's Most Serious Management and Performance Challenges

SUMMARY

This memorandum summarizes the most serious management and performance challenges facing the Agency.

DISCUSSION

The Report Consolidation Act of 2000 (Public Law 106-531) states that agency accountability reports shall include a statement prepared by each agency's inspector general that summarizes the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. Our statement for inclusion in the U.S. Agency for International Development's (USAID) FY 2005 Performance and Accountability Report is attached.

If you have any questions or wish to discuss this document, I would be happy to meet with you.

Attachment: a/s

cc: M/CFO/APC, Connie A. Turner

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
www.usaid.gov

USAID Office of Inspector General Statement on USAID's Most Serious Management and Performance Challenges

In pursuit of its mission, USAID faces serious management and performance challenges in the areas of:

- Financial Management
- Managing for Results
- Acquisition and Assistance
- Human Capital Management

Since the Agency has made substantive progress in the area of Information Resource Management, we no longer regard it as one of the Agency's most serious management and performance challenges. However, we do consider this area to be a reportable condition, since further progress is needed.

Financial Management – Estimating Accrued Expenditures

The Office of the Inspector General (OIG) expects to issue unqualified opinions on USAID's fiscal year 2005 financial statements. This would be the third consecutive year that USAID would receive unqualified opinions on its financial statements. Notwithstanding these unqualified opinions and the progress that USAID has made in strengthening its financial management processes, a serious financial management challenge remains with respect to estimating accrued expenditures.

USAID's fiscal year 2004 accrued expenditures and accounts payable recorded in the core accounting system contained inaccuracies because of the large number of Cognizant Technical Officers (CTOs) responsible for estimating accrued expenditures—an effort for which many had not been adequately trained. Consequently, the OIG proposed, and USAID made, \$254 million in adjustments to more accurately present the accrued expenditures and accounts payable reported on USAID's financial statements.

USAID reported that it has taken several actions to address this situation, including revising the Accruals section of several training classes, issuing accrual resources to relevant overseas missions and distributing an Accruals Calculator that can be used to assist CTOs in calculating accruals. However, until CTOs are adequately trained to formulate quarterly accruals, USAID's reported accrued expenditures and accounts payable are still vulnerable to material error and its annual pipeline information—which is used by various levels of USAID management—may be unreliable and require material adjustments.

Managing for Results

USAID has programs in about 100 countries. These programs promote a wide range of objectives related to economic growth, agriculture, and trade; global health; and democracy, conflict prevention and humanitarian assistance. Federal laws, such as the Government Performance and Results Act of 1993, require that Federal agencies develop performance measurement and reporting systems that establish strategic and annual plans, set annual targets, track progress, and measure results. In addition, government-wide initiatives, such as the President's Management Agenda (PMA), require that agencies link their performance results to budget and human capital requirements.

A significant element of USAID's performance management system is the Annual Report prepared by each of its operating units. These reports provide information on the results attained with USAID resources, request additional resources, and explain the use of, and results expected from, these additional resources. Information in these unit-level Annual Reports is consolidated to present a USAID-wide picture of achievements in USAID's annual Performance and Accountability Report.

The OIG continues to monitor USAID's progress in improving its performance management system. While USAID has made notable improvements, more remains to be done. For example, during the prior reporting period, the OIG reported that certain information included in the Management's Discussion and Analysis section of USAID's fiscal year 2004 consolidated financial statements did not contain a clear picture of USAID's planned and actual performance for that year. Moreover, the primary performance information included was based on results achieved in fiscal year 2003 rather than fiscal year 2004.

Nevertheless, USAID has made notable improvements to the Management's Discussion and Analysis section. First, the Management's Discussion and Analysis for fiscal year 2004 reported more current-year results than in the prior year. USAID's present ability to compare the estimated current-year results against established goals and targets is a significant step forward. USAID officials also indicate that they anticipate further enhancing the timeliness of reporting by implementing the collection of performance data on a semiannual basis.

Second, the Management's Discussion and Analysis for fiscal year 2004 used USAID's New Strategic Planning Framework and Goal Structure contained in the Joint USAID/State Strategic Plan. This new framework is designed to present a more coherent, concise and logical reflection of how the Department of State and USAID organize their work towards results and outcomes.

We will review progress made in the Management's Discussion and Analysis for fiscal year 2005 when this information is made available to us by USAID management in mid-October 2005.

Acquisition and Assistance

Because of the innate complexities in Federal acquisition and assistance—numerous laws, regulations, policies, procedures, definitions, etc.—USAID faces challenges in its acquisition of supplies and services. Compounding this situation is the fact that many of USAID’s development results are achieved through intermediaries such as contractors, grantees and recipients of cooperative agreements. In such an environment, promoting operational efficiency and effectiveness is critical in ensuring that intended results are achieved.

Within the framework of its multi-year audit plan, the OIG defined “standards for success” for critical acquisition and award processes. Audit plans have been developed to identify the Office of Acquisition and Assistance’s status in achieving these standards and the steps needed for further improvement.

The OIG previously examined whether the task-ordering process carried out by mission directors affected USAID’s ability to meet the goals established by the Small Business Administration. The audit concluded that USAID had excluded mission task orders from its small and disadvantaged business program. USAID has not yet achieved final action on this issue.

In another audit, which is currently ongoing, the OIG raised questions concerning the adequacy of scopes of work that USAID used in awarding field support task orders under Indefinite Quantity Contracts. The OIG is currently awaiting an opinion from USAID’s General Counsel concerning this matter.

Human Capital Management

The PMA identifies the strategic management of human capital as one of five government-wide areas that needs improvement. In response to the PMA—and to address its own human capital challenges—USAID has undertaken a major effort to improve and restructure its human capital management. For example, in August 2004, USAID issued its first comprehensive Human Capital Strategic Plan, which covered fiscal years 2004 to 2008. As of June 30, 2005, the Office of Management and Budget gave USAID a “yellow” rating, reflecting mixed results, for its overall status in the area of human capital management. While this was an upgrade from an unsatisfactory rating of “red,” USAID needs to continue to implement its workforce planning to close skill gaps through recruitment, retention, training, succession planning, and other strategies.

Reportable Condition Related to Information Resource Management

As noted above, the area of Information Resource Management is no longer regarded as one the Agency’s most serious management and performance challenges. We still regard this area, however, as a reportable condition. Accordingly, cited below are some of the Agency’s efforts to address this area as well as some of the additional steps that need to be taken.

In the area of Information Resource Management, USAID has:

- Staffed most of its Program Management Office.
- Hired Directors for its Office of Information Resources Management and Program Management Office.
- Published documents such as risk management and quality control plans for projects; and
- Issued revised policies and procedures for the Agency's capital planning and investment control process.

Nevertheless, more remains to be done. For example, USAID needs to:

- Develop an enterprise architecture;
- Enhance and fully utilize the capabilities of its Program Management Office; and
- Develop complete policies and procedures governing its Information Technology projects.

The OIG is currently conducting an audit that will address this area. We will report on the results of that audit in our March 2006 Semiannual Report to the Congress.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



ELIMINATING POLLUTION THROUGH ENVIRONMENTAL PROTECTION

SILENT TSUNAMI
POLLUTION

ONE-THIRD OF THE
WORLD'S
POPULATION WILL
NOT HAVE
ADEQUATE ACCESS
TO FRESH WATER
SUPPLIES BY 2025.



USAID programs support: Biodiversity conservation, biotechnology and research, climate change, renewable energy, natural resource management, environmental legislation and compliance, pollution prevention, forest and fishery conservation, land management, policy development, agricultural productivity, eco-tourism.



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

November 14, 2005

MEMORANDUM

TO: USAID CFO, Lisa D. Fiely

FROM: Acting AIG/A, Joseph Farinella

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2005 and 2004

With this memorandum, the Office of Inspector General (OIG) is transmitting its report on the *Audit of USAID's Financial Statements for Fiscal Years 2005 and 2004*. Under the Government Management Reform Act of 1994, USAID is required to prepare consolidated fiscal year-end financial statements. For FY 2005, USAID is required to submit audited financial statements to the Office of Management and Budget (OMB) and the U.S. Department of the Treasury (Treasury) by November 15, 2005, in accordance with OMB Circular A-136.

The OIG has issued unqualified opinions on all five of USAID's principal financial statements for fiscal years 2005 and 2004. An error in the application of a programming procedure affected the comparability of the financial statements with those of the preceding period, requiring a restatement of the prior year financial statements. The effects of this error are documented in Note 22 of the financial statements.

With respect to internal control, our report discusses one material internal control weakness and three reportable conditions identified during the audit. The material internal control weakness is related to USAID's Accruals Reporting System and its effect on accounting and reporting for accrued expenditures and accounts payable. The reportable conditions address USAID's need to: (1) perform reconciliations of its Fund Balance with the U.S. Treasury; (2) perform regular reconciliations of its intragovernmental transactions; and (3) improve recognition and reporting over its accounts receivable.

This report contains three recommendations to improve USAID's internal control over financial reporting and the preparation of its annual financial statements.

We have received and considered your response to our findings and recommendations in the draft audit report. Based on your response, we have accepted your comments as management decisions. Please forward information related to the resolution of these findings to the Audit, Performance & Compliance Division for acceptance and final action (*see Appendix II for USAID's Management Comments*).

We appreciate the cooperation and courtesies that your staff extended to the OIG during the audit and look forward to working with you on our audit of the fiscal year 2006 financial statements.

U.S. Agency for International Development
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Washington, DC 20523
www.usaid.gov

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SUMMARY OF RESULTS

In our opinion, USAID's consolidated balance sheets, consolidated statements of changes in net position, consolidated statements of net cost, combined statements of budgetary resources, and consolidated statements of financing present fairly, in all material respects, the financial position of USAID as of September 30, 2005 and 2004; and its net cost, net position, and budgetary resources for the years then ended are in conformity with generally accepted accounting principles.

As described in Note 22, USAID corrected an error it had made in calculating accruals during fiscal year 2004, and made related adjustments and disclosures to restate its 2004 financial statements.

Our audit identified one material internal control weakness and three reportable internal control conditions. The material internal control weakness relate to USAID's need to improve its Accruals Reporting System.

The reportable conditions relate to USAID's need to improve its:

- Process for reconciling its Fund Balance with the U.S. Treasury,
- Intragovernmental transaction reconciliation process,
- Process for recognizing and reporting its overseas accounts receivable.

In addition, our audit identified reportable noncompliance related to requirements of the Federal Financial Management Improvement Act, as follows:

- Phoenix was not fully deployed, but progress has been made,
- Legacy financial systems at overseas missions did not comply with the U.S. Government Standard General Ledger at the transaction level, and
- Financial reporting capabilities need improvement.

BACKGROUND

The United States Agency for International Development (USAID) was created in 1961 to advance the United States' foreign policy interests by promoting broad-based sustainable development and providing humanitarian assistance. USAID has an overseas presence in over 80 countries, 38 of which have operational accounting stations. In fiscal year 2005, USAID had total budgetary resources of \$13.1 billion.

Under the Government Management Reform Act of 1994, USAID is required to annually submit audited financial statements to the Office of Management and Budget (OMB) and the U.S. Treasury. Pursuant to this Act, for fiscal year 2005, USAID has prepared the following:

- Consolidated Balance Sheet,
- Consolidated Statement of Changes in Net Position,
- Consolidated Statement of Net Cost,
- Combined Statement of Budgetary Resources,
- Consolidated Statement of Financing,
- Notes to the principal financial statements,
- Other Required Supplementary Information, and
- Management's Discussion and Analysis.

AUDIT OBJECTIVE

Did USAID's principal financial statements present fairly the assets, liabilities, net position, net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary resources for fiscal years 2005 and 2004?

In our opinion, the financial statements referred to above present fairly, in all material respects and in conformity with generally accepted accounting principles, USAID's assets, liabilities, and net position; net costs; changes in net position; budgetary resources; and reconciliation of net costs to budgetary resources as of September 30, 2005 and 2004 and for the years then ended.

In accordance with Government Auditing Standards, we have also issued reports (dated November 14, 2005) on our consideration of USAID's internal control over financial reporting and on our tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with Government Auditing Standards and should be read in conjunction with this report.

Independent Auditor's Report on USAID's Financial Statements

We have audited the accompanying consolidated balance sheets of USAID as of September 30, 2005 and 2004, and the consolidated statements of changes in net position, consolidated statements of net cost, combined statements of budgetary resources, and consolidated statements of financing of USAID for the years ended September 30, 2005 and 2004.

We conducted our audits in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, USAID's assets, liabilities, and net position; net costs; changes in net position; budgetary resources; and reconciliation of net costs to budgetary resources as of September 30, 2005 and 2004 and for the years then ended.

Management's Discussion and Analysis, Required Supplementary Information, and other accompanying information contain a wide range of data, some of which are not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with USAID officials. Based on this limited work, we found no material inconsistencies with the financial statements or nonconformance with OMB guidance.

In accordance with Government Auditing Standards, we have also issued our reports, dated November 14, 2005 on our consideration of USAID's internal control over financial reporting and on our tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with Government Auditing Standards and should be read in conjunction with this report.

USAID, Office of Inspector General

USAID, Office of Inspector General
November 14, 2005

Independent Auditor's Report on Internal Control

We have audited the consolidated balance sheets of USAID as of September 30, 2005 and 2004. We have also audited the consolidated statements of changes in net position, consolidated statements of net cost, combined statements of budgetary resources, and consolidated statements of financing for the fiscal years ended September 30, 2005 and 2004, and have issued our report thereon dated November 14, 2005. We conducted the audits in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2005 and 2004, we considered its internal control over financial reporting by obtaining an understanding of the agency's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our system of internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 01-02. 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.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be reportable conditions. Under standards established 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 Agency's ability to record, process, summarize, and report financial data consistent with the assertions by 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements, losses, or noncompliance may occur and not be detected. Our consideration of internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted certain matters (discussed in the following paragraphs) involving internal control and its operation that we consider to be reportable conditions and one matter that we consider to be a material weakness.

The material internal control weakness relates to USAID's need to improve its Accruals Reporting System.

The reportable conditions relate to USAID's need to improve its:

- Process for reconciling its Fund Balance with the U.S. Treasury
- Process for reconciling intragovernmental transactions
- Process for recognizing and reporting its overseas accounts receivable.

With respect to internal control related to performance measures reported in USAID's Performance and Accountability Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not provide an opinion on such controls.

We also noted other matters involving the internal control over financial and performance reporting which we reported to USAID management in a separate letter dated November 14, 2005.

USAID's Accruals Reporting System Needs Improvement

Summary: USAID's Accruals Reporting System produced erroneous information that limited the ability of Cognizant Technical Officers (CTOs) to accurately reflect their estimates of accrued expenditures and accounts payable in USAID's accounting records. In our testing of the Accruals Reporting System in Washington, DC, the OIG determined that it did not correctly compute unliquidated obligation information, and used this incorrect information as an upper limit for accrual estimates. This occurred because USAID's Accruals Reporting System was not correctly programmed to calculate unliquidated obligations based on the amounts obligated and amounts vouchered. As a result, USAID's accrued expenditures and accounts payable were recorded inaccurately and USAID was required to record \$440 million in upward adjustments. The OIG recommended an additional \$131 million in downward adjustments based on the projected errors in accrual calculations by CTOs in Washington. The OIG did note improvements in the accrual methodologies used by CTOs in USAID's overseas missions during FY 2005.

OMB's Core Financial System Requirements stipulate that an agency's core financial system must be able to provide timely and useful financial information to support: management's fiduciary role; budget formulation and execution functions; fiscal management of program delivery and program decision making and; internal and external reporting requirements. External reporting requirements include the requirements for financial statements prepared in accordance with the form and content prescribed by OMB, reporting requirements prescribed by Treasury, and legal, regulatory and other special management requirements of the agency. The core financial system must provide complete, reliable, consistent, timely and useful financial management information on operations.

According to USAID's Automated Directives System (ADS) 631, financial documentation represents any documentation that impacts on or results in financial activity. It is not limited to documentation within the financial management operations but includes any source material resulting in a financial transaction. CTOs, Loan Officers, Grants Officers, Strategic Objective teams, and others are responsible for retaining financial documentation and ensuring its availability for audit. ADS 631 states that these individuals must gather cost data—such as supporting project documentation, activity reports, delivery reports, or fixed reoccurring expenses—for the accruals exercise and then compare the data to payment histories and advances to estimate quarterly accruals.

At USAID, accrued expenditures are accounting estimates of services or goods rendered which have not yet been paid. In conducting quarterly accrual estimates, USAID relied on a combination of its automated Accruals Reporting System and the efforts of its CTOs at overseas missions and in Washington, DC. The OIG found that amounts accrued via accrual worksheets prepared by CTOs sometimes lacked sufficient documentation to support accrual estimates and that such documentation could often not be produced subsequent to the recording of the estimates.

The larger problem, however, was that USAID's Accruals Reporting System did not always correctly compute unliquidated obligation information resulting in many instances of under-estimation of accrual information. The system is designed to generate a logical estimate of quarterly contract and grant expenditures that can be modified by CTOs who have more direct information on the quarterly activity of contractors and grantees. However, both the system estimate and the modified CTOs calculations were ignored by the system when the unliquidated amount contained in the system was lower. This lower unliquidated amount was ultimately posted to USAID's accounting records. The OIG noted various instances where this occurred and determined that the default to a lower unliquidated amount reduced accounts payable and accrued expenditures by as much as \$440 million. Once presented with this information, USAID identified a programming error that it corrected within hours of its discovery. Based on the OIG discovery, USAID made a \$440 million adjustment to more accurately present accrued expenditures and accounts payable for year-end financial reporting.

With respect to CTO estimates, we found accrual documentation errors, including incorrect calculations, misinterpretation of grantee information, and incorrect comparisons of estimated expenditure reports. Based on the projected errors of accruals estimated by CTOs in Washington, the OIG recommended an additional \$131 million in adjustments to more accurately reflect accounts payable and accrued expenditures. These errors occurred more frequently within USAID's three pillar which are responsible for 90 percent of all accrual estimates in Washington, DC, as the table below illustrates:

USAID Pillar Bureau	Percentage of All Washington Accrual Estimates from the Accruals Reporting System (2005 4 th Quarter)
Democracy, Conflict and Humanitarian Assistance (DCHA)	64%
Global Health (GH)	14%
Economic Growth, Agriculture and Trade (EGAT)	12%
All Other Washington Offices	10%
Total	100%

In response to a previous OIG recommendation, USAID has worked with the contractor maintaining its core accounting system (Phoenix) to improve the quality of CTO information, allowing the OIG to more easily locate the USAID managers responsible for maintaining accrual estimates and to perform a more complete analysis of the accrual information. In addition, USAID hired a contractor to train its CTO and, as a result, 471 CTOs were trained in Washington, DC during 2005. USAID should continue its commitment to train its CTOs.

To address the deficiencies of the Accruals Reporting System, the OIG is making the following recommendation.

Recommendation 1: We recommend that USAID's Office of the Chief Financial Officer modify USAID's interface between the Accruals Reporting System and the USAID accounting system general ledger so that it correctly calculates and posts accrual information and that it establishes a review mechanism in the Accruals Reporting System to review accrual information for propriety before it is posted to the general ledger.

Reportable Conditions

USAID's Process for Reconciling Its Fund Balance with the U.S. Treasury Needs Improvement (Repeat Finding)

Summary: USAID reconciled its Fund Balance with Treasury with the balance reported by U.S. Treasury but did not always investigate and resolve the reconciling items. As a result, USAID was required to make significant end-of-year adjustments to bring its balance into agreement with Treasury's balance. At the end of FY 2005, USAID's net unreconciled condition with the U.S. Treasury grew from \$95 million to \$115 million. USAID recorded adjustments throughout 2005 to ensure that its Fund Balance with the U.S. Treasury reported on Form 2108, *Year End Closing Statement*, agreed with the balance in Treasury's records, instead of investigating and resolving the differences. USAID did not develop written narratives documenting the reasons for its year-end adjustments on unreconciled conditions of its fund balance accounts.

U.S. Treasury reconciliation procedures state that an agency (1) may not arbitrarily adjust its fund balance with the U.S. Treasury account, and (2) can adjust its fund balance with the U.S. Treasury account balance only after clearly establishing the causes for any errors and properly correcting those errors. USAID's written narratives should have been developed for the unreconciled conditions of its Fund Balance with Treasury accounts.

The U.S. Department of Treasury's guidance for reconciling fund balances requires that Federal agencies research and resolve differences reported by the U.S. Treasury on a monthly basis. Agencies must also resolve all differences between the balances reported in their general ledger fund with Treasury accounts and the balances reported by the U.S. Treasury. This guidance stipulates three months as a reasonable period for clearing the differences. In addition, the procedures state that an agency should document "month cleared" (the accounting month that the discrepancy was adjusted), accounting periods, required explanations, and brief narratives that disclose the cause of the discrepancy.

The OIG identified several problems that continue to limit USAID's ability to investigate and correct differences between its reported fund balances and the balances reported by Treasury's Financial Management Service (FMS). Specifically, USAID did not document the issues that resulted in unreconciled conditions and did not implement procedures to quickly research and resolve unreconciled items. USAID's responsible personnel did not review, certify, or sign monthly reconciliation documents, in accordance with Treasury Financial Manual (TFM) 5100 requirements. The OIG determined that because of these problems, it was not clear whether USAID clearly established and reported the conditions to the USAID managers for the function and whether USAID properly corrected reconciling items and unreconciled conditions of the fund balance accounts. Moreover, USAID's overseas missions continue to have large unreconciled balances because they have not been able to implement procedures to resolve reconciling items in a timely manner and because accounting stations responsible for several client missions do not consistently receive documentation to support unreconciled transactions. As a result, USAID had to make a significant adjustment to reconcile its Fund Balance with the U.S. Treasury.

In October 2005, USAID issued Chief Financial Officer Bulletin No. 06-1001, (the Bulletin) *Reconciliation With U.S. Treasury*, describing policy procedures directed at USAID and the Mission Controller Offices. This document requires that USAID and Mission Controllers perform timely and complete monthly reconciliations with the U.S. Treasury Disbursing Offices, including certifying and documenting the results to the Deputy Chief Financial Officer in Washington. Specifically, this document calls on USAID and Mission Controllers to document and justify in writing (narrative form) the rationale for carrying forward any unpaid and unsupported transactions over 90 days old. Furthermore, the Bulletin stipulates that documentation and narratives must be maintained by the appropriate accounting office and made available to the Agency's management, auditors, and the U.S. Treasury as requested. The Bulletin also calls on USAID and Mission Controllers to follow USAID's specific written guidance for write-offs of unreconciled transactions, and to certify that the reconciliation process with the U.S. Treasury has been performed according to TFM Volume 1. Part 2-5100.

To ensure that USAID conducts its prescribed reconciliation procedures, we are making the following recommendation:

Recommendation No. 2: We recommend that the Office of the Chief Financial Officer ensure that USAID financial managers and mission controllers implement the reconciliation guidelines specified by Chief Financial Officer Bulletin No. 06-1001, Reconciliation with U. S. Treasury, dated October 2005 to ensure Fund Balance with Treasury accounts are reconciled in a timely manner, reconciling items are investigated and resolved, and that adequate documentation is retained to support the reconciliation procedures performed.

USAID's Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Summary: USAID did not resolve all significant differences in intragovernmental transactions between USAID and its trading partners throughout fiscal year 2005. FMS reported a \$5.9 billion net difference in intragovernmental transactions for the 4th quarter in the Intragovernmental Summary Activity Report, with an absolute value of \$6.9 billion. Section 11.3 of OMB Bulletin 01-09 requires Federal agencies to perform quarterly reconciliations of intragovernmental transactions and these reconciliations are to be conducted in accordance with the *FMS Federal Intragovernmental Transactions Accounting Policies Guide*. Although USAID reconciled material differences identified by FMS in its quarterly Material Differences/Status of Disposition Certification (MD/SD) Report and other differences equal to or greater than \$100 million, it did not consistently reconcile other significant differences by reciprocal category with its Federal trading partners throughout FY 2005. Until intragovernmental transactions are reconciled, USAID's financial statements are subject to error.

Beginning in the quarter ending March 31, 2004, FMS implemented its Intragovernmental Management Control Plan to address a material weakness cited by the Government Accountability Office in the Financial Report of the United States Government. FMS monitors the intragovernmental payment and collection (IPAC) process for the entire Federal government and accumulates daily IPAC transactions among all Federal agencies. To facilitate quarterly reporting, FMS developed a reconciliation process based on a reciprocal category concept. As of September 30, 2005, FMS identified \$6.9 billion of unreconciled differences between USAID and 36 separate Federal government agencies.

In its response to a finding reported by the OIG in FY 2004, USAID agreed to reconcile all differences equal to or greater than \$100 million. USAID also reconciled all differences that FMS reported on the MD/SD Report. For the 4th quarter of FY 2005 these differences amounted to \$742 million out of \$6.9 billion the total differences reported.

We noted that \$5.2 billion of unreconciled transactions under Trading Partner 99 are not required to be reconciled by USAID because these transactions indicate general fund activities between USAID and the U.S. Treasury. FMS does suggest that Federal agencies confirm that these differences represent general fund activities, however, and this was not always documented.

For other trading partners, USAID investigated the differences, identified reasons for the differences, reported the reasons to FMS, contacted the responsible personnel at the

trading partners, and took appropriate action to resolve them. Nevertheless, USAID's reconciliations are not always documented, and differences persist because Federal trading partners did not always perform the same investigations. While some timing differences may ultimately be resolving differences due to accounting errors or different accounting methodologies require a special effort by USAID and its trading partners for timely resolution. The Federal Intragovernmental Transactions Accounting Policy Guide suggests that agencies should work together to estimate accruals and to record corresponding entries in each set of records so that they are in agreement or that long term accounting policy differences can be easily identified. As a result of the reportable condition, until these reconciliations are complete, USAID's year-end balances related to intragovernmental line items reported on the financial statements are subject to misstatement.

Through its participation in the Chief Financial Officers' Council, USAID expects to continue to work with other federal agency financial management leaders to support intragovernmental reconciliation activities, including but not limited to; the facilitation of requests for data; agreement on accounting presentation and; investigation and resolution of differences.

Because significant differences in intragovernmental transactions remain between USAID and its trading partners in fiscal year 2005, we are making the following recommendation:

Recommendation No 3: We recommend that USAID's Office of the Chief Financial Officer develop a system for reviewing transactions reported under Trading Partner 99 to ensure that they are properly classified and appropriately reported, as recommended by section 4706.30 of TFM 2-4700, "Agency Reporting Requirements for the Financial Report of the United States Government."

USAID's Process for Recognizing and Reporting Its Overseas Accounts Receivable Needs Improvement (Repeat Finding)

Summary: USAID's process for recording and reporting receivables still needs improvement. Although many missions are currently using Phoenix for overall financial management, these same missions are still reporting only their quarterly accounts receivable balances to USAID's Washington headquarters separately, and outside of Phoenix. This occurred because USAID has not strengthened its procedures for accounting and reporting for accounts receivable at its overseas missions. As a result, USAID still cannot routinely provide current accounts receivable information for its overseas missions.

Statement of Federal Financial Accounting Standards No. 1, paragraphs 40-52, *Accounts Receivable* requires the recognition (recording) of accounts receivable when a claim to cash or other assets has been established. The establishment of accounts receivable cannot occur on a timely basis unless there are adequate procedures in place for recognizing, recording and reporting them at the end of each accounting period.

A memorandum from the USAID/Chief Financial Officer on the *Mission Year-end Financial Data Certification Process* cited that it was "assumed" that migrated missions (those with access to Phoenix) would report accounts receivable transactions directly.

Missions that have migrated their accounting system to Phoenix are still using the same data-call process being used by those missions without access to Phoenix. The data-call process requires missions to separately report their accounts receivable balances every quarter to allow for the preparation of USAID's quarterly financial statements. As a result, USAID does not have current detailed information on accounts receivable balances for its overseas missions despite the integration of an accounting system overseas that allows for this.

Since Phoenix does not contain current information on mission accounts receivable, the reports it generates are incomplete. USAID, for example, generates an aged accounts receivable report from Phoenix that provides details of past due receivables. But information contained in this report that relate to USAID's overseas missions cannot be relied on for decision-making as long as overseas missions do not consistently use the system for accounting for receivables.

In our FY 2004 audit report, the OIG previously considered the lack of a worldwide integrated financial management system that correctly recognizes and records accounts receivable, to be a reportable internal control condition; therefore we are not including an additional recommendation to address this condition. Instead, we will continue to monitor USAID's progress in implementing the OIG's previously recommended corrective actions.

This report is intended solely for the information and use of the management of USAID, OMB and Congress, and is not intended to be and should not be used by anyone other than those specified parties.

USAID, Office of Inspector General

USAID, Office of Inspector General
November 14, 2005

Independent Auditor's Report on USAID's Compliance with Laws and Regulations

We have audited the consolidated balance sheets of USAID as of September 30, 2005 and 2004. We have also audited the consolidated statements of changes in net position, consolidated statements of net cost, combined statements of budgetary resources, and consolidated statements of financing for the fiscal years ended September 30, 2005 and 2004, and have issued our report thereon. We conducted the audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, (issued by the Comptroller General of the United States) and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of USAID is responsible for complying with laws and regulations applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of its 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 with certain other laws and regulations specified in OMB Bulletin 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to USAID.

Under FFMIA, we are required to report whether USAID's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements. The results of our tests disclosed four instances in which USAID's financial management systems did not substantially comply with FFMIA requirements.

Our tests of compliance with selected provisions of laws and regulations disclosed instances of noncompliance considered to be reportable under Government Auditing Standards. However, our objective was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Federal Financial Management Improvement Act of 1996

Under FFMIA, we are required to report whether the Agency's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a).

The results of our tests disclosed three continuing instances, described below, where the

Agency's financial management systems did not substantially comply with Federal financial management systems requirements and the U.S. Government Standard General Ledger at the transaction level.

Reportable FFMIA Noncompliance (Repeat Finding)

Since 1997, the OIG has reported that USAID's financial management systems do not substantially comply with system requirements under FFMIA. Since then, USAID initiated the Financial Systems Integration project to acquire and incrementally implement through successive phases and product releases, a single, Agency-wide integrated core financial system known as Phoenix.¹

In fiscal year 2005, USAID made significant strides to overcome the longstanding FFMIA noncompliance conditions and modernize its financial management systems. As a result, USAID is now closer to having an integrated core financial system, but the Agency still must rely on a combination of its partially deployed Phoenix system, legacy systems, and informal and unofficial records. Therefore, the following three reportable noncompliance conditions still remain:

USAID'S FFMIA REPORTABLE NONCOMPLIANCE CONDITIONS

Deficiencies	FFMIA Requirements
Phoenix is Not Fully Deployed, But Progress is Being Made	Financial management systems requirements
Legacy Financial Systems at Overseas Missions Did Not Comply With the U.S. Government Standard General Ledger at the Transaction Level	U.S. Government Standard General Ledger at the transaction level
Financial Reporting Capabilities Need Improvement	Financial management systems requirements

According to FFMIA, Federal agencies must implement and maintain financial management systems that substantially comply with Federal financial management system requirements. The Act states that users should have on-line access to, or receive daily reports on, the status of funds to perform analysis or make decisions. OMB Circular A-11 states that an agency that is not in compliance with FFMIA must prepare a remediation plan. The purpose of a remediation plan is to identify activities planned and underway that will allow the agency to achieve substantial compliance with FFMIA. Remediation plans must include the resources, remedies, interim target dates, and responsible officials. The remediation target dates must be within three years of the date the system was determined not to be substantially compliant.

USAID prepared a remediation plan for fiscal years 2005 and 2006 that sets forth a strategy for modernizing its financial management systems and details specific plans and targets for achieving substantial compliance with Federal financial management requirements and standards. USAID met remediation plan target dates in fiscal year 2005 and officials expect to achieve substantial compliance with FFMIA when the

¹The Phoenix system is based on CGI-AMS Momentum Financials®, a Commercial Off-the-Shelf financial management system designed for Federal agencies. In May 2005, USAID upgraded the system from version 3.7.4 to version 6.0.3.

Phoenix system is fully deployed to the field in June 2006.

Phoenix is Not Fully Deployed, but Progress is Being Made

During fiscal year 2005, USAID made measurable progress with its Phoenix Overseas Deployment project. OMB Circular A-127, Financial Management Systems, prescribes policies and standards for agencies to follow in developing, operating, evaluating, and reporting on financial management systems. USAID's ability to meet such requirements rests with its successful overseas deployment of Phoenix.

At the beginning of the fiscal year, Phoenix was only operating in USAID/Washington and at five overseas missions but by the end of September 2005, it was operating at 22 of 53 missions. Additionally, USAID upgraded the Phoenix software from Momentum Financials version 3.7.4 to version 6.0.3 for both USAID/Washington and the overseas missions. The upgrade provides several improvements, such as increased functionality and features, and enables the Agency to meet key strategic objectives, including standardizing Momentum versions with the Department of State, complying with new Federal requirements, and complying with security best practices, such as standards-based encryption.

While this progress is impressive, USAID still needs to deploy Phoenix to the 31 other overseas missions that are still using the Agency's legacy Mission Accounting and Control System (MACS). In the meantime, USAID continues to rely on a combination of its partially deployed Phoenix system, legacy systems, and informal and unofficial records.

While it is closer to having an integrated core financial system, the Agency still must use MACS to process obligations at overseas missions not yet converted to Phoenix. As a result, USAID may not have provided users at those locations with the complete, accurate, and timely financial information needed for decision-making purposes.

According to OMB Circular A-11, Preparation, Submission, and Execution of the Budget, each Federal agency is responsible for establishing a funds control system that will ensure that the agency does not obligate or expend funds in excess of those appropriated or apportioned. The Circular also states that multi-year unobligated funds remaining available at year-end must be reapportioned in the upcoming fiscal year.

In January 2003,² the OIG reported that, because USAID did not have an integrated financial management system, it used a separate system (MACS) to process obligations for its overseas missions. As such, the appropriation amount displayed as available after the roll-up of mission obligations was overstated by the amount of these same mission obligations. To compensate for this weakness, USAID allowed only a few users to apportion funds. Further, those users had access to records held outside of Phoenix to track mission obligations and determine the correct amount available for apportionment. Because this issue should be corrected with the successful deployment of Phoenix to the overseas missions, we do not make any recommendations to correct it.

¹ *Report on USAID's Consolidated Financial Statements, Internal Controls And Compliance for Fiscal Year 2002* (Audit Report No. 0-000-03-001-C, January 24, 2003).

Legacy Financial Systems at Overseas Missions Did Not Comply With U.S. Government Standard General Ledger at the Transaction Level

For overseas missions that had not yet converted to Phoenix, USAID continued to use the legacy MACS system as its financial system. However, MACS does not record mission activities using the U.S. Government Standard General Ledger (SGL) at the transaction level to support financial reporting and to meet FFMIA requirements. Consequently, USAID cannot ensure that transactions are posted properly and consistently from mission to mission.

FFMIA requires agencies to implement and maintain systems that comply substantially with, among other things, the SGL at the transaction level. According to OMB Circular A-127, *Financial Management Systems*, application of the SGL at the transaction level means that a financial management system will process transactions following the definitions and defined uses of the general ledger accounts as described in the SGL. Compliance with this standard requires:

- Data in Financial Reports Consistent with the SGL. Reports produced by the systems that provide financial information, whether used internally or externally, shall provide financial data that can be traced directly to the SGL accounts.
- Transactions Recorded Consistent with SGL Rules. The criteria (e.g., timing, processing rules/conditions) for recording financial events in all financial management systems shall be consistent with accounting transaction definitions and processing rules defined in the SGL.
- Supporting Transaction Details for SGL Accounts Readily Available. Transaction details supporting SGL accounts shall be available in the financial management systems and directly traceable to specific SGL account codes.

In sum, to support financial reporting and to meet FFMIA requirements, USAID needs to record mission activities using SGL at the transaction level. USAID officials expect that substantial compliance with FFMIA will be achieved when Phoenix is fully deployed in June 2006. Because this issue should be corrected with the successful deployment of Phoenix to the overseas missions, we did not make any recommendations to correct it.

Financial Reporting Capabilities Need Improvement

USAID financial management professionals are relying on separate reporting mechanisms outside of Phoenix for day-to-day management of their programs because many of USAID's standard financial reports available in Phoenix and through Crystal Enterprise (USAID's additional reporting package software) are not always useful for the routine management and monitoring of USAID's financial activities. Under FFMIA, Federal agencies must incorporate established accounting standards and reporting objectives into their financial management systems so that assets, liabilities, revenues, expenditures, and the full costs of programs and activities of the Federal Government can be consistently and accurately recorded, monitored, and reported. As a result of USAID's use of these separate reporting mechanisms, information needed for routine financial management is generated with less efficiency and at an increased risk of error.

Because many of USAID's reporting capabilities could be improved, Phoenix users rely on outside programs and use their own manual schedules to develop the information they need. This may involve consolidating information from various reports available in Phoenix or Crystal Enterprise. Although preparing separate financial reports can be inefficient and result in an increased risk of error, some Phoenix users find it more practical and reliable to use their own reporting mechanisms because the standard Phoenix reporting options currently do not provide the ability to filter data in a useful way. Alternatively, Crystal Enterprise, which can filter data, provides only a few standard options for users.

This report is intended solely for the information and use of the management of USAID, OMB and Congress, and is not intended to be and should not be used by anyone other than those specified parties.

USAID, Office of Inspector General

USAID, Office of Inspector General
November 14, 2005

EVALUATION OF MANAGEMENT COMMENTS

We have received USAID's management comments to the findings and recommendations included in our draft report. We have evaluated USAID management comments on the recommendations and have reached management decisions on all three recommendations. The following is a brief summary of USAID's management comments on each of the three recommendations included in this report and our evaluation of those comments.

Recommendation No. 1

USAID management agreed with Recommendation No. 1, commenting that corrective action has been taken and will be evaluated further during the first quarter of fiscal year 2006. We agree with the management decision on this recommendation and will review USAID's implementation during our fiscal year 2006 financial statement audit.

Recommendation No. 2

USAID agreed with Recommendation No. 2 and expects to update the software that will improve its reconciliations, by September 30, 2006. We agree with the management decision on this recommendation and will review USAID's implementation of this recommendation during our fiscal year 2006 financial statement audit.

Recommendation No. 3

USAID agreed with Recommendation No. 3 and plans to conduct quarterly evaluations of Trading Partner 99 transactions by February 15, 2006. We agree with the management decision on this recommendation and will review USAID's implementation during our fiscal year 2006 financial statement audit.

SCOPE AND METHODOLOGY

USAID management is responsible for (1) preparing the financial statements in accordance with generally accepted accounting principles, (2) establishing, maintaining and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, (3) ensuring that USAID's financial management systems substantially comply with FFMIA requirements, and (4) complying with applicable laws and regulations.

The Office of Inspector General is responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The Office of Inspector General is also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit (2) testing whether USAID's financial management systems substantially comply with the three FFMIA requirements, (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (4) performing limited procedures with respect to certain other information appearing in the Accountability Report.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements (2) assessed the accounting principles used and significant estimates made by management, (3) evaluated the overall presentation of the financial statements, (4) obtained an understanding of internal control related to financial reporting (including safeguarding assets), compliance with laws and regulations (including execution of transactions in accordance with budget authority), and performance measures reported in Management's Discussion and Analysis of the Accountability Report, (5) tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal controls, (6) considered the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act, (7) tested whether USAID's financial management systems substantially complied with the three FFMIA requirements, and (8) tested USAID's compliance with selected provisions of the following laws and regulations:

- Anti-Deficiency Act
- Improper Payments Information Act
- Prompt Payment Act
- Debt Collection and Improvement Act
- Federal Credit Reform Act
- OMB Bulletin 01-09
- Foreign Assistance Act of 1961

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may occur and not be detected. We also caution that projecting our

evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to USAID. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal years ended September 30, 2005 and 2004. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

With respect to the Management's Discussion and Analysis (MD&A), we did not perform an audit. However, we gained an understanding of USAID's system of collecting and reporting performance information. We did not assess the quality of the performance indicators and performed only limited tests to assess the controls established by USAID. We conducted a limited review of the internal controls related to the existence and completeness assertions relevant to the performance measures included in the MD&A.

In forming our opinion, the OIG considered potential aggregate errors exceeding \$352 million for any individual statement to be material to the presentation of the overall financial statements.

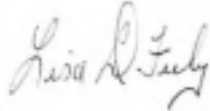
MANAGEMENT COMMENTS



November 9, 2005

MEMORANDUM

TO: Acting AIG/A, Joseph Farinella

FROM: CFO, Lisa D. Fiely 

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2005 and 2004 (Report No. 0-000-06-001-C)

Thank you for your partnership in this Fiscal Year (FY) 2005 presentation of USAID's Performance and Accountability Report (PAR), and particularly with respect to the audit of the financial statements, against which the Agency has earned its third consecutive unqualified opinion. The professionalism of your staff has been outstanding and I would like to note that the recently retired Acting Inspector General, Bruce Crandlemire, has left a legacy of collaboration between our organizations.

FY 2005 has been marked with significant improvements in our financial operating environment. With the Office of the Inspector General's (OIG) support, we have implemented Phoenix in a total of 22 overseas missions and have only two bureaus remaining to complete worldwide implementation. As we continue to identify areas for improvement in our systems, we also continue to improve the quality of information and the availability of information for our clients. In the upcoming years we will also work to strengthen our financial systems by integrating procurement and assistance systems that will improve our operations and information gathering processes and improve our overall reporting capabilities.

Following are our comments and management decisions regarding the findings and proposed audit recommendations:

Material Weakness: USAID's Accruals Reporting System Needs Improvement

Recommendation 1: We recommend that USAID's Office of the Chief Financial Officer modify USAID's interface between the Accruals Reporting System (ARS) and the USAID accounting system general ledger so that it correctly calculates and posts accrual information and that it establishes a review mechanism in ARS to review accrual information for propriety before it is posted to the general ledger.

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Management Decision: We have already taken the appropriate actions to correct the interface that created the problem. As part of our 1st quarter FY 2006 accruals cycle and financial statement preparation process, the Bureau for Management, Office of the Chief Financial Officer (M/CFO) will evaluate accurate production performance of the interface to deliver accurate information to the Phoenix general ledgers. Target completion date is February 15, 2006.

Reportable Condition: USAID's Process for Reconciling its Fund Balance with the U.S. Treasury Needs Improvement (Repeat Finding)

Recommendation No. 2: We recommend that the Office of the Chief Financial Officer ensure that USAID financial managers and mission controllers implement the reconciliation guidelines specified by CFO Bulletin No. 06-1001, Reconciliation with the U. S. Treasury, dated October 2005, to ensure that Fund Balance with Treasury accounts are reconciled in a timely manner, reconciling items are investigated and resolved, and that adequate documentation is retained to support the reconciliation procedures performed.

Management Decision: We agree to implement Recommendation No. 2. Target completion date is September 30, 2006. As noted in the recommendation, M/CFO has issued guidance on reconciliation processing and will work to enhance guidance on Phoenix reconciliations. However, improved Phoenix reconciliations will require enhancements to the Phoenix software as related to reconciliations. The Phoenix team is aware of needed improvements on reconciliation processes and will be working the issues in FY 2006.

Reportable Condition: USAID's Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Recommendation 3: We recommend that USAID's Office of the Chief Financial Officer develop a system for reviewing transactions reported under Trading Partner 99 to ensure that they are properly classified and appropriately reported, as recommended by section 4706.30 of TFM 2-4700, Agency Reporting Requirements for the Financial Report of the United States Government.

Management Decision: While past practice has been focused on conducting transaction reviews at year-end, we agree with the recommendation and will accelerate our processes to conduct quarterly evaluations of Trading Partner 99 transactions. Target completion date is February 15, 2006.

Reportable Condition: USAID's Process for Recognizing and Reporting its Overseas Accounts Receivable Needs Improvement (Repeat Finding)

No Recommendation.

Reportable FFMIA Noncompliance (Repeat Finding)

Management Response: As noted earlier, the Agency is making tremendous progress in our goal of replacing our legacy accounting system with Phoenix. It is my expectation that by June 2006 USAID will report that Phoenix has been fully implemented for the accounting of USAID's worldwide resources. This accomplishment is intended to fully address all of your concerns related to FFMIA compliance.

In closing, I would like to confirm USAID's commitment to continual improvement in financial management and financial reporting. Thank you.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

OMB Circular A-50 states that a management decision on audit recommendations shall be made within a maximum of six months after a final report is issued. Corrective action should proceed as rapidly as possible. Several audit recommendations directed to USAID from prior audits either have not been corrected or final action has not been completed as of September 30, 2005. We have also noted where final action was taken subsequent to fiscal year-end but prior to the date of this report.

Report on USAID's Financial Statements, Internal Controls, and Compliance for Fiscal Year 1998, Audit Report No. 0-000-99-001-F, March 1, 1999

Recommendation No. 1: Because the Chief Financial Officer lacks the authority called for in the CFO Act, we recommend that the Chief Financial Officer collaborate with the Assistant Administrator for Management, Chief Information Officer, and Bureau for Policy and Program Coordination to:

- 1.1 Determine the specific responsibility, authority, and resources needed to meet the requirements of the Chief Financial Officers Act of 1990, which assigns the Chief Financial Officer responsibility to: (1) develop and maintain an integrated accounting and financial management system that meets federal financial system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level; (2) approve and manage financial management system design and enhancement projects; and (3) develop a financial management system that provides for systematic measurement of performance.

USAID has completed actions on this recommendation.

Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2004 and 2003, Audit Report No. 0-000-05-001-C, November 15, 2004

Recommendation No.2: We recommend that the USAID Chief Financial Officer, in coordination with the Assistant Administrator of the Policy and Program Coordination Division:

- 2.1 Ensure that annual certifications of strategic objectives to agency goals, which are made when information from the Annual Reports Database are finalized, are conducted consistently by all USAID operating units.
- 2.2 Include all active strategic objectives expending funds in the Annual Reports Database.

USAID has taken action to resolve these findings in FY 2005, by requiring annual certifications and by ensuring that its strategic objectives are assigned to performance goals in its Annual Reports Database.

Recommendation No. 3: We recommend that USAID's Chief Financial Officer require USAID's Office of Financial Management to develop and implement specific written desk procedures requiring documenting and reporting processes for the narratives of (1) conditions of reconciling items and (2) unreconciled conditions of fund balance accounts for the reconciliation of the Fund Balance with Treasury, that incorporate and enhance existing USAID and federal guidance.

USAID has completed actions on this recommendation.

Recommendation No. 5: We recommend that USAID's Chief Financial Officer update written procedures related to the preparation of the 620(q)/Brooke Amendment Violation Report; the monitoring of non-rescheduled loans for countries under rescheduling; and the receipt of loan delinquency reports from its loan servicing agent.

USAID has completed actions on this recommendation.

Unresolved Prior Year Findings and Recommendations

Report on USAID's Consolidated Financial Statements, Internal Controls and Compliance for Fiscal-Year 2002, Audit Report No. 0-000-03-001-C, January 24, 2003

Recommendation No. 2: We recommend that the Chief Financial Officer:

2.2 Reconcile the mission adjustment account in the general ledger to the cumulative amounts in the mission ledgers and resolve differences between the general ledger and the mission ledgers.

Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2004 and 2003, Audit Report No. 0-000-05-001-C, November 15, 2004

Recommendation No. 1: We recommend that the Chief Financial Officer, in coordination with USAID's Office of Human Resources, update USAID's Cognizant Technical Officer training course and Financial Management Overview training course to include sessions on developing and supporting quarterly accrual estimates. The training should include information on supporting documentation and on developing estimates in the absence of timely disbursement data necessary to develop accurate accruals.

Recommendation No. 4: We recommend that USAID's Chief Financial Officer direct its Financial Management Office to conduct quarterly intragovernmental reconciliations of activity and balances with its trading partners in accordance with the requirements of the Federal Intragovernmental Transactions Accounting Policies Guide, issued by the Department of Treasury's Financial Management Service.

These recommendations are pending final action by USAID.

FINANCIAL SECTION

OTHER REPORTING REQUIREMENTS



FIGHTING DISEASE THROUGH PREVENTION, CARE AND TREATMENT

SILENT TSUNAMI DISEASE

EACH YEAR, MORE
THAN 10 MILLION
CHILDREN DIE OF
PREVENTABLE
DEATHS BECAUSE
THEY LACK
ACCESS TO BASIC
HEALTH SERVICES.



USAID programs support: HIV/AIDS prevention, care and support, treatment; antiretroviral drug treatment; care for orphans and vulnerable children; safe blood banks; fighting global tuberculosis epidemic; malaria prevention and treatment; disease surveillance; improving response capacity; immunizations; vaccines; mosquito nets; diarrhea and pneumonia prevention and treatment; avian influenza pandemic preparedness; strengthening health systems; and public-private partnership.

FINANCIAL MANAGEMENT GOALS AND STRATEGIES

The implementation of the new core financial system directly supports three of the five initiatives of the President's Management Agenda (PMA) as follows:

Improved Financial Performance: USAID's financial management system, Phoenix, is a compliant financial system, which meets federal accounting standards. Phoenix helps the Agency meet reporting requirements, provides accurate and timely financial information, supports management operations, and provides controls to prevent Anti-Deficiency Act violations. Phoenix also has a Standard General Ledger (SGL) chart of accounts and financial transactions in Phoenix are posted immediately to a general ledger. Implementing Phoenix worldwide will remove the major obstacle to achieving Federal Financial Management Improvement Act (FFMIA) compliance and "getting to green", since the Mission Accounting and Control System (MACS) does not have a SGL. In the interim, USAID will continue its efforts to meet or exceed other milestones for this PMA initiative.

Expanded Electronic Government: Phoenix supports the e-government initiative because it is a web-based system that can be accessed by field offices worldwide. The system also interfaces with other planned web-based initiatives, such as vendor self-service, cost allocation, credit card, e-procurement catalogue, e-travel, and worldwide funds reconciliation.

Budget and Performance Integration: The Financial Systems Integration (FSI) project team plans to implement the cost allocation module worldwide in tandem with the rollout of the core accounting system. This will allow for assignment of direct and indirect costs to the offices that benefit from them and will provide management a tool for determining full costs at the operating unit and strategic objective (SO) level.

To provide a context for the agency's current plans and resources request, the status of financial management activities is outlined below.



El Salvador trains for Phoenix. PHOTO: USAID/BOB BONNAFFON

- **PHOENIX OVERSEAS DEPLOYMENT:** The Agency continues the deployment of Phoenix overseas and the coordination of e-government initiatives with the Department of State. The Phoenix overseas deployment is midway through completion. The schedule includes successful deployments during the first two phases in the Latin America and the Caribbean (LAC) and Europe and Eurasia (E&E) regions, and targets for deployment to the remaining overseas Missions in three phases beginning December 2005 through April 2006.
- **USAID-STATE COLLABORATION:** USAID and the Department of State are collaborating to operate USAID and State financial systems from a common platform in Charleston, South Carolina, by November 2005. The Phoenix team upgraded the Phoenix system to the latest software release version, which is the same release as the Department of State's.

FINANCIAL MANAGEMENT PERFORMANCE

Phoenix has been USAID/Washington's core financial system since December 2000. Despite financial management improvements to date, USAID is still not substantially compliant with the Federal Financial Management Improvement Act (FFMIA) of 1996. The primary deficiency is that USAID's Mission Accounting and Control System (MACS), a feeder system to Phoenix, does not support a general ledger. Substantial compliance will be achieved when Phoenix, which is Joint Financial Management Improvement Program (JFMIP)-compliant and meets federal regulations, is fully deployed to the field to replace MACS.

In August 2004, USAID completed the first round of overseas deployment with Phoenix becoming operational in five pilot missions. Based on the pilot experience, the Phoenix Overseas Deployment (POD) team sought and received agreement to modify the project schedule and timeline to accommodate changes in the data migration approach. The Phoenix deployment was accelerated to the Latin America and Caribbean (LAC) region in February 2005, and the upgrade of the web-version of Phoenix was pushed back to June 2005. Both of these milestones were completed on schedule and within budget.

As of July 2005, 22 missions successfully converted to the web-based version of Phoenix, including pilot (Colombia, Egypt, Ghana, Nigeria, and Peru), LAC (Bolivia, El Salvador, Guatemala, Honduras, Dominican Republic, Haiti, Jamaica, and Nicaragua), and E&E missions (Armenia, Bosnia & Herzegovina, Georgia, Hungary, Kazakhstan, Kosovo, Russia, and Serbia & Montenegro, and Ukraine). With adequate funding, we should have 75% of the missions online by the end of December 2005 and 100% by third quarter FY 2006. OMB and USAID expect that the complete rollout of the Phoenix system will address the remaining compliance issues that have kept the Agency at a red score under the President's Management Agenda (PMA). Therefore, the current target date for substantial compliance with FFMIA is third quarter FY 2006.

As a result of deploying the Phoenix system overseas, the Agency's Management Control Review Committee (MCRC), with agreement from the OIG, recently closed the Federal Managers Financial Integrity Act (FMFIA) material weakness with respect to our primary accounting system that had been an issue since 1988.

Another important requirement to "getting to green" is to ensure that the Phoenix system provides timely, reliable, and complete performance data on foreign assistance programs on a consistent basis. The Phoenix Reports Team has solicited users' suggestions for enhancements and requests for new reports. The Team's primary focus is to make improvements to the existing reports. They have also identified what appear to be the highest priority new reports and will begin to specify detailed requirements for this group of reports.

Impediments to "getting to green" include competing priorities and potential funding issues related to deploying Phoenix to the remaining overseas missions; providing ongoing support to the missions that already converted from MACS to Phoenix; coordinating operational logistics with the State Department to have State host Phoenix in Charleston, S.C.; and coordinating with the Joint Acquisition and Assistance Management System (JAAMS) and Procurement System Improvement Project (PSIP) teams, which are planning a web-based acquisition and assistance system.

It is critical for the Agency to enhance system capabilities by maintaining and improving procedures and systems in place. To develop and maintain relevant and timely reporting practices, including financial performance measures and accelerated year-end financial statement reporting, USAID has established a number of teams such as the PAR core team, the Financial Systems Integration (FSI) team, the Phoenix Reports team, the Accrual Reporting System (ARS) team, the Bureau Transition Coordinators (BTC) team, the Quick Hit Deobligation Follow-up team, and the Audit Management Team. There are also a number of working groups overseas led by the Chief Accountants and Controllers. These teams and working groups meet regularly and communicate with each other by sharing information via ad hoc meetings, email distribution lists, newsletters, and other media.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

When USAID implemented Phoenix in December 2000, it became the Agency's core accounting system and the cornerstone of its integrated financial management system. During 2001, USAID interfaced Phoenix with significant legacy and third party systems that provide transaction processing services. USAID plans to modernize its business systems worldwide through the expansion of the Agency's core accounting system to overseas Missions. The overseas deployment of a web-based and integrated financial management system will provide a common Agency-wide system for budget execution, accounting, and financial management. Using e-business technologies provides a tool for Agency personnel to manage financial transactions and program performance.

Based on the recommendations from a joint Department of State-USAID study, a blueprint for collaboration efforts has been established and a plan to operate from a common infrastructure and software version is in place and is being executed. The intent is to operate the USAID and State financial management systems from State's Charleston, South Carolina, facility. The major USAID financial systems and their relationships are discussed below.

Phoenix: Phoenix is the Agency's core financial system. Phoenix will replace Mission Accounting and Control System (MACS) overseas. The Phoenix application modules include accounts payable, accounts receivable, automated disbursements, budget execution, cost allocation, general ledger, business planning, project cost accounting, and purchasing.

New Management System (NMS): The NMS was originally an integrated suite of custom-built financial and mixed-financial applications. The implementation of Phoenix enabled USAID to suspend three of the four NMS applications. The Acquisition and Assistance (A&A) application continues to support procurement operations until a new acquisition and assistance application is rolled out and interfaced with Phoenix.

Mission Accounting and Control System (MACS): MACS is an over 20-year old custom-built system for overseas financial operations. It is installed at 38 accounting stations overseas and supports basic accounting and control functions. MACS alone is not substantially compliant with federal financial requirements and the SGL at the transaction level. MACS does not support the Agency's accounting classification structure (ACS). A MACS Auxiliary Ledger (MAL) was implemented in 2001 to capture overseas financial transactions for posting in the Phoenix general ledger. The MAL provides a crosswalk between overseas accounting elements and the Agency's ACS. The MAL enables the Agency to provide timely, accurate and useful external and internal financial reports on overseas programs and operations. The related MACS Voucher Tracking System (MACSTRAX) automates voucher management and payment scheduling. MACS is being phased out as Phoenix is brought on-line in overseas Missions.

Business Support Services: Most of the chief business support applications in the Agency's financial management systems inventory relate to travel management, property management, and training:

- **Travel Manager:** The GELCO commercial software product, Travel Manager, is currently used in Washington and in Missions to provide travel management support. It is used either as a standalone application or operating as a shared application over a local area network. Travel Manager does not have an electronic interface with any Agency financial systems. It is being replaced with a standard e-travel application that will be interfaced with Phoenix.
- **Non-Expendable Property (NXP):** The NXP program is USAID's custom-developed property management system. It is currently in use at many Missions around the world, but is planned for replacement. It was implemented in 1989 and is not compliant with JFMIP requirements for a property management system. NXP does not have an electronic interface with any Agency financial system.

- **BAR/SCAN:** USAID currently uses the commercial software product, BAR/SCAN, for property management of non-expendable property in Washington. BAR/SCAN is being implemented at field Missions. BAR/SCAN does not have an electronic interface with any Agency financial systems.
- **Training Results and Information Network (TraiNet):** TraiNet is the Agency-wide database training management system. It is used to document all USAID participants and their accompanying dependents for U.S. training. Sponsoring units and implementers must also enter third country and in-country participant training data in TraiNet.

Third-Party Service Providers: As part of its long-term information management strategy, USAID has cross-serviced with other Government agencies or outsourced to commercial organizations some of its financial transaction processing requirements. This reflects an overall strategy of the Agency and is consistent with OMB guidance. The chief third-party service providers include:

- **Department of Agriculture National Finance Center (NFC):** USAID has a cross-serving agreement with NFC for personnel and payroll processes for US direct hire (USDH) employees. USAID accesses the NFC systems to maintain personnel records, process employee time and attendance data, and transact payroll services. The NFC payroll system is manually interfaced with Phoenix.
- **Midland Loan Services:** USAID has outsourced standard credit reform transactions to Midland (formerly Riggs National Bank). The Loan Management System provides services to the Agency for collections, disbursements, claims, and year-end accruals. The system has an automated interface to Phoenix.
- **Department of Health and Human Services (DHHS):** USAID has cross-serviced its letter of credit (LOC) processing of grantee advances and liquidations to the DHHS Payment Management System. The DHHS system has an automated interface to Phoenix.

OTHER BASELINE FINANCIAL MANAGEMENT SYSTEMS:

- **Mission Personal Services Contractor (PSC) Personnel and Payroll Systems:** USAID Missions currently use a variety of systems to manage and pay PSC personnel. These range from spreadsheets to custom-built applications and databases to

commercial off-the-shelf packages. Typically, U.S. citizen PSC employees and Foreign Service National (FSN) PSC employees are managed and paid through different systems. Some Missions obtain FSN payroll services from the U.S. Department of State's Financial Service Center (FSC) in Charleston, South Carolina.

- **Mission Procurement Information Collection System (MPICS):** Pending the implementation of an Agency-wide procurement system, a manual procurement process is used in the Missions. MPICS is the data entry mechanism for USAID field Missions to enter their past and current award data into a single Washington database for reporting purposes.
- **ProDoc and RegSearch:** These procurement support systems have been deployed in Washington and the Missions to generate solicitations and awards as well as improve procurement reporting.
- **Ariba:** USAID piloted a third-party software product for e-procurement called Ariba in four of its offices. The pilot was very successful and now awaits funding for implementation Agency-wide. Ariba is currently in production and has processed thousands of small purchase transactions. It is fully integrated with Phoenix.
- **FS-AID:** The Field Support system automates the field support process by linking the data in the field support database to USAID's Phoenix accounting system. As the FS-AID system goes through iterative releases, there are important improvements over the current process: (1) the data for commitments is electronically moved from the field support database to Phoenix, thus preventing the regional bureaus from having to manually re-enter the same data twice and (2) the manual reconciliation of Phoenix commitments to the field support database could potentially be eliminated.
- **Accruals Reporting System (ARS):** The ARS is a web-based application that provides users with an automated method for updating accruals. Every fiscal quarter, USAID staff must update accruals figures. A batch job loads data from the production database into the accruals system, users update the data via the web interface, and then another batch job puts the updated data back into the database. There is no direct web access into the Phoenix data via this interface. ARS is based on CGI-AMS' eFocus framework.

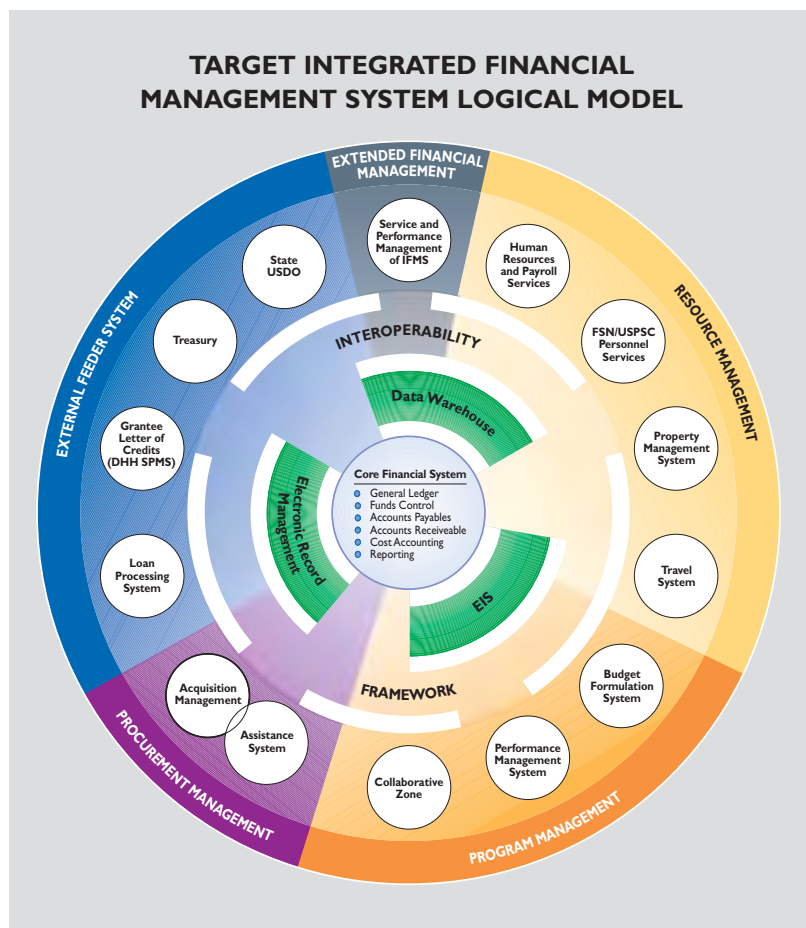
TARGET FINANCIAL MANAGEMENT SYSTEMS STRUCTURE

The primary goal of financial management system modernization at USAID is a single, integrated financial management system (IFMS). The IFMS architecture is intended to support the mission of the Agency, comply with federal requirements and standards, improve the efficiency and effectiveness of Agency operations, and deliver electronic government solutions. The goal will be achieved by adherence to the disciplines of architecture planning, capital investment planning, business process re-engineering, and systems engineering. This will ensure that plans are business-focused rather than technology-driven, results-oriented rather than process-driven, and developed by business managers rather than technology specialists alone.

USAID has made transformation of the Agency to a world class, 21st century international development and humanitarian assistance organization, one of its highest priorities. Management reform is a key element of this transformation. Specifically, the vision for USAID consists of a new direction in modernizing Agency business systems and a comprehensive business transformation agenda.

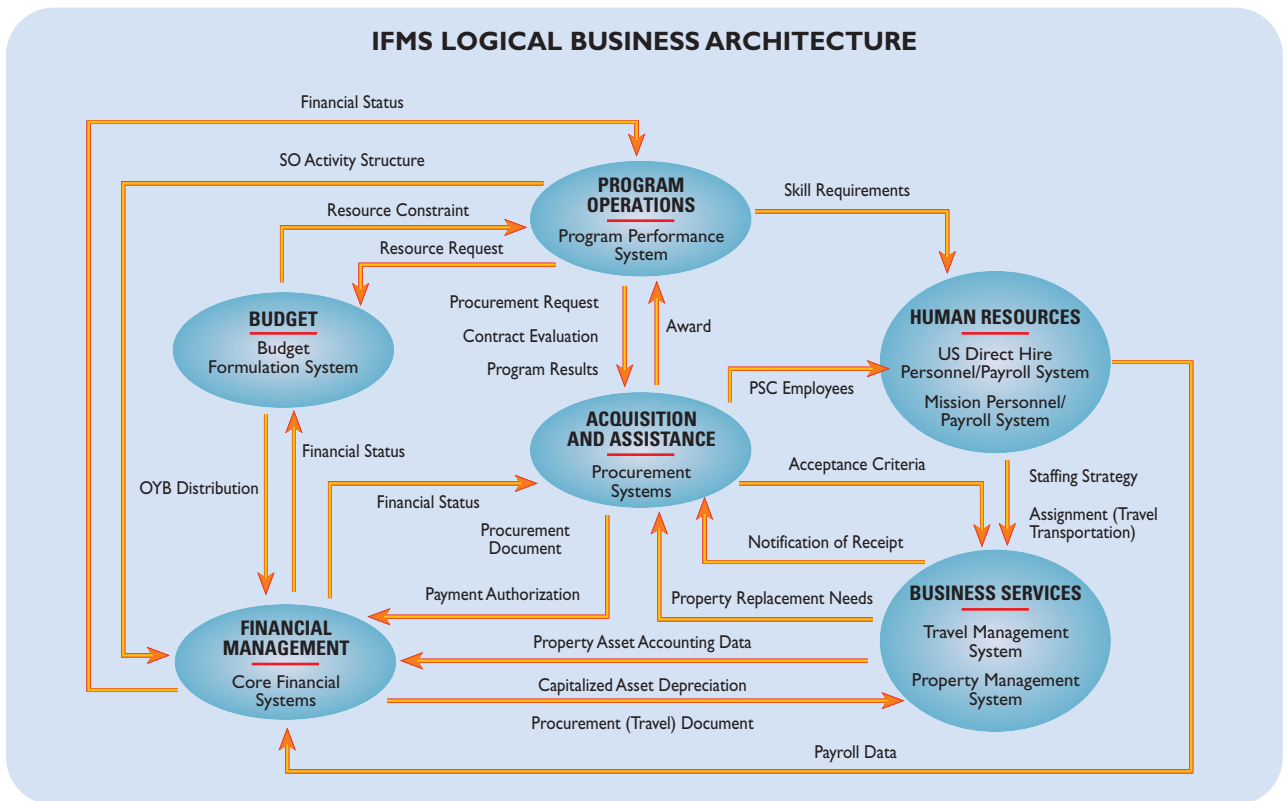
USAID senior managers will lead this business systems transformation in a three-staged approach. Stage one involves modernizing the Agency's business systems worldwide by standardizing and integrating processes and systems, and aligning the Agency business model with the Federal Enterprise Architecture (FEA). In stage two, the Agency will adapt business processes to anticipate and respond to changing requirements such as expanded use of federal government cross-servicing and outsourcing key administrative services.

By stage three, the Agency will deploy adaptive capabilities to the community of development and humanitarian assistance providers. The following are examples of stage three capabilities: suppliers can electronically submit invoices; vendors can determine their expenditures via the internet; and Congress will have ready access to information related to program objectives, results, and approaches.



The target financial management system will:

- Provide complete, reliable, timely, and consistent information.
- Apply consistent internal controls to ensure the integrity and security of information and resources.
- Utilize a common data classification structure to support collection, storage, retrieval, and reporting of information.
- Provide an information portal to the Agency's financial management data resources with a similar look and feel accessible wherever USAID operates.



- Utilize an open framework and industry standards for data interchange and interoperability.
- Provide, on demand, value-added information products and services.
- Ensure that standardized processes are utilized for similar kinds of transactions.
- Remain flexible and modifiable to business changes.
- Support timely, accurate, and cost-effective electronic exchange of information with customers and external partners.

USAID and the State Department recently upgraded their respective versions of the Momentum software, and are currently operating the same version. Both Agencies plan to run from a common infrastructure from State's facility in Charleston, South Carolina, by November 2005. Both USAID and State will maintain separate financial systems. During FY 2005, the USAID and State joint planning group conducted analyses and evaluations of systems requirements to achieve the target level of cooperation.

The two agencies can expect to achieve savings and efficiencies by integrating infrastructure and coordinating deployment efforts. USAID and State submitted a joint business case for FY 2005 – FY 2007 that provides a general outline of the integration. In 2004, they conducted a study to determine the requirements, and in FY 2005, they conducted testing for mutual deployment. The interagency working group recommendations and the subsequent interagency service level agreements will dictate the future planning and acquisition strategy for USAID's financial systems in Washington, as well as overseas.

To achieve this vision, the data, systems, services, and technical infrastructure will be engineered, configured, and optimized to operate in an integrated fashion to deliver Agency-wide financial management support. This target financial management system architecture will be implemented in a modular fashion, and is guided by, and is consistent with, the Agency's target enterprise architecture.

Overseas deployment plans detail a centralized architecture to allow easier maintenance, security, and operational efficiency. To provide around the clock support required for mission operations, the telecommunications and technical architecture

will be upgraded. The specific configuration was determined as overseas rollout plans were implemented. The infrastructure business cases detail the telecommunications upgrades. In addition, one Phoenix Regional Solution Center (PRSC) was implemented in Cairo, Egypt. A second PRSC will be established in Manila, Philippines, in early FY 2006.

The business functions of the Agency will increasingly be supported by a combination of commercial software products and third party service providers. Public sector and private sector third party service providers will provide essential feeder systems to the Agency's core financial system.

The increasing reliance of foreign affairs agencies on shared telecommunications infrastructure, co-located facilities overseas, and common financial transaction processing services may suggest alternative implementation strategies for the IFMS. An interoperability framework consisting of policies, standards, practices, hardware, and software will enable the Agency to more effectively utilize commercial software products and third party service providers to develop the IFMS as both technologies and service providers evolve.

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

USAID's Business Systems Modernization (BSM) strategy consists of business cases for the Agency Enterprise Architecture, financial systems, and procurement systems. This strategy is consistent with the most urgent priorities set by the Administrator. The Agency's proposed enhancements and new projects will result in greater internal efficiency and effectiveness; and expanded government to government, government to consumer, and government to business interactions. The components of the BSM are:

- Maintaining the following steady state areas: financial systems, IT infrastructure, and existing "as is" architecture.
- Implementing the following enhancements and new projects: upgrade and extend the enterprise architecture to provide a framework and strategy for modernization; enhance the overseas telecommunications and security environments to support new systems; implement the core accounting and managerial cost accounting systems worldwide; and implement an acquisition and assistance system that is an integrated module of the core accounting system.

The essential elements of the general strategy include:

- Utilize public and private sector third party service providers whenever cost-effective.
- Require solution demonstrations to manage risks and engineer system components within the target enterprise architecture framework.

- Acquire proven commercial software products rather than build custom-developed applications.
- Re-engineer Agency business processes before altering the baseline commercial software product.
- Implement network and telecommunication infrastructure upgrades to support the financial management systems architecture.
- Leverage the system architecture and the planned technology evolution of commercial software products.
- Integrate data repositories using common data elements and web-based reporting and analytical tools.
- Acquire system components in an incremental fashion.
- Plan enhancements to system capabilities as releases within the framework of enterprise configuration management practices.

PLANNED MAJOR SYSTEM INVESTMENTS

Implementing the target financial management system structure will take several more years. The required major system investments will be identified, planned, and sequenced as part of a business transformation initiative that began in 2002 and will extend into 2006. Specific projects will be selected on the merit of each business case. The broad categories of system investment will include:

- Core Financial System
- Acquisition and Assistance/Procurement System
- Budget Formulation System
- Data Repositories and Reporting Systems
- Executive Information Systems
 - Business Support Systems
 - Third Party Service Providers

Core Financial System: Phoenix's underlying Momentum Financial product line will be upgraded through successive product releases to ensure sustained compliance with changing federal requirements and the evolution of technology in the commercial marketplace. Key among these expected enhancements will be support for electronic government initiatives and internet-based access to Phoenix, including enhancements to telecommunications capacity within country. Missions will access centralized financial systems based in Washington to record financial transactions and obtain financial information to support decision-making and resource management. An Agency-wide concept of operation will optimize business processes, systems, and workflow to achieve improved efficiency and effectiveness. Phoenix will be integrated with multiple feeder systems utilizing industry standards and proven software integration tools to achieve Agency and government-wide goals in electronic government.

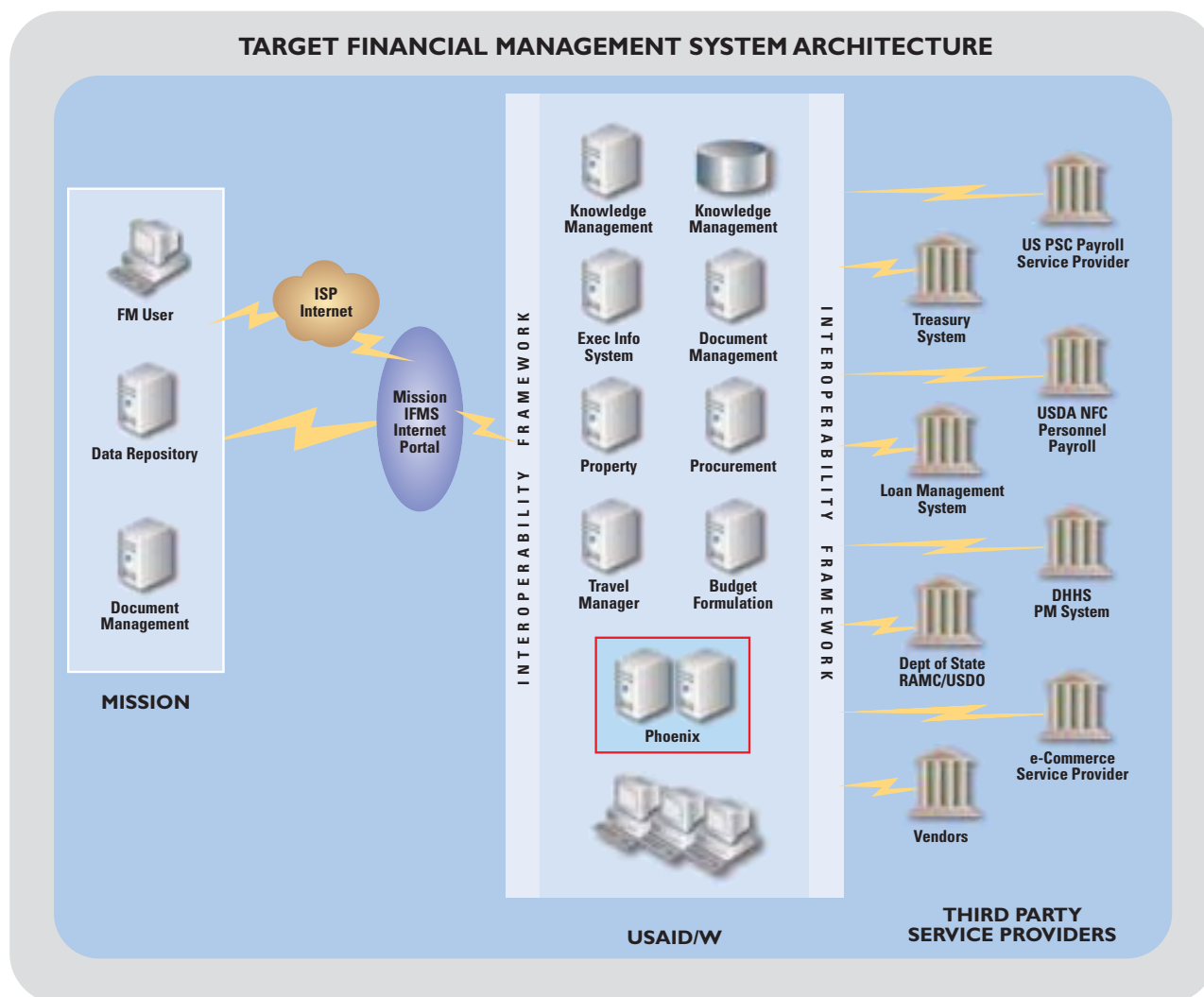
Acquisition and Assistance/Procurement System: The USAID and State Department collaborative capital investment in an Agency-wide acquisition and assistance system is referred to as the Joint Acquisition and Assistance Management System (JAAMS)/Procurement System Improvement Project (PSIP). The new

system is designed to replace the New Management System (NMS) legacy system for Acquisition and Assistance (A&A), which is used only at USAID/Washington. However, more than half of the Agency's procurement transactions are conducted overseas. The field contracting staff operates in a paper-dependent process without a comprehensive contract management system to support planning, collaboration, tracking, and administering contract and grant awards. JAAMS/PSIP plans call for a commercial-off-the-shelf (COTS) procurement system that will reduce procurement transaction cycle time, accelerate the delivery of foreign assistance where it is needed, and produce more timely and accurate business information. An accelerated schedule for a worldwide procurement system has been developed primarily to: 1) coordinate PSIP deployment activities with the deployment of the USAID/Department of State joint financial management system (JFMS) and procurement and grants functionality with State Department's Integrated Logistics Management System (ILMS), and 2) meet the demands of supporting the Presidential initiative for HIV/AIDS and increased reconstruction activity in Iraq and Afghanistan.

Budget Formulation System: USAID will implement a set of tools and standard business processes to improve Agency-wide budget planning, formulation, consolidation, submission, and integration with Phoenix. USAID's budget formulation and execution processes will be integrated with its program and performance management processes for collecting information on the performance of Agency programs.

Data Repositories and Reporting Systems: Third party feeder systems generate data that is stored in data repositories to support data reconciliation, audits, ad hoc queries, and reporting requirements. Other financial management systems capture data that will not be electronically exchanged with other systems and will need data repositories to facilitate integrated reporting. USAID will implement an enterprise-wide "data-mart" strategy to link multiple data repositories using common data elements. Web-based reporting tools will be used to extract, consolidate, and generate reports tailored to managers' needs across systems and data repositories.

TARGET FINANCIAL MANAGEMENT SYSTEM ARCHITECTURE



Executive Information System: USAID is committed to creating timely, accurate, useable, and meaningful summary reports of financial data and program effectiveness. Efforts are underway to develop an Agency-wide Executive Information System (EIS). The first phase of development will pull information and data from Phoenix and MAL and provide integrated reports on key financial measures. Subsequent phases will pull data from additional applications within the Agency to allow for more detailed program measurement and analysis. The idea is to generate reports that will facilitate decision-making for allocating funds and determining the effectiveness of operating year budget program implementation management. The EIS will also be used to provide summary reports to the State Department, OMB, Congress, and the Administration. The development team is also evaluating a similar “dashboard” system currently in development at the State Department.

Business Support Systems: The major initiatives in the administrative service areas will be enterprise-wide deployment of the Agency’s travel and property management systems. The Agency will rely on joint vendor efforts to integrate commercial software products with the American Management Systems (AMS) Momentum Financials commercial software product. Future releases of Phoenix will include these enhancements. Initiatives, such as the implementation of a Momentum product that would integrate e-travel with Phoenix, are among the options to be studied.

Third-party service providers: The Agency is expected to continue to rely on its current third-party service providers: National Finance Center (NFC), Midland Loan Services, and DHHS, for the foreseeable future. Further improvements to electronic interfaces to achieve greater integration will be evaluated.

GRANTS MANAGEMENT

USAID was an active participant in the Grants Management Line of Business (GMLoB) Task Force in FY 2004 and 2005. The final meeting of the Task Force was held on January 31, 2005, and the Task Force efforts laid the framework for the new governance model as well as the funding and transition strategy for the Business Case. On March 30, 2005, USAID executed its agreement with GSA (OMB's designated holder of funding) for \$16,625 as our contribution to begin implementation of the GMLoB Business Case.

In FY 2004, we made great progress on the Grants.gov initiative. We trained over 100 grants officers and business partners during the year. We successfully piloted our implementation of the "Find" and "Apply" features of Grants.gov worldwide. We are continuing to coordinate all Grants.gov activities with USAID's PMO and with the government-wide project officer at HHS.

As stated in last year's PAR, we do not see any current statutory impediments to USAID's compliance with OMB policies relating to grants streamlining and Grants.gov. However, we anticipate that full utilization of Grants.gov will be a challenge for potential business partners, particularly those overseas. In FY 2006, we plan special outreach activities to make potential partners aware of the Grants.gov portal.

The USAID program portfolio for Assistance and Cooperative Agreements is estimated to be almost 50% of the Agency's acquisition and assistance workload. As a result, grants administration accounts for approximately 50% of an Agreement Officer's workload.



Lisa Fiely, USAID CFO, checks out an agriculture project in El Salvador. PHOTO: USAID/BOB BONINAFFON

AUDIT MANAGEMENT

The Office of Inspector General (OIG) uses the audit process to help USAID managers improve the efficiency and effectiveness of operations and programs. USAID management and OIG staff work in partnership to ensure timely and appropriate responses to audit recommendations.

The OIG contracts with the Defense Contract Audit Agency (DCAA) to audit U.S.-based contractors and relies on nonfederal auditors to audit U.S.-based grant recipients. Overseas, local auditing firms or the supreme audit institutions (SAI) of host countries audit foreign-based organizations. OIG staff conduct audits of USAID programs and operations, including the Agency's financial statements, related systems and procedures, and Agency performance in implementing programs, activities, or functions.

During FY 2005, USAID received 535 audit reports; 477 of these reports covered financial audits of contractors and recipients and 58 covered Agency programs or operations.

During FY 2005, the Agency closed 535 audit recommendations. Of these, 153 were from audits performed by OIG staff and 382 were from financial audits of contractors or grant recipients. USAID took final action on recommendations with \$4.4 million in disallowed costs, and \$429 thousand was put to better use during the fiscal year.

At the end of FY 2005, there were 440 open audit recommendations, 134 more than at the end of FY 2004 (306). Of the 440 audit recommendations open at the end of FY 2005, only seven or 1.6% had been open for more than one year.

As regards the seven recommendations open for more than one year at the end of FY 2005, USAID must collect funds from contractors or recipients to complete actions on two of these recommendations. The remaining five require improvements in Agency programs and operations. These are tied to USAID's staff training and development activities; compliance with federal regulations in awarding the IRAQ Phase I contracts; and reconciling financial management information.

Management Action on Recommendation that Funds be Put to Better Use

	Recommendations	Dollar Value (\$000)
Beginning balance 10/1/04	9	\$ 214,356
Management decisions during the fiscal year	4	891
Final action	7	429
Recommendations implemented	7	429
Recommendations not implemented	0	-
Ending Balance 9/30/05	6	\$ 214,818

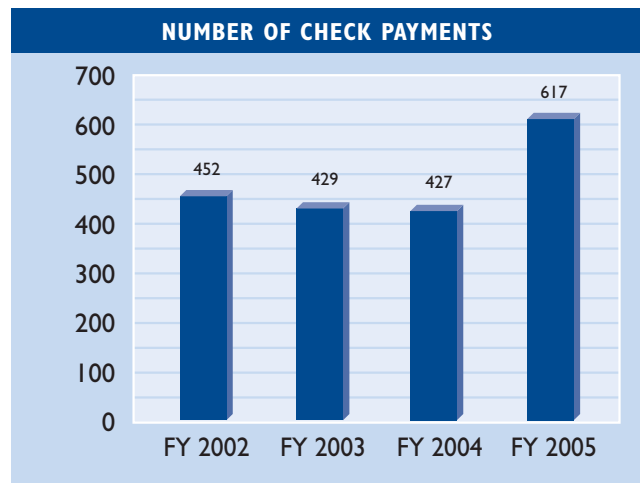
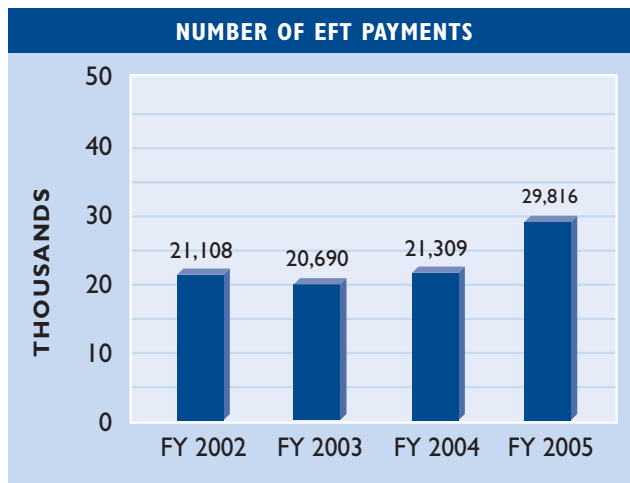
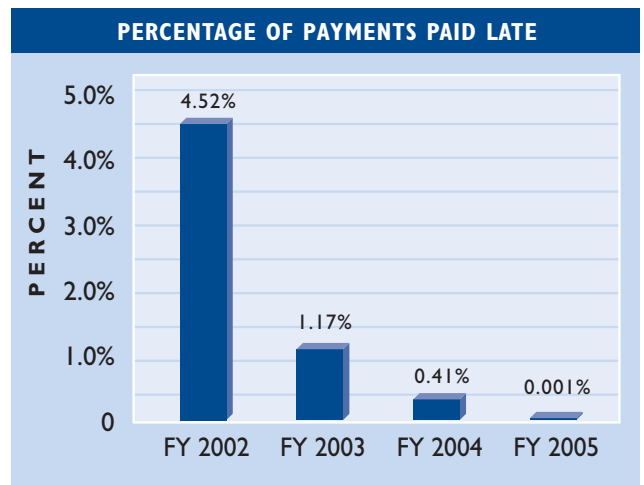
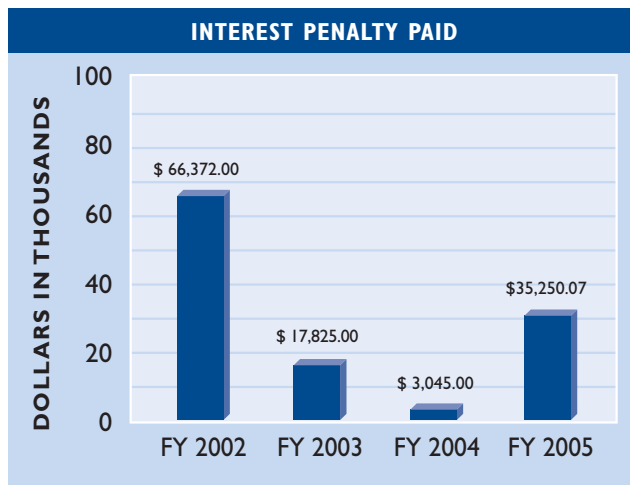
Management Action on Audits with Disallowed Costs

	Recommendations	Dollar Value (\$000)
Beginning balance 10/1/04	92	\$ 11,819
Management decisions during the fiscal year	235	17,528
Final action	181	4,439
Collections/Offsets/Other	177	4,324
Write-offs	4	115
Ending Balance 9/30/05	146	\$ 24,908

DEBT MANAGEMENT

USAID is required by the Prompt Payment Act to pay its bills on time or pay an interest penalty to vendors. This chart shows that USAID has reduced its late payments from 4.52% in FY 2002 to less than .01% in FY 2005. In addition, we pay the vast majority of our bills by Electronic Funds Transfer (EFT).

Timeliness of Payments	FY2005	FY2004	FY2003	FY2002
Interest Penalty Paid	\$ 35,250.07	\$ 3,045.00	\$ 17,825.00	\$ 66,372.00
Percentage of Payments Paid Late	0.001%	0.41%	1.17%	4.52%
Number of EFT Payments	29,816	21,309	20,690	21,108
Number of Check Payments	617	427	429	452



APPENDICES



COMBATING CORRUPTION THROUGH DEMOCRACY AND GOVERNANCE

SILENT TSUNAMI
CORRUPTION

CORRUPTION
UNDERMINES SOCIAL,
POLITICAL, AND
ECONOMIC
DEVELOPMENT.



USAID programs support: Promoting governance institutions and civil society, independent audit agencies, anti-corruption commissions, procurement agencies, legislatures, independent agencies, political parties, judicial actors, academia, press and the private sector, justice sector and legal reform, free and fair elections, devolution of power, human rights, security sector governance, and independent media and information.

APPENDIX A

USAID STAFF LISTINGS BY TYPE

Employment Types	Definition
USFS:	U.S. Direct Hire, Foreign Service or Senior Foreign Service
USCS:	U.S. Direct Hire Civil Service GS, GM, WG, or SES
USPS:	U.S. Personal Services Contractor
FNDH:	Foreign National Direct Hire
FNPS:	Foreign National Personal Services Contractor
TCDH:	Third Country National Direct Hire
TCPS:	Third Country National Personal Services Contractor
PASA or RSSA:	Employee detailed from another U.S. government agency on a Participating Agency Services Agreement or a Resources Support Services Agreement
JCCO:	Employee who is a member of the Joint Career Corps and is not a direct hire of USAID
IPA:	Intergovernmental Personnel Act employees
AAAS:	American Association for the Advancement of Science Fellows
TAACS:	Technical Advisors in AIDS and Child Survival
POPF:	Population Fellows or individuals funded by the Population Fellows Program
CSFP:	Child Survival Fellows individuals funded by the Child Survival Fellows Program
STRS:	Senior Technical Advisors in Residence (employees of Johns Hopkins University [STARS])
UDFP:	Urban Development Fellows
WCPL:	Western Consortium Population Leaders Fellows
DEMF:	Democracy Fellows
WIDF:	Women in Development Fellows
OTHF:	Other types of Fellows not listed above
NPSU:	U.S. Non-PSC: These are individual contractors who do not have an employer-employee relationship with USAID and there is no direct supervision by a U.S. Direct Hire employee. Also, they do not occupy U.S. government space or use U.S. government supplies. They are not institutional contractors nor people hired under a service contract.
NPSF:	Non-PSC of other nationalities. These individuals are not Americans; they have individual contracts with us but do not occupy U.S. government space nor do they use U.S. government supplies.

APPENDIX B

GLOBAL DEVELOPMENT ALLIANCE (GDA) SECRETARIAT

One hallmark of public-private alliances is engaging nontraditional partners. USAID has partnered with 1,075 different organizations from FY 2002 to FY 2004. These include: 352 private businesses, 270 NGOs (non-governmental organizations including faith-based organizations), 76 foundations, 89 trade associations, 24 bilateral donors, 30 multilateral donors, 101 federal or national government agencies (in the United States and host countries), 36 local government agencies, 69 higher learning institutions, 17 regional organizations, and 13 other partners. Many of these partners had no prior experience as a USAID implementing partner or cooperating agency.

ILLUSTRATIVE LIST BELOW

FOUNDATION/PHILANTHROPISTS

Soros Foundation	Foundation for Integrated Education and Development - FUNEDESIN
Aga Khan Foundation	Foundation Hassan II
Al-Azhar Foundation	Fundacion Dominicana Pro-Investigaciones de Biologia Marina (MAMMA, Inc.)
All Armenia Fund	Fundacion Moises Bertoni
Alvaralice Foundation	Fundacion PUMA
Ambos Foundation	Fundación Soros-Guatemala
American Nicaraguan Foundation (ANF)	Future of Russia Foundation
AVINA Foundation	GE Fund
Bill and Melinda Gates Foundation	German Marshall Fund of the United States
Biodiversity Trust Fund	Gillette Foundation
Brown Foundation	Henry J. Kaiser Family Foundation
Cafesjian Family Foundation	Hewlett Foundation
Case Foundation	Humane Society of the US
Celtel	Huntsman Foundation
Charles Stewart Mott Foundation	Huys Link Community Initiative
Clinton Foundation	International Foundation of Organic Agriculture Movements (IFOAM)
Commission on Relief and Development	International Youth Foundation (IFY)
Conrad N. Hilton Foundation	J.M. Kaplan Fund
Corona Foundation	Jinishian Memorial Foundation
David and Lucille Packard Foundation	John D. and Catherine T. MacArthur Foundation
Ecotourism Society of Sri Lanka	Kellogg Foundation
Elizabeth Glaser Pediatric AIDS Foundation	Levi Strauss Foundation
Eurasia Foundation	Lincy Foundation
Finca International	Lions Club International
First Data Western Union Foundation	Mexican Foundation for the Development of Folk Art
Ford Foundation	Monsanto Fund

Morgan Stanley
 MTV Europe Foundation
 Mulago Foundation
 Multichoice Africa
 Museo Pambata Foundation
 National Fish and Wildlife Foundation
 Nike Foundation
 NOVIB
 Open Society Institute
 Overbrook Foundation
 Petron Foundation
 Ricardo Maduro Education Foundation (FEREMA)
 Robert Wood Johnson Foundation
 Rock House Foundation
 Rockefeller Foundation
 Rotary Club of Makati
 Schwab Foundation for Social Entrepreneurship
 Skoll Foundation
 Starr Foundation
 Telkom Foundation
 Welcome Trust
 William and Flora Hewlett Foundation
 World Cocoa Foundation
 Yayasan Asuransi Indonesia
 (Indonesian Insurance Foundation)

PRIVATE BUSINESSES

International Resources Group Limited
 Lifelines Technology NJ
 Carvajal
 Crowley Maritime
 Design that Matters
 EDImports
 Eziba, Inc.
 Frontier Financial
 Glamis Gold Ltd.
 Lovells
 Oterbrecht
 Pearson
 Pune Municipal Corporation
 Seaboard Marine

Shell
 Trojan Condoms
 Tropical Shipping
 VegPro
 A.K. Oils and Fats Ltd (Mukano Industries)
 Abbott Laboratories
 ABN AMRO and other banks
 ABS-CBN Broadcasting Corporation
 ADM Cocoa
 African private sector operators
 Agexpront
 Agricane Malawi
 Agriflora Ltd
 AirFreight 2100/E-Konek
 AllAfrica Global Media
 Allied Bank
 Alpha Dairies Ltd
 AlphaSmart
 AMANCO
 American Chamber of Commerce
 American Express
 American International Group
 AMEX International, Inc.
 Amiran Ltd.
 Andersen Corporation
 Animal Health Inspection Service Providers
 (AMVIS, Cotecna, SGS)
 Aracruz Celulose
 Archer-Daniels-Midland (ADM)
 Asocoflores
 AT&T Wireless Ltd.
 Aveda
 Aventis
 Bai Tushum
 Bajaj Auto Limited (BAL)
 Balzac Brothers & Co.
 Banana bacterial Wilt campaign
 Bank of America
 Bank of Brazil
 Bank of Georgia
 BanVivienda
 Barclay's Bank

Barclays Bank Zambia, Ltd.
 Barry-Callebaut
 BASF
 Bauchi Meat Company
 Bayer
 Becton Dickinson
 BID Businesses
 BioResources (Gh) Limited
 Birchfield Interactive PLC
 Bon Holdings Ltd
 Boyd Coffee Company
 British Petroleum (BP)
 BTL Pharmacy Chain
 Business Consult Africa
 C.N. Cotton Ltd
 Cadbury Schweppes
 CALTEX Philippines, Shell Philippines
 Cape Natural Teas
 Cargill
 Cascadia Forest Goods
 Caterpillar International
 CBI
 Central CATV
 Central East Africa Railways Company Ltd (CEAR)
 Cheetah Zambia Ltd
 Chevron Corporation
 Chiquita
 Cikel Group
 CIRANDA
 Cisco Systems
 Citigroup
 Coca Cola
 Cocoa Foundation of the Philippines, Inc.
 Coffee Enterprises
 Colgate-Palmolive
 Commercial Bank of Albania
 Commercial banks
 Compañía de Minas Buenaventura SAA
 (Buenaventura Mining Company)
 Compañía Luz y Fuerza
 ComputerAid International
 Connex
 Cooperative Coffees
 COPCOT (East Africa) Ltd
 Corporacion Dominicana de Empresas
 Electricas Estatales
 COTTCO (Uganda) Ltd
 Country Originals
 Covington and Burling
 D&S Gelfuel Limited
 D.R. Wakefield and Company Limited
 Daimler Chrysler
 David Peiris Motor Company
 DeBeers
 Deutschebank
 Development Alternatives International (DAI)
 Device Global Technology
 Dewan Asuransi Indonesia (Indonesian Insurance
 and Reinsurance Organization)
 DFCU Leasing
 Douglas White Architects
 Dunavan Uganda Ltd
 ECOM
 EDE Consulting
 Edelman Worldwide
 Egyptian Natural Gas Holding Company
 Elan Organic Coffees
 Electricite de France International
 Energy Conversion Devices
 Environment System Products
 EplerWood International
 Equal Exchange
 Ernst & Young
 ESRI
 ESSO
 Exportimo/South Cone Trading
 Exxon Mobil
 Femmes du Maroc Magazine
 Finta Dairy Company Limited
 Fitch Rating
 Fludor S.A.
 Flying J Petroleum Distribution Company
 Foote, Con and Belding (FCB)

Forest Fruits and African Botanical
 Forest World Group
 Forestal Iguazu
 ForesTrade, Inc
 French Leasing Company
 Fresh and Green
 FuturePharma
 Gap
 GAPI
 General Electric
 General Mills
 GenevaGlobal
 Ghana Federation of Traditional Medicine Practitioners
 Gibson
 GICA
 GlaxoSmithKline
 Global Medical Technologies
 Godrej Industries Limited.
 Goldman Sachs
 Good Coffee Company
 Gorkha Ayurved Company (P) Ltd.
 Grace Kennedy Remittances
 Grameen Bank
 Grandy Health Systems
 Grassroots Natural Products
 Green Mountain Coffee Roasters
 Group Tahuamanu S.A.
 Grupo GEO
 Guatevision
 Health Solutions International
 Heinz
 Hershey Foods
 Hewlett Packard
 Highland Coffee Promotion Company
 Himalayan BioTrade Pvt. Ltd. (HBTL)
 Himalayan Marketing Cooperative
 Hindalco
 Holland Coffee
 Home Depot
 Honest Tea
 House of Godrej
 Housing Development and Finance Corporation
 Hoy Newspaper
 HRA-PHARMA
 HSBC
 Ibero (Uganda) Ltd
 IBM
 ICICI Bank
 IKEA
 IKURU
 Independent Radio and TV Nationale d'Africa
 Indonesian Forest Product Companies -
 Sumalindo, Intracawood
 Industrial Service Bureau
 Intel
 Intermarket Discount House Zambia Ltd.
 International Specialties, Inc.
 Intervet International
 J. Walter Thompsen (JWT) Advertising Agency
 Java City
 John Snow, Inc.
 Johnson and Johnson
 Kazkommertzbank
 Kiron
 Knowledge Channel
 Konkola Copper Mines (KCM)
 Kraft Foods
 Laboratoire Toulard
 Land O'Lakes
 Laureate International Universities
 (formerly Sylvan Learning Center)
 Lebanese Leasing Company
 Levis Jeans
 Lilayi Development Company
 Liz Claiborne
 Local Agriculture Bank
 Local and international private business organizations
 Local Distribution Companies of Natural Gas
 Local Hotels
 Local Individuals
 Local Mexican Corporations
 Local Radio Stations
 Lotus Opportunities

Lucent Technologies
 M&M/Mars
 Maganjo Grain Millers Ltd
 Magensa
 Masterfoods
 Maxygen, Inc.
 Mbita Ice Plant Limited
 McGraw Hill
 McKinsey and Company
 Merck & Co.
 Meridian
 Metal Urges
 Michigan Credit Union League (MCUL)
 Micro Sprayers Ltd
 Microsoft Corporation
 Millstone
 Mirant
 Mobitel
 Monsanto
 Moroccan Food Bank
 Morton Salt Company
 Motorola
 Mr. Biggs
 MSN
 MTN Cell Phone Service Providers
 MTV Networks Europe
 Mukwano A. K. Oils & Fats
 Multi-Pharma
 Namib Lodge Company (NLC, Wilderness Safaris)
 Nathan Associates
 National Commercial Bank of Jamaica
 NCMP
 Nepal Coffee Producers Association
 Nestle
 Net Assets
 Neumann Kaffee Group/Ibero
 Neumann Kaffee Gruppe
 New Vision
 Newbridge Capital
 Newdea Inc.
 NEXANT
 Nokia
 North American Wood Products
 North bukedii Cotton Company Ltd
 Novo Enterprises Ltd
 Nyakatonzi Co-operative Union Ltd
 Obakrowa rural farmers
 OnNet
 Orange
 Origo, Inc: Social Venture Partners
 P.Wakefield
 PADCO
 Paprika Zimbabwe
 Paramount Dairies Ltd
 Pfizer
 Philippine Cable Television Association
 PHYTO RAMA
 Planning and Development Collaborative
 International, Inc. (PADCO)
 PLDT Brains
 Plywood de Nicaragua S.A. (PlyNic)
 POTC Zambia
 PricewaterhouseCoopers
 Private Abattoirs
 Private Financing in South Africa
 PROCINSA
 Procter and Gamble
 Public-Private Partnerships in Local Government
 Area (LGAs)
 QIT Madagascar Minerals (QMM)
 Quality Chemicals Ltd
 Quito Chamber of Commerce
 Radio Works
 RandGold
 RarTel
 Real World Productions
 Research Triangle Institute (RTI)
 Richbond
 Rio Tinto
 Robertet
 Roche Vitamins
 Royal Ahold, Inc.
 Royal Coffee
 Royal Cup

Rural Farmers - Aklamador, Akanten, Gyidi
 Sai Farms
 SC Johnson Corporation
 Schaffer and Associates International
 Schering
 Several Small Private Companies
 Shell Petroleum Development Corporation
 Shorebank Corporation
 Siamdutch Mosquito Netting Co., Ltd
 Small Scale Dairy Farmers
 SMART Communications
 Societe de Prod et Commercial d'Intrants
 Agricoles (SPCIA)
 SOFTWIN
 South African Broadcasting Corporation
 Specialty Tea Institute
 Standard Bank Group
 Starbucks
 Startech Communications
 STIHL Brazil
 Stravendale Farm
 SUAL - Siberian Urals Aluminum Company
 Sun Microsystems
 Sunflag
 SunPower Corporation
 Sustainable Harvest
 Sylvan Learning Systems
 Syndicate Bank
 Synergie S.A.
 Tata Iron & Steel Company Limited
 Timberland
 Time Inc.
 Total Land Care
 Uganda Crop Industries Limited
 Unilever
 Unocal
 Veracel Celulose S/A
 Vestergaard Frensdén
 Vestergaarden
 Viacom
 Vical, Inc.
 Visa

Volcafe
 W.E. Tilley
 Wangwa Farms Ltd.
 West African Gas Pipeline Company (WAPCo)
 Western Union
 Westwood One Radio Network
 World Computer Exchange
 Worldspace
 Wyeth
 Xclusive Cuttings (U) Ltd
 Yachana Gourmet S.A.
 Yahoo
 Young and Rubicam

TRADE ASSOCIATIONS

American Soybean Association International
 Marketing Division
 Asociacion Semilla de Mostaza
 Center for Business Skills Development
 Craft Yarn Council of America
 Haitian American Chamber of Commerce and Industry
 Regional Tourism Organization of Southern Africa
 Alluvial Gold and Diamond Mining Association
 AMCHAM (American Chamber of Commerce in
 Jamaica)
 American Cocoa Research Institute (ACRI)
 American Forest and Paper Association
 APCAM/APROFA
 APIPAC
 Asesewa Farmer Association and Begoro Farmer
 Association
 Asian Broadcasting Union
 Association des Producteurs de Café-Cacao de
 Cote d'Ivoire
 Association for Intensive Plant Production (AIPP)
 Association of Indonesian Forest Concession Holders
 Association of Industries of Haiti (ADIH)
 Association of Microfinance Institutions in Zambia
 Association of the Chocolate, Biscuit & Confectionery
 Industries of the EU
 Association of the Vanilla Exporters of Uganda (VANEX)

Bankers Association of Zambia
 Bauchi Information Technology Forum (ITF) and Private Partnerships in LGAs.
 Biscuit, Cake, Chocolate and Confectionery Alliance
 Builders Association
 Business Against Crime
 Chocolate manufacturers
 Chocolate Manufacturers Association
 Cocoa Merchants Association of America (CMAA)
 Colombian Chamber of Commerce
 Confederation of Indian Industry
 Confederation of Mozambique Business Associations (CTA)
 Consortium of leading tour operators in Sri Lanka
 Cubo Common Property Association
 E7
 East African Fine Coffees Association (EAFCA)
 Eastern Uganda Dairy Farmers & Breeders Association
 Economic Community of West African States (ECOWAS)
 Electric Drive Transport Association
 Environmental Resource Center
 European Broadcasting Union
 Federation of Cocoa Commerce
 Federation of Indian Chambers of Commerce and Industry (FICCI)
 Forest Industries Federation of Pará (FIEPA)
 Guinea Chamber of Mines
 Himalayan Orthodox Tea Producer Association
 Indian Architects Association
 Indian Chamber of Commerce's (ICC) Environmental Management Centre
 Indian Environmental Association
 Indonesian Wood Panel Association
 Information Industry South Africa
 International Cocoa Organization
 International Council of Certified Auditors and Accountants (ICCAA)
 International Federation of Accountants (IFAC)
 International Federation of Pharmaceutical Manufacturers (IFPMA)
 International Office of Cocoa, Chocolate and Sugar Confectionery
 International Private Water Association (IPWA)
 International Textile, Garment and Leather Workers' Federation
 Jiu Valley Business Association
 KfW
 La Romana/Bayahibe Hotel Association
 Local Coffee Organizations
 Millers Association of Zambia
 Mindanao Business Council
 Motor Traders Association
 National Chambers of Commerce and Industry
 National Coffee Association
 National Telecommunications Cooperative Association
 Negril Chamber of Commerce
 Organic Producers and Processors of Zambia (OPPAZ)
 Philippine Tropical Fish Exporters Association (PTFEA)
 SANPROTA
 Semiconductor and Electronics Industries of the Philippines
 Southern Africa Herbal Health Association
 Sri Lanka Bus Owners Association
 Twin Trading
 Uganda Coffee Trade Federation
 Uganda Flower exporters Association
 United States Pet Industry Joint Advisory Council (PIJAC)
 US Halal Chamber of Commerce
 Veterinary Associations and private Veterinary Service Providers
 World Chlorine Council (WCC)
 World Information Technology and Services Alliance (WITSA)
 Zambia Chamber of Small and Medium Business Association
 Zambia Coffee Growers Association
 Zambia National Farmers Union (ZNFU)
 MicroInsurance Center

APPENDIX C

USAID DATA ESTIMATION METHODOLOGY

At times, it may be necessary to estimate performance results data that are to be included in the Agency's performance-related reports. This is particularly true in the case of the Performance and Accountability Report (PAR), which is now due on November 15th, a mere six weeks after the end of the fiscal year.

However, data estimation is an accepted practice when reporting data. Nevertheless, estimated data should be verifiable; it should be complete, reliable, comparable, and consistent. Furthermore, the methodology used to estimate data should be well documented. Accordingly, USAID employs various methods to accurately estimate performance data, as described in the table below.

SELECTED METHODS USED FOR DATA ESTIMATION
<p>Expert Opinion</p> <p>Data estimates can be based on employee judgment and experience. Only those employees who are familiar with the relevant organizational processes and procedures should be consulted.</p>
<p>Historical Trends</p> <p>Historical data can be the best indicator of present and future performance. Historical data will typically show seasonal and annual trends.</p>
<p>Extrapolation</p> <p>Partial-year data can be averaged or extrapolated to project full-year estimates. Partial-year data estimation should be performed by employees who are most familiar with the data in question.</p>
<p>Sampling and Statistics</p> <p>If the cost in time and resources for collecting a large amount of data is too high, a statistically valid sample will often suffice.</p>

Data estimation evolves and becomes more precise over time. The first time an estimate is calculated, it may be inaccurate, especially if there is no historical data to use for comparison purposes. Subsequent estimates often benefit from historical or actual data and are, therefore, more reliable.

POINT OF CONTACT

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APPENDIX D

GLOSSARY OF TERMS

The glossary defines legislative, administrative, programming and budget terms referred to in this budget justification. Frequently used abbreviations are included.

Accrual: An estimate of cost that has been incurred but not yet paid by the Agency. An accrual is calculated for a specific agreement. It helps provide current information on the financial status of an activity and program.

Activity: A set of actions through which inputs such as commodities, technical assistance and training are mobilized to produce specific outputs such as vaccinations given, schools built, and micro-enterprise loans issued. Activities are undertaken to achieve "strategic," "special," or "strategic support" objectives that have been formally approved and notified to Congress.

Actual Year: Last completed fiscal year; in this case, FY 2004.

Agency Strategic Plan: See Joint State-USAID Strategic Plan.

Agreement: An agreement is the formal mutual consent of two or more parties. The Agency employs a variety of agreements to formally record understandings with other parties, including grant agreements, cooperative agreements, strategic objective agreements, memoranda of understanding, interagency agreements, contracts, and limited scope grant agreements. In most cases, the agreement identifies the results to be achieved, respective roles and contributions to resource requirements in pursuit of a shared objective within a given timeframe.

Annual Performance Plan: See Performance Budget.

Annual Performance Report: See Performance and Accountability Report (PAR).

Annual Report: The document that is reviewed internally and submitted to USAID headquarters by the field or Washington operating unit on an annual basis. The Annual Report is used to produce several other Agency reports.

Appropriation: An act of Congress permitting Federal agencies to incur obligations for specified purposes, e.g., Consolidated Appropriations Act, 2005.

Appropriation Accounts: The separate accounts for which specific dollar amounts are authorized and appropriated.

Authorization: Substantive legislation that establishes legal operation of a Federal program, either indefinitely or for a specific period, and sanctions particular program funding levels, e.g., the Foreign Assistance Act of 1961, as amended (FAA).

Economic assistance provided by the United States directly to a country or through regional programs to benefit one or more countries indirectly. (USAID Child Survival and Health Programs Fund, Development Assistance, Economic Support Fund, Assistance for Eastern Europe and the Baltic States, Assistance for the Independent States of the former Soviet Union, and most P.L. 480 food aid are among the U.S. bilateral programs. Others include Peace Corps and International Narcotics Control.)

Budget Authority: Authority provided to the U.S. Government by law to enter into obligations that result in outlays of government funds.

Budget Justification: See Congressional Budget Justification.

Budget Year: Year of budget consideration; in this case, FY 2005.

Child Survival and Health Programs Fund: An appropriation account (formerly Child Survival and Diseases Program Fund) for funding child survival, assistance to combat HIV/AIDS and other infectious diseases, and family planning activities.

Congressional Budget Justification: The presentation to the Congress (CBI) that justifies USAID's budget request and provides information on the programs, objectives, and results. (Formerly referred to as the Congressional Presentation.)

Consortium Grant: A grant to consortia of private and voluntary organizations (PVO) to enable a group of PVOs with similar interests to exchange information and program experiences and to collaborate on programs, thereby avoiding duplication.

Continuing Resolution: A joint resolution passed to provide stop-gap funding for agencies or departments whose regular appropriations bills have not been passed by the Congress by the beginning of the fiscal year.

Cooperative Development Organization (CDO): A business voluntarily owned and controlled by its users and operated for their benefit.

Deobligation: Unexpended funds obligated for a specific activity that are subsequently withdrawn, following a determination that they are not required for that activity.

Development Assistance: Assistance under Chapters I and IO of the Foreign Assistance Act primarily designed to promote economic growth and equitable distribution of its benefits.

Development Assistance Committee (DAC): A specialized committee of the Organization for Economic Cooperation and Development (OECD). The purpose of the DAC is to increase total resources made available to developing countries. Member countries jointly review the amount and nature of their contributions to bilateral and multilateral aid programs in the developing countries. DAC members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of the European Economic Communities.

Development Fund for Africa (DFA): The Development Fund for Africa (Chapter 10 of the Foreign Assistance Act), relating to the authorization of long-term development assistance for sub-Saharan Africa, was added to the FAA by the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991 (P.L. 101-513).

Development Loan: Development assistance that must be repaid, usually a long-term, low-interest loan repayable in U.S. dollars.

Development Program Grant (DPG): A grant to assist a private and voluntary organization to strengthen its ability to be an effective development agency.

Disbursement: Actual payment made for a product, service or other performance, pursuant to the terms of an agreement.

Economic Assistance: Bilateral and multilateral foreign assistance designed primarily to benefit the recipient country's economy. Military assistance, Export-Import Bank activities, Overseas Private Investment Corporation programs and Commodity Credit Corporation short-term credit sales, which have primary purposes other than economic development, are not included in this category.

Economic Support Fund: An appropriation account for funding economic assistance to countries based on considerations of special economic, political or security needs and U.S. interests. It took the place of Security Supporting Assistance, as provided in Section 10(b)(6) of the International Security Assistance Act of 1978 (92 STAT 735).

Expenditure: As reported in this document, represents the total value of goods and services received, disbursement for which may not have been made. A disbursement, also referred to as an actual expenditure or outlay, represents funds paid from the U.S. Treasury.

Fiscal Year: Yearly accounting period, without regard to its relationship to a calendar year. (The fiscal year for the U.S. Government begins October 1 and ends September 30.)

Foreign Assistance Act (FAA): The Foreign Assistance Act of 1961, as amended (USAID's present authorizing legislation).

Foreign Assistance and Related Programs Appropriation Act: The Appropriation Act for a particular year for economic (except P.L. 480 food aid) and military assistance and Export-Import Bank.

FREEDOM Support Act (FSA): The Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act, P.L. 102-511) authorizes assistance to the Independent States of the former Soviet Union (referred to as Eurasia).

Functional Assistance: Development Assistance funded from the Development Assistance, Child Survival and Health Programs Fund, and Development Credit Programs appropriation accounts and authorized from one of the following eight authorization accounts: (1) Agriculture, Rural Development and Nutrition; (2) Population Planning; (3) Health; (4) Child Survival; (5) AIDS Prevention and Control; (6) Education and Human Resources Development; (7) Private Sector, Environment and Energy; and (8) Science and Technology.

Global Program or Activity: A global program or activity refers to a USAID program or activity that takes place across various regions (i.e., trans-regional in nature). This type of program is most often managed by a central operating bureau such as Democracy, Conflict, and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; and Global Health.

Goal: A long-term development result in a specific area to which USAID programs contribute and which has been identified as a specific goal by the Agency.

Government Performance and Results Act: The Government Performance and Results Act (GPRA) of 1993 (PL 103-62) provides for the establishment of strategic planning and performance management in the Federal government.

Grant: Assistance to an organization to carry out its activities as opposed to the acquisition of services for USAID or a host country that need not be repaid. (Term also describes a funding instrument for programs of an institution or organizations, e.g., International Executive Service Corps or an international agricultural research center.)

Gross Domestic Product (GDP): Measures the market value of total output of final goods and services produced within a country's territory, regardless of the ownership of the factors of production involved, i.e., local or foreign, during a given time period, usually a year. Earnings from capital invested abroad (mostly interest and dividend receipts) are not counted, while earnings on capital owned by foreigners but located in the country in question are included. The GDP differs from the GNP in that the former excludes net factor income from abroad.

Gross National Product (GNP): Measures the market value of total output of final goods and services produced by a nation's factors of production, regardless of location of those factors, i.e., in the country or abroad, during a given time period, usually a year. Earnings from capital owned by nationals but located abroad (mostly interest and dividend receipts) are included, while earnings in the country by factors owned by foreigners are excluded.

Host Country: A country in which the USAID sponsoring unit is operating.

Input: A resource, operating expense or program funded, that is used to create an output.

Intermediate Result: The most important results that must occur in order to achieve a strategic objective; a cluster or summary of results used in summarizing the results framework.

International Financial Institution (IFI): Currently known as a multilateral development bank (MDB), a multilateral lending institution that provides resources for development. These institutions, or banks, include the following: Asian Development Bank (ADB) and Fund (ADF), African Development Bank (AFDB) and Fund (AFDF), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD), or the "World Bank", International Finance Corporation (IFC),

International Development Association (IDA), Middle East Development Bank (MEDB), and North American Development Bank (NADB).

Joint Planning: A process by which an operating unit actively engages and consults with other relevant and interested USAID offices in an open and transparent manner. This may occur through participation on teams or through other forms of consultation.

Joint State Department-USAID Strategic Plan: All federal agencies produce a multi-year Agency Strategic Plan (ASP). In 2003, USAID and the Department of State wrote a joint strategic plan detailing USAID and Department of State contributions to the development and diplomacy objectives of the National Security Strategy of the United States. It represents the Agency's overall plan for providing development assistance. The strategic plan articulates the Agency's mission, goals, and program approaches.

Life of Strategic Objective: The approved time for a strategic objective, that can be amended at any time. While formal approval is within the overall operating unit's strategic plan, a strategic objective may not necessarily begin and end when a plan begins and ends. No activity helping to achieve a result for a given strategic objective can be implemented beyond that strategic objective's life.

Limited Scope Grant Agreement: This agreement is similar to the strategic objective agreement, but is shorter in length. It is used for obligating funds for a small activity or intervention, e.g., participant training or program development and support.

Loan: Assistance that must be repaid. Repayment terms for development loans under Development Assistance and the Economic Support Fund are established by USAID in accordance with the Foreign Assistance Act of 1961, as amended (FAA), and the current Foreign Assistance and Related Programs Appropriation Act.

Manageable Interest: That which is within USAID's reasonable control, within the context of contracts and grants. That which is in the strategic objective team's reasonable influence, in the context of the strategic objective team including partners.

Management Services Grant: A grant to a private and voluntary organization (PVO) that in turn provides management or program support services (e.g., clearinghouse, accounting assistance, evaluation) to other PVOs.

Mission: The ultimate purpose of the Agency's programs. It is the unique contribution of USAID to U.S. national interests. There is one Agency mission.

Mission: The Agency field office that oversees USAID activities in a host country.

Multilateral Assistance: Assistance which the United States provides to less or least developed countries (LDC) through multilateral development banks, the United Nations agencies, and other international organizations with development purposes.

Multilateral Development Bank (MDB): See international financial institutions.

National Interest: A political and strategic interest of the United States that guides the identification of recipients of foreign assistance and the fundamental characteristics of development assistance.

New Directions: Legislation enacted in 1973 requiring USAID to focus more of its efforts on helping the poor majority in developing countries.

Nongovernmental Organization (NGO): An organization, organized either formally or informally, that is independent of government.

Non-Presence Country: A country where USAID-funded activities take place but where U.S. direct-hire staff are not present to manage or monitor these activities. Note that some non-presence countries may have other USAID employees, such as foreign service nationals or U.S. personal service contractors, present.

Non-Project Assistance: Program or commodity loans or grants that provide budget or balance-of-payments support to another country. Such assistance is usually funded under the Economic Support Fund or Development Fund for Africa.

Obligation: Legal commitment of funds through such mechanisms as signed agreements between the U.S. Government and host governments, contracts and grants to organizations, and purchase orders.

Objective: A significant development result that contributes to the achievement of an Agency goal. Several Agency objectives contribute to each Agency goal. An Agency objective provides a general framework for more detailed planning that occurs for a specific country and regional program.

Ocean Freight Reimbursement: Reimburses private and voluntary organizations (PVO) for up to one-half of their cost in shipping equipment and commodities overseas in support of their development programs.

Official Development Assistance (ODA): Assistance on concessional terms (with a grant element of at least 25%), provided by member countries of the Development Assistance Committee to promote economic development in developing countries.

Operating Expenses: Those appropriated funds used to pay salaries, benefits, travel, and all support costs of direct-hire personnel. The "cost of doing business."

Operating Unit: An agency field mission or Washington office or higher level organizational unit that expends program or operating expense funds to achieve a strategic or special objective, and that has a clearly defined set of responsibilities focused on the development and execution of a strategic plan.

Operational Year: Fiscal year in progress (current year), presently FY 2005.

Operational Program Grant (OPG): A grant to private and voluntary organizations to carry out specific programs.

Organization for Economic Cooperation and Development (OECD): Organization of donor countries that promotes policies designed to stimulate economic growth and development of less developed countries. OECD member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

Outlay: Cash disbursement from the Treasury.

Output: A tangible immediate and intended product or consequence of an activity. Examples of outputs include personnel trained, people fed, analyses prepared, vaccinations given, policies recommended, technical assistance delivered, better technologies developed, and new construction completed.

Parameter: A given framework or condition within which decision-making takes place, i.e., Agency goals, earmarks, legislation, etc.

Parameter-setting: A process by which a parameter is agreed upon and used to define limits, constraints and options for the development or revision of a strategic plan.

Participant: USAID-sponsored, less developed country (LDC) national being trained outside his or her own country.

Peacekeeping Operations: The program authorized and appropriated for a special type of economic assistance for peacekeeping operations and other programs carried out in furtherance of the national interests of the United States.

Performance and Accountability Report: The Agency's performance and accountability report (PAR) synthesizes the Agency program performance for the year ending the past September (e.g., FY 2004). It reports by Agency goal against the Agency's FY 2004 annual performance plan that was prepared and submitted to Congress in 2002. The annual performance plan is a required document under the Government Performance and Results Act. In contrast, the annual budget justification is organized by the operating, or management, units in countries, regions, or Washington. The budget justification reports on the performance of each program managed by each Agency operating unit.

Performance Budget: The Agency's performance budget (PB) summarizes the Agency's performance plans for the same year as the budget request year (e.g., FY 2006). It is organized by the Agency goals outlined in the Agency strategic plan. The annual performance plan is a required document under the Government Performance and Results Act. In contrast, the annual budget justification is organized by specific countries, regions, or global programs. The budget justification contains the plans for each Agency operating unit.

Performance Indicator: Particular characteristic or dimension used to measure intended changes defined by an organizational unit's results framework. Performance indicators are used to observe progress and to measure actual results compared to expected results. The indicators are usually expressed in quantifiable terms, and should be objective and measurable (numeric values, percentages, scores and indices).

Performance Plan: The performance plan identifies annual performance benchmarks of the operating unit. Meeting benchmarks, or the planned levels of achievement for a given year, are considered important steps toward ultimately achieving the ten-year performance goals identified in the Strategic Plan.

Performance Target: The specific and intended result to be achieved within an explicit timeframe and against which actual results are compared and assessed. In addition to final targets, interim targets also may be defined.

Pillar: USAID's new strategic orientation involves four pillars. The first, the Global Development Alliance (GDA), represents a change in the way USAID implements assistance; USAID will serve as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporations, the higher education community, and nongovernmental organizations in support of shared objectives overseas. USAID has aggregated its current and mutually reinforcing programs and activities into three program pillars to utilize resources more effectively and to describe its programs more clearly. The three program pillars are Democracy, Conflict, and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; and Global Health.

Pipeline: The difference between obligations and expenditures.

President's Budget: Budget for a particular fiscal year transmitted to Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended.

Private and Voluntary Organization (PVO): A non-profit, tax-exempt and nongovernmental organization established and governed by a group of private citizens whose purpose is to engage in voluntary charitable and development assistance operations overseas.

Program: A coordinated set of USAID-financed activities directed toward specific goals. For example, maternal and child health, nutrition, education and family planning activities designed to promote the spacing of children may comprise a program to reduce infant deaths.

Program Approach: A tactic identified by the Agency as commonly used to achieve a particular objective. Several program approaches are associated with each Agency objective.

Project: A structured undertaking (often involving considerable money, personnel and equipment) of limited duration that is developed through various bureaucratic, analytical, and approval processes in order to achieve a tangible objective (e.g., a school construction project, an adult literacy project). A project should be considered as one of several types of activities that contribute to a given result or set of results. (See Activity.)

Public Law 480: The Agricultural Trade Development and Assistance Act of 1954, as amended, which governs administration of the U.S. Food for Peace program. (Term P.L. 480 is often used to describe food aid.)

Reimbursement: Collection of funds for services provided to recipients outside the USAID.

Reobligation: Obligation of an amount that had been obligated and deobligated in prior transactions.

Result: A significant, intended and measurable change in the condition of a customer, or a change in the host country, institution or other entity that will affect the customer directly or indirectly.

Results Framework: The results framework explains how the strategic objective is to be achieved, including those results that are necessary and sufficient, as well as their causal relationships and underlying assumptions.

Results Package: A collection of activities, including staff and partner involvement, necessary and sufficient to achieve one or more results in a results framework.

Results Review and Resource Request (R4): This document has been replaced by the Annual Report.

Special Objective: The result of an activity or activities that do not qualify as a strategic objective, but support other U.S. Government assistance objectives. A special objective is expected to be small in scope relative to the portfolio as a whole.

Stakeholder: An individual or group who has an interest in and influences USAID activities, programs and objectives.

Strategic Framework: A graphical or narrative representation of the Agency's strategic plan. The framework is a tool for communicating the Agency's development strategy. The framework also establishes an organizing basis for measuring, analyzing, and reporting results of Agency programs.

Strategic Objective: The most ambitious result that an Agency operational unit, along with its partners, can materially affect, and for which it is willing to be held accountable within the time period of the strategic objective.

Strategic Plan: The framework which an operating unit uses to articulate the organization's priorities, to manage for results, and to tie the organization's results to the customer and beneficiary. The strategic plan is a comprehensive plan that includes the limitation of strategic objectives and a description of how resources will be deployed to accomplish the objectives. A strategic plan is prepared for each portfolio whether it is managed at a country, regional, or central level.

Support for East European Democracy (SEED) Act: The Support for East European Democracy Act of 1989 (P.L. 101-179) authorizes assistance to Eastern Europe.

Sustainable Development: Economic and social growth that does not exhaust a country's resources; that does not damage the economic, cultural or natural environment; that creates incomes and enterprises; and that builds indigenous institutions.

Target: See Performance Target.

APPENDIX E

ABBREVIATIONS AND ACRONYMS

A/AID	Office of the Administrator	AFDB	African Development Bank
A&A	Acquisition and Assistance	AFDF	Africa Development Fund
AACD	Activity Assistance Completion Date	AFR	Africa Bureau
AAD	Activity Approval Document	AG	Attorney General
AAEF	Albanian-American Enterprise Fund	AGEXPRONT	Nontraditional Exporters' Guild (Guatemala)
AAFLI	Asian-American Free Labor Institute	AGILE	Accelerated Growth, Investment, and Liberalization with Equity
AATF	African Agricultural Technology Foundation	AGOA	Africa Growth and Opportunities Act
ABA	American Bar Association	AIDS	Acquired Immune Deficiency Syndrome
ABC	Abstinence, Being Faithful and Using Condom Approach	AIDSCAP	Acquired Immunodeficiency Syndrome Control and Prevention Project
ABEL	Advancing Basic Education and Literacy	AIFLD	American Institute for Free Labor Development
ACDI	Agriculture Cooperation Development International	AIHA	American International Health Alliance
ACDI	Agricultural Cooperative Development Institute	AIN	Integrated Child Care (English translation)
ACI	Andean Counterdrug Initiative	ALGAS	Asia Least Cost Greenhouse Gas Abatement Strategy
ACILS	American Center for International Labor Solidarity	ALO	Association Liaison Office
ADB	Asian Development Bank	AMIR	Access to Micro-Finance and Implementation of Policy Reform
ADEA	Association for the Development of Education in Africa	AMR	Anti-Microbial Resistance
ADEX	Exporters' Association (Peru)	ANACAFE	Guatemala' National Coffee Association
ADF	African Development Foundation	ANE	Asia and Near East Bureau
ADP	Automated Data Processing	ANERA	American Near East Refugee Aid
ADR	Alternative Dispute Resolution	AOJ	Administration of Justice
ADS	Automated Directives System	AOJS	Administration of Justice Support
AED	Academy for Educational Development	APAC	AIDS Prevention and Control
AEEB	Assistance to Eastern Europe and the Baltics	APEC	Asia-Pacific Economic Cooperation
AELGA	Africa Emergency Locust and Grasshopper Assistance	APEDA	Agricultural Products Export Development Authority
AERA	Accelerating Economic Recovery in Asia	APPT	Abuse Prevention and Protection Team

APR	Agricultural Policy Reform	CAFTA	Central America Free Trade Agreement
APRP	Agricultural Policy Reform Program	CAI	Creative Associates Incorporated
AREP	Accelerated Reform for Enterprise Promotion	CAIC	Caribbean Association of Industry and Commerce
ARI	Acute Respiratory Infection	CAMP	Coastal Aquifer Management Program
ARV	Anti-Retroviral Vaccines	CAP	Counterpart Alliance for Partnership Program
ASHA	American Schools and Hospitals Abroad	CAPAS	Central American Protected Areas System
ATFL	American Task Force in Lebanon	CAPEL	Center for the Promotion of Electoral Assistance
ATI	Appropriate Technology International	CARE	Cooperative for Assistance and Relief Everywhere, Inc.
ATRIP	Africa Trade and Investment Program	CAREC	Caribbean Epidemiology Center
AUB	American University of Beirut	CARICOM	Caribbean Community
AUSAID	Australia Agency for International Development	CARPE	Central African Regional Program for the Environment
AVRDC	Asian Vegetable Research and Development Center	CATIE	Center for Tropical Agriculture Investigations and Studies
AVSC	Access for Voluntary Surgical Contraceptive	CBFRM	Community-based Forest Resource Management
AWACS	AID Worldwide Accounting and Control System	CBJ	Congressional Budget Justification
BASIC	Basic Support for Institutionalized Child Support	CBNRM	Community-based Natural Resource Management
BBSA	Basic Business Skill Acquisition	CBO	Community-Based Organization
BCN	Biodiversity Conservation Network	CCA	Clinger-Cohan Act
BIGUF	Bangladesh Independent Garment Workers Union Federation	CCAD	Central American Commission for Environment and Development
BOD	Biochemical Oxygen Demand	CCM	Country Coordinating Mechanism
BOOT	Build-Own-Operate-Transfer	CCP	Code of Criminal Procedures
BOT	Build-Operate-Transfer	CCT	Cooperative Coffee Timor
BRAC	Bangladesh Rural Advancement Committee	CDC	Centers for Disease Control and Prevention
BSM	Business Systems Modernization	CDIE	Center for Development Information and Evaluation
BTEC	Business Transformation Executive Committee	CDO	Cooperative Development Organization
CA	Cooperating Agency	CDP	Cambodian Defenders Project
CAAEF	Central Asian - American Enterprise Fund	CDR	Cooperative Development Research Program (U.S.-Israel)
CABEI	Central American Bank for Economic Integration	CECI	Canadian Center for International Studies and Cooperation
CABIO	Collaborative Agricultural Biotechnology Initiative	CEDPA	Center for Development and Population Activities
CAC	Community Access Center		
CACEDERF	Central America and Caribbean Emergency Disaster Relief Fund		

CEE	Central and Eastern Europe	CMM	Country Coordinating Mechanism
CEELI	Central and East European Law Institute	CMR	Child Mortality Rate
CEP	Community Empowerment Program	CMS	Commercial Markets Strategy
CEPAL	Economic Commission for Latin America	CNG	Compressed Natural Gas
CEPPS	Consortium for Elections and Political Processes Strengthening	CO2	Carbon Dioxide
CERTI	Complex Emergency Response and Transition Initiative	COE	Council of Europe
CETTI	Centers of Excellence in Teacher Training Initiative	COEN	El Salvador Disaster Preparedness Organization
CEWARN	Conflict Early Warning Network	COMESA	Common Market for Eastern and Southern Africa
CFET	Consolidated Fund for East Timor	COMURES	Corporation of Municipalities in El Salvador
CFO	Chief Financial Officer	CONRED	National Disaster Coordinating Committee (Guatemala)
CG	Consultative Group	CONTIERRA	Land Conflict Resolution Commission (Guatemala)
CGAP	Consultative Group to Assist the Poorest	COOP	Continuity of Operations
CGIAR	Consultative Group for International Agricultural Research	COP	Community of Practice
CHF	Cooperative Housing Foundation	COTS	Commercial off the Shelf
CIDA	Canadian International Development Agency	CP	Congressional Presentation (now Congressional Budget Justification)
CIF	Capital Investment Fund	CPA	Coalition Provisional Authority (Iraq)
CIFOR	Center for International Forestry Research	CPIC	Capital Planning and Investment Control
CILSS	Permanent Interstate Committee for the Control of Drought in the Sahel	CPP	Comprehensive Post Partum Center
CIMMY	International Maize and Wheat Improvement Center	CPR	Contraceptive Prevalence Rate
CIP	Commodity Import Program	CRM	Coastal Resources Management
CIT	Communities in Transition	CRS	Catholic Relief Services
CITES	Convention of International Trade in Endangered Species	CRSP	Collaborative Research Support Program
CLD	Consortium for Legislative Development	CSD	Child Survival and Diseases Fund (now Child Survival and Health Program Fund)
CLD/SUNY	Center for Legislative Development, State University of New York, Albany	CSD	Commission on Sustainable Development
CLDP	Commercial Law Development Program	CSE	Colombo Stock Exchange
CLUSA	Cooperative League of the United States of America	CSG	Council of State Governments
CMM	Conflict Management and Mitigation	CSH	Child Survival and Health Programs Fund
		CSM	Contraceptive Social Marketing
		CSO	Civil Society Organization
		CSW	Commercial Sex Workers

CT	Cash Transfer	DOS	Department of State, U.S. Government
CVA	Conflict Vulnerability Assessment	DOT	Department of Treasury, U.S. Government
CWS	Church World Services	DOTS	Directly Observed Therapy, Short Course
CY	Calendar Year	DP	Democracy Partnership
CYP	Couple-Years' Protection	DPEP	District Primary Education Program
DA	Development Assistance	DPT	Diphtheria, Pertussis and Tetanus
DAC	Development Assistance Committee (OECD)	DPT3	Diphtheria, Pertussis, Tetanus Immunization Series
DAF	Development Assistance Fund	DRG	Diagnostic -Related Group
DAI	Development Alternatives International	DRI	Development Readiness Initiative (USAID)
DAP	Development Activity Proposal	DRI	Diplomatic Readiness Initiative (Department of State)
DART	Disaster Assistance Response Team	DRP	Demobilization and Rehabilitation Program (World Bank)
DBO	Design-Build-Operate	DSP	Development Support Program
DCA	Development Credit Authority	DTT	Deloitte Touche Tohmatsu
DCHA	Democracy, Conflict and Humanitarian Assistance Bureau (USAID)	DVS	Democratic Values Survey
DCOF	Displaced Children and Orphans Fund	EA	Enterprise Architecture
DCP	Development Credit Program	EA	Environmental Assessment
DEVTA	Deworming and Enhanced Vitamin A	EAC	East African Community
DFA	Development Fund for Africa	EAGER	Equity and Growth through Economic Research
DfID	Department for International Development, United Kingdom	EAI	Enterprise for the Americas Initiative
DG	Democracy and Governance	EAP	Environmental Action Plan
DH	Direct Hire	EAPEI	East Asia and Pacific Environmental Initiative
DHHS	Department of Health and Human Services	EBRD	European Bank for Reconstruction and Development
DHRF	Democracy and Human Rights Fund	EC	European Community
DHS	Demographic Health Survey	ECEP	Energy Conservation and Environment Project
DIET	District Institute of Education and Training	ECHO	European Commission Humanitarian Organization
DIMS	Democratic Indicators Monitoring Survey	ECLAC	Economic Commission for Latin America and the Caribbean
DOD	Department of Defense, U.S. Government	ECOMOG	Economic Community of West African States Monitoring Group
DOE	Department of Energy, U.S. Government	ECOWAS	Economic Community of West African States
DOJ	Department of Justice, U.S. Government	ECU	European Currency Unit
DOP	Declaration of Principles on Interim Self-Governing Arrangement		

EDDI	Education for Development and Democracy Initiative	EU	European Union
E&E	Europe and Eurasia Bureau	EU/PHARE	European Union - Poland, Hungary, Albania, Romania, Estonia
EE	Emergency and Evacuation	FANTA	Food and Nutrition Technical Assistance
EEAA	Egyptian Environmental Affairs Agency	FAO	Food and Agriculture Organization (United Nations)
EEDC	Economic Entrepreneurial Development Center	FAR	Fixed Amount Reimbursable
EEHC	Electricity Holding Company	FBO	Faith-Based Organization
EEPP	Egypt Environmental Policy Program	FDA	Food and Drug Administration, U.S. Government
EG	Economic Growth	FDI	Foreign Direct Investment
EGAT	Economic Growth, Agriculture and Trade Bureau (USAID)	FEMA	Federal Emergency Management Agency, U.S. Government
EIA	Environmental Impact Assessment	FEWS	Famine Early Warning System
EIB	European Investment Bank	FFMIA	Federal Financial Management Improvement Act
EMED	Entrepreneur Management and Executive Development	FFP	Food for Peace
EMPS	Environment Managed for Prosperity and Sustainability	FFW	Food for Work
ENI	Europe and New Independent States (now Europe and Eurasia)	FH	Freedom House
ENR	Environment and Natural Resources	FH/FNN	Freedom House/National Forum Foundation
EO	Executive Order	FIAS	Foreign Investment Advisory Service
EOP	Office of Equal Opportunity Programs	FICCI	Federation of Indian Chambers of Commerce and Industry
EPA	Environmental Protection Agency, U.S. Government	FINCA	Foundation for International Community Assistance
EPI	Expanded Program of Immunization	FLAG	Firm Level Assistance Group
EPRA	Economic Policy Resource Center	FMIP	Financial Management Improvement Act
EPSP	Economic Policy Support Project	FORWARD	Fostering Resolution of Water Resources Disputes
ERF	Emergency Response Fund	FP	Family Planning
ES	Office of the Executive Secretariat	FREEDOM	Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act)
ESAF	Extended Structural Adjustment Facility (International Monetary Fund)	FRM	Forest Resources Management
ESCOs	Energy Service Companies	FSA	FREEDOM Support Act
ESEG	Energy Security for Economic Growth	FSI	Financial Systems Integration
ESF	Economic Support Fund	FSO	Foreign Service Officer
ETU	Egyptian Technology University	FSVC	Financial Services Volunteer Corps

FTA	Free Trade Agreement	GNP	Gross National Product
FTAA	Free Trade Area of the Americas	GPA	Global Program of Action for the Protection of the Marine Environment from Landing-based Activities
FTE	Full Time Equivalency	GPRA	Government Performance and Results Act (P.L. 103-62)
FtF	Farmer to Farmer Program	GREGI	Gobi Regional Growth Initiative
FWWB	Friends of Women's World Banking	GSA	General Services Administration
FY	Fiscal Year	GSP	General System of Preference
G-8	Group of Eight (leading industrialized nations consisting of Canada, France, Germany, Italy, Japan, Russia, United Kingdom, and United States)	GSU	Georgia State University
GAI	Global AIDS Initiative	GTN	Global Technology Network
GAIN	Global Alliance for Improved Nutrition	GTZ	German Agency for Technical Cooperation
GAO	General Accounting Office	HA	Hectare
GAVI	Global Alliance for Vaccines and Immunization	HBCUs	Historically Black Colleges and Universities
GATT	General Agreement on Tariffs and Trade	HCC	Historical Clarification Commission
GC	Office of the General Counsel	HG	Housing Guaranty
GCA	Global Coalition for Africa	HIID	Harvard Institute of International Development
GCC	Global Climate Change	HIPC	Heavily Indebted Poor Countries
GDA	Global Development Alliance Secretariat	HIV	Human Immunodeficiency Virus
GDF	Global Drug Facility	HKI	Helen Keller International
GDP	Gross Domestic Product	HMHC	Health Maintenance and Health Care
GEF	Global Environment Facility	HMO	Health Maintenance Organization
GESAMP	Group of Experts on the Scientific Aspects of Marine Environmental Protection	HPSP	Health Policy Support Program
GESI	Global Environmental Sanitation Initiative	HRC	Human Rights Commission
GFATM	Global Fund to Fight AIDS, Tuberculosis, and Malaria	IACCC	Inter-Agency Climate Change Committee
GH	Global Health Bureau (USAID)	IAF	Inter-American Development Foundation
GHAI	Greater Horn of Africa Initiative	IARC	International Agricultural Research Center
GHG	Greenhouse Gas	IAS	International Accounting Standards
GIE	Gaza Industrial Estate	IAVI	International AIDS Vaccine Initiative
GIN	Greening of Industry Network	IBRA	Indonesian Bank Restructuring Agency
GIS	Geographic Information System	IBRD	International Bank for Reconstruction and Development (World Bank)
GLI	Great Lakes Initiative	IBTC	International Business and Technical Consultants
GLJI	Great Lakes Justice Initiative		

ICASS	International Cooperative Administrative Support Services	IFPRI	International Food Policy Research Institute
ICDDR	International Center for Diarrheal Disease Research	IFPS	Innovations in Family Planning Services
ICDS	Integrated Child Development Services	IFRC	International Federation of the Red Cross
ICICI	Industrial Credit and Investment Corporation of India	IG	Inspector General
ICITAP	International Criminal Investigation and Training Assistance Program	IHE-Delft	International Institute for Infrastructural, Hydraulic, and Environmental Engineering
ICLARM	International Center for Living Aquatic Resources Management	IHRIG	International Human Rights Law Group
ICNL	International Center for Not-For-Profit Law	IIDH	Inter-American Institute of Human Rights
ICRC	International Committee of the Red Cross	ILO	International Labor Organization
ICZM	Integrated Coastal Zone Management	ILRF	International Labor Rights Fund
ID	Infectious Diseases	ILSI	International Life Sciences Institute
IDA	International Development Assistance	IMCI	Integrated Management of Childhood Illnesses
IDA	International Disaster Assistance (now International Disaster and Famine Assistance)	IMET	International Military Education and Training
IDB	Inter-American Development Bank	IMF	International Monetary Fund
IDE	International Development Enterprises	IMR	Integrated Managing for Results
IDEE	Institution for Democracy in Eastern Europe	IMR	Infant Mortality Rate
IDFA	International Disaster and Famine Assistance	IMT	Irrigation Management Transfer
IDP	Internally Displaced Person	INC	International Narcotics Control (State Department)
IDSR	Integrated Disease Surveillance and Response	INCLEN	International Clinical Epidemiology Network
IEC	Information, Education and Communication	INDRA	Indonesia Debt Restructuring Agency
IESC	International Executive Service Corps	INL	International Narcotics and Law Enforcement (State Department)
IFAD	International Fund for Agricultural Development	IO	International Organization
IFC	International Finance Corporation	IOM	International Organization for Migration
IFDC	International Fertilizer Development Center	IPEC	International Program on the Elimination of Child Labor
IFES	International Foundation for Electoral Systems	IPO	International Public Organization
IFESH	International Foundation for Education and Self Help	IPPF	International Planned Parenthood Federation
IFI	International Financial Institute	IPR	Intellectual Property Rights
IFPP	International Relief Partnership Program	IQC	Indefinite Quantity Contract
IFOR	Implementation Force (NATO)	IR	Intermediate Result
		IRDPA	Integrated Rural Development Program
		IREX	International Research and Exchanges Board

IRI	International Republican Institute	LC	Local Currency
IRIS	Center for Institutional Reform in the Informal Sector	LE	Egyptian Pound
IRM	Information Resource Management	LEB	Locally Elected Body
IRRF	Iraq Relief and Reconstruction Fund	LEWS	Livestock Early Warning System
ISA	Initiative for Southern Africa	LGU	Local Government Unit
ISAR	Institute on Soviet - American Relations	LMI	Lower-Middle-Income
ISBO	Institutional Strengthening for Business Opportunities	LPA	Legislative and Public Affairs Bureau
ISO	International Export Standard	LTTE	Liberation Tigers of Tamil Elam
IT	Information Technology	LWVF	Patrick J. Leahy War Victims Fund
ITSH	Internal Transport, Shipping and Handling	M	Management Bureau (USAID)
IUD	Inter-Uterine Device	MACS	Mission Accounting and Control System
IVCHS	Improved Village and Community Health Service Program	MAFF	Ministry of Agriculture Forestry and Fisheries
IVS	International Voluntary Services	MAI	Multilateral Assistance Initiative
JAFPP	Jordan Association of Family Planning	MAP	Market Access Program
JBIC	Japanese Bank for International Development	MAP	Morocco Agribusiness Promotion
JFMIP	Joint Financial Management Improvement Program	MBA	Masters of Business Administration
JHPIEGO	Johns Hopkins Program Providing Reproductive Health	MBIT	Masters of Business in Information Technology
JHU/PCS	Johns Hopkins University/Population Communication Services	MCA	Millennium Challenge Account
JICA	Japanese International Cooperation Agency	MCC	Millennium Challenge Corporation
JSI	John Snow Incorporation	MCEI	Municipal Coastal Environmental Initiative
JUSBP	Jordan U.S. Business Partnership	MCH	Maternal and Child Health
JVA	Jordan Valley Authority	MCM	Million Cubic Meters
JWC	Joint Water Committee	MDB	Multilateral Development Bank
KfD	Knowledge for Development	M&E	Monitoring and Evaluation
KG	Kilogram	MEA	Middle East and North Africa
KHANA	Khmer HIV/AIDS Alliance	MEG	Morocco Education for Girls
LAC	Latin America and the Caribbean Bureau	MEPI	Middle East Partnership Initiative
LAF	Lebanese Armed Forces	MERC	Middle East Regional Cooperation
LAU	Lebanese American University	MES	Mongolian Energy Sector Project
		MFA	Microenterprise Finance
		MFI	Microfinance Institution
		MHO	Mutual Health Organizations

MILGP	Military Group	MTT	Mobile Task Team
MINUGUA	United Nations Verification Mission for Guatemala	MVCS	Most Valuable Companies
MIS	Management Information System	MW	Megawatt
MMR	Maternal Mortality Rate	MWI	Ministry of Water and Irrigation
MNE	Ministry of National Education	NA	Not applicable, or Not Available
MNLF	Moro National Liberation Front	NACP	National AIDS Control Program
MOA	Ministry of Agriculture	NAMRU-3	Naval Medical Research Unit
MOE	Ministry of Education	NAPA	National Academy for Public Administration
MOE	Ministry of Environment	NAS	Narcotic Affairs Section (State Department)
MOEYS	Ministry of Education, Youth and Sports	NASA	National Aeronautics and Space Administration
MOF	Minister of Finance	NASDA	National Association of State Development Agencies
MOH	Ministry of Health	NATO	North Atlantic Treaty Organization
MOHHC	Ministry of Health and Health Care	NBG	National Bank of Georgia
MOHP	Ministry of Health and Population	NCBA	National Cooperative Business Association
MOJ	Ministry of Justice	NCJS	National Center for Judicial Studies
MOLG	Ministry of Local Government	NDI	National Democratic Institute
MOMRA	Ministry of Municipal and Rural Affairs	NEAP	National Environmental Action Plan
MOPH	Ministry of Public Health	NED	National Endowment for Democracy
MOST	Micronutrient Operational Strategies and Technologies	NED	New Enterprise Development
MOU	Memorandum of Understanding	NEP	New Entry Professional
MP	Member of Parliament	NEPAD	New Partnership for Africa's Development
MPF	Multiproject Financing Facility	NET	NIS Exchanges and Training
MPM	Management Policy and Metrics	NFALP	Non-Formal and Adult Literacy Program
MPMS	Management Policy and Metrics Staff	NFC	National Finance Center
MPP	Mission Performance Plan	NGO	Non-Governmental Organization
MPRP	Mongolian People's Revolutionary Party	NID	National Immunization Day
MSE	Micro and Small Enterprises	NIH	National Institutes of Health
MSED	Micro and Small Enterprise Development	NIS	New Independent States of the Former Soviet Union (now Independent States of the Former Soviet Union)
MSH	Management Sciences for Health	NMS	New Management System
MSME	Micro, Small and Medium Enterprise	NOAA	National Oceanic and Atmospheric Administration
MT	Metric Tons		
MTCT	Mother-to-Child Transmission		

NORAD	Norwegian Aid	OSDBU/MRC	Office of Small and Disadvantaged Business Utilization/Minority Resource Center
NPA	Non-Project Assistance	OTI	Office of Transition Initiatives (USAID)
NPI	New Partnership Initiative	OVC	Orphans and Vulnerable Children
NPR	National Performance Review	PA	Palestinian Authority
NRECA	National Rural Electric Cooperative Administration	PACD	Project Assistance Completion Date
NRM	Natural Resources Management	PACT	Private Agencies Collaborating Together
NTA	New Transatlantic Agenda	PACT	Program for the Advancement of Commercial Technology
NTE	Non-Traditional Export	PAHO	Pan American Health Organization
NTFP	Non-Traditional Forest Products	PAL	Planning, Achievement, and Learning
NWI	Ministry of Water and Irrigation	PART	Program Assessment and Rating Tool
OAS	Organization of American States	PASA	Participating Agency Service Agreement
OAU	Organization of African Unity	PATH	Program for Appropriate Technologies in Health
ODA	Official Development Assistance	PC	Palestinian Council
OE	Operation Expenses	PDF	Power Development Fund
OECD	Organization for Economic Cooperation and Development	PED	Provincial Environment Departments
OECF	Overseas Economic Cooperation Fund	PERPP	Public Enterprise Reform and Privatization Program
OECS	Organization of Eastern Caribbean States	PEPFAR	President's Emergency Plan for AIDS Relief
OFDA	Office of Foreign Disaster Assistance (USAID)	PES	Policy Environment Score
OHCHR	Office of the High Commissioner for Human Rights (United Nations)	PHC	Primary Health Care
OIG	Office of Inspector General (USAID)	PHCI	Primary Health Care Initiative
OMB	Office of Management and Budget	PHN	Population, Health and Nutrition
OPEC	Organization of Petroleum Exporting Countries	PIEFZA	Palestinian Industrial and Free Zone Authority
OPIC	Overseas Private Investment Corporation	PIL	Public Interest Litigation
OPIN	Online Presidential Initiatives Network	PIP	Parks in Peril
OPV	Oral Polio Vaccine	PIPA	Palestinian Investment and Promotion Agency
ORS	Oral Rehydration Salts	PL	Public Law
ORS/T	Oral Rehydration Salts/Therapy	PLANTE	National Alternative Development Plan (Colombia)
ORT	Oral Rehydration Therapy	PLC	Palestinian Legislative Council
OSCE	Organization for Security and Cooperation in Europe	PLN	Indonesian National Electric Company
		PLO	Palestinian Liberation Organization

PMA	Palestinian Monetary Authority	RDS	Regional Development and Support
PMA	President's Management Agenda	REDSO	Regional Economic Development Support Office (USAID)
PMC	Pune Municipal Corporation	RH	Reproductive Health
PMO	Program Management Office	RHUDO	Regional Housing and Urban Development Office (USAID)
PMP	Performance Monitoring Plan	RIG	Regional Inspector General (USAID)
PMTCT	Prevention of Mother-to-Child AIDS Transmission	ROL	Rule of Law
PMTI	Presidential Management Training Initiative	ROT	Rehabilitate-Operate-Transfer
PNFPP	Philippine National Family Planning Program	RRB	Regional Rural Banks
POP	Persistent Organic Pollutant	RSD	Regional Sustainable Development Office (USAID)
PPC	Policy and Program Coordination Bureau (USAID)	RTI	Research Triangle Institute
PPG7	Pilot Program to Conserve the Brazilian Rainforest, Group of 7	RTII	Regional Trade and Investment Initiative
PREAL	Program for Education Reform in the Americas	SAARC	South Asian Association for Regional Cooperation
PRIME	Program for Innovation in Microenterprise	SADC	Southern Africa Development Community
PRIME	Primary Providers' Training and Education in Reproduction	SAEDF	Southern Africa Enterprise Development Fund
PRM	Population, Refugees, and Migration (State Department)	SAGA	Strategies and Analyses for Growth and Access
PRSP	Poverty Reduction Strategy Paper	SAGE	Strategies for Advancing Girls Education
PSC	Personal Service Contract	SAI	Special Assistance Initiative
PSI	Population Services International	SARI	South Asia Regional Initiative
PSIP	Procurement System Improvement Project	SCA	Supreme Council for Antiquities
PSO	Private Sector Organization	SDF	Special Development Fund
PVC	Private Voluntary Cooperation	SEBI	Securities and Exchange Board of India
PVO	Private and Voluntary Organization	SEC	Office of Security
PW	Price-Waterhouse	SEC	Securities and Exchange Commission
PWA	Palestinian Water Authority	SEED	Support for East European Democracy
PWC	PricewaterhouseCoopers	SEI	State Environmental Initiative
QCHT	Quality Control of Health Technologies	SEP	Senior Executive Program
QIZ	Qualifying Industrial Zones	SET	Supreme Electoral Tribunal
RACHA	Reproductive and Child Health Alliance	SIGN	Safe Injection Global Network
RCSA	Regional Center for Southern Africa (USAID)	SIWM	Souss-Massa Integrated Water Resources
RCSP	Rural Civil Society Program	SME	Small and Medium-sized Enterprises

SME	Small and Micro-Enterprises	TR&D	Tropical Research and Development
SMME	Small, Medium and Micro Enterprises	TRA	Telecommunications Regulatory Agency
SO	Strategic Objective	TRADE	Trade for African Development and Enterprise Initiative
SOE	State-Owned Enterprise	TRG	Triangle Research Group
SOW	Scope of Work	TRM	Tadla Resources Management
SPA	Special Program of Assistance	TSG	The Services Group
SPO	Special Objective	UC	Union Council
SPR	Sector Policy Reform	UECP	Urban Environmental Credit Program
SPRP	Sector Policy Reform Program	UES	Urban Environmental Services
SPS	Sanitary and Phyto-sanitary Standard	UK	United Kingdom
SRII	Standard Research Institute International	ULP	University Linkages Project
SRP	Sahel Regional Program	UMCOR	Untied Methodist Committee on Relief
SSH	Special Self-Help Program	UN	United Nations
SSRC	Social Science Research Council	UNAIDS	United Nations Joint Program on HIV/AIDS
SSMSC	Stock Market State Commission (Ukraine)	UNCHS	United Nations Center for Human Settlements (Habitat)
STD	Sexually Transmitted Disease	UNDB	United Nations Development Bank
STI	Sexually Transmitted Infection	UNDCP	United Nations Drug Control Program
TAACS	Technical Advisors for AIDS and Child Survival	UNDP	United Nation Development Program
TACIS	Technical Assistance for the Commonwealth of Independent States, European Union	UNECE	United Nations Economic Commission for Europe
TAF	The Asia Foundation	UNEP	United Nations Environment Program
TB	Tuberculosis	UNESCO	United Nations Educational, Scientific and Cultural Organization
TBD	To be Determined	UNFCCC	United Nations Framework Convention on Climate Change
TCB	Trade Capacity Building	UNFPA	United Nations Population Fund
TDA	Tourism Development Authority	UNGA	United Nations General Assembly
TFCA	Tropical Forest Conservation Act	UNHCR	United Nations High Commissioner for Refugees
TFET	Trust Fund for East Timor	UNHRC	United Nations Human Rights Commission
TFR	Total Fertility Rate	UNICEF	United Nations Children's Fund
TI	Transition Initiatives	UNIFEM	United Nations Fund for Women
TIFA	Trade and Investment Framework	UNOPS	United Nations Operations Support
TISS	Tata Institute of Social Sciences		
TN	Tamil Nadu		
TNC	The Nature Conservancy		

UNRWA	United Nations Relief and Works Agency	WB	World Bank (International Bank for Reconstruction and Development)
UNTAET	United Nations Transitional Authority for East Timor	WCC	World Coast Conference
URC	University Research Corporation	WCF	Working Capital Fund
US	United States	WFF	World Wildlife Federation
USACE	United States Army Corps of Engineers	WFP	World Food Program (United Nations)
USAEP	U.S.-Asia Environmental Partnership	WHO	World Health Organization
USAID	United States Agency for International Development	WID	Women in Development
USDA	United States Department of Agriculture	WMO	World Meteorological Organization
USDH	United States Direct Hire	WOCCU	World Council of Credit Unions
USEA	United States Energy Association	WRS	Water Resource Sustainability
USF	University of San Francisco	WSSCC	Water Supply and Sanitation Collaborative Council
USFS	United States Forest Service	WSSD	World Summit on Sustainable Development
USFDA	U.S. Food and Drug Administration	WTO	World Trade Organization
USG	United States Government	WWF	World Wildlife Fund
USIA	United States Information Agency	YMCA	Young Men's Christian Association
USIS	United States Information Service		
USSR	Union of Soviet Socialist Republics		
USTR	United States Trade Representative		
UTC	United Technologies Corporation		
VC	Vulnerable Children		
VCT	Voluntary Counseling and Testing		
VfP	Volunteers for Prosperity		
VHS	Voluntary Health Services		
VITA	Volunteers in Technical Assistance		
VOA	Voice of America		
VOCA	Volunteers in Overseas Cooperative Assistance		
VOT	Victims of Torture		
VSC	Voluntary Surgical Contraceptive		
WAEN	West Africa Enterprise Network		
WAJ	Water Authority of Jordan		
WARP	West African Regional Program		

COVER AND DIVIDER PAGE PHOTO CAPTIONS AND CREDITS

Cover: IDP (internally displaced person) girls in Afghanistan waiting for food. *Photo: Alejandro Chicheri/WFP (World Food Program)*

Title page: Since agriculture is the main occupation for 70 percent of Afghans, one of USAID's principal focus will be farming and rural economic development. *Photo: USAID*

MD&A

Page 11: Children of Sudan. *Photo: USAID/Jeff Grieco*

Page 12: Construction begins on the 240 kilometer road from Banda Aceh to Meulaboh in Indonesia. The road, destroyed by the tsunami in December 2004, is the economic backbone of the region, connecting Aceh Province with the rest of the country. *Photo: Caroline Gredler, USAID/Indonesia*

PERFORMANCE SECTION

Page 69: Mokhtars (municipal registrars) from a governate prepare for elections to a new district council in Iraq. *Photo: Thomas Hartwell*

Page 70: Internally displaced person (IDP) waits in line at a USAID camp. *Photo: USAID/DCHA*

FINANCIAL SECTION

Page 161: Children of La Esperanza, San Pedro de Macoris, Dominican Republic attending a rural school. La Esperanza was heavily hit by Hurricane Georges (1998). *Photo: USAID/Luigi Crespo*

Page 162: First grade pupils receive book bags and teaching supplies at Ma'ahad Mahwill Al-Irshadie in Barangay Limbo, Sultan Kudarat, Maguindano under USAID's Education Quality and Access for Learning and Livelihood Skills (EQuALLS) project. *Photo: Gutierrez Mangansakan, USAID/EQuALLS*

Page 203: USAID supports Southern African farmers to produce and market high value nontraditional export crops, such as the honeybush for tea that this woman is harvesting. *Photo: Petrus Langenhoven, ASNPP/South Africa*

Page 204: Members of the Erchim group in Erdenet city make ger ropes of yak hair for export. *Photo: CHF International/Mongolia*

Page 209: Cotton farmer improves his production thanks to animal-drawn cultivation in Banikoara. *Photo: Alain Soglo/MISTOWA Project*

Page 210: Onions for sale in Ruaha Mbuyuni, Iringa Region. Thanks to training from the USAID-funded DAI-PESA project, farmers have learned to store their harvests for longer periods. They can now choose when to sell their crops in order to receive the best prices. *Photo: Daniel Schwartz*

Page 223: Water system that fertilizes as it irrigates. *Photo: Michael Donald, USAID/U.S. Forest Service*

Page 224: A woman in Aceh, Indonesia who lost her home to the tsunami practices mixing water with a chlorination solution under the guidance of CARE staff. *Photo: Dr. Endang, USAID/CARE*

Page 251: Children enjoy a day of fun, friends, and activities on the beach in Durres as part of USAID's Transnational Action against Child Trafficking (TACT) summer camp. *Photo: Stephanie A. Pepi, USAID/Albania*

Page 252: Health worker in Khob District, Al-Jawf Governorate, Yemen, giving polio drops to village children. *Photo: Mohamed Ibrahim, USAID/Yemen*

APPENDICES

Page 265: Afghan women standing in line to vote. Afghanistan's National Assembly and Provincial Council Elections, Kabul, Afghanistan. *Photo: USAID/Afghanistan*

Page 266: USAID supports legislative reform and new laws to streamline business regulations and reduce corruption. *Photo: USAID*

The Performance and Accountability Report for Fiscal Year 2005 is published by the:

U.S. Agency for International Development

Bureau for Policy and Program Coordination, Office of Strategic and Performance Planning (PPC/SPP)
Bureau for Management, Office of the Chief Financial Officer (M/CFO)

An electronic version is available on the World Wide Web at:
<http://www.usaid.gov/policy/par05/>

For additional copies, please call (202) 712-0175 or (202) 712-4061 or send email to usaidpar@usaid.gov.

Published in Washington, DC
November 15, 2005



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Washington, DC 20523

202-712-0000

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